



Housewares International Limited  
A.B.N. 90 086 933 431

27 February 2008

Manager, Company Announcements,  
Australian Stock Exchange Limited,  
Level 4, 20 Bridge Street,  
SYDNEY NSW 2000

**Half Year Ended 31 December 2007  
Interim Results**

Attached is a copy of the Housewares International Limited Half Year Report Appendix 4D including Independent Review Report and Auditor's Independence Declaration for the Half Year Ended 31 December 2007.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Shiraz Khan', with a stylized flourish at the end.

Shiraz Khan  
Company Secretary



Housewares International Ltd  
A.B.N. 90 086 933 431

Appendix 4D  
Half year report  
31 December 2007

## Housewares International Limited

### Appendix 4D - Half year report

Note: The numbering marked with [ ] within this half year report is consistent with the numbering used in the guidelines issued by the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2 A.3.

Current reporting period [1]: half year ended 31 December 2007  
Previous corresponding period [1]: half year ended 31 December 2006

### Results for announcement to the market

	Percentage change			Amount
	Up or down	%		A\$'000
Sales revenue from continuing operations	Up	24.4%	to	\$248,185
Sales revenue from discontinued operations	Down	99.1%	To	\$375
<b>Total revenues [2.1]</b>	Up	3.9%	to	\$248,560
<b>Profit from continuing operations after tax attributable to members [2.2]</b>	Up	16.6%	to	\$16,498
Loss from discontinued operations after tax attributable to members	Down	99.4%	to	\$(256)
<b>Net profit for the half year attributable to members [2.3]</b>	Up	155.8%	to	\$16,242
<b>Dividends [2.4]</b>	<b>Date paid / payable [5]</b>	<b>Amount per security [2.4]</b>	<b>Franked amount per security at 30% tax [2.4]</b>	<b>Amount per security of foreign source dividend [5]</b>
Interim dividend				
Current reporting period	8 APR 2008	8.5¢	8.5¢	0.0¢
Previous corresponding period	N/A*	0.0¢	0.0¢	0.0¢
The record date for determining entitlements to the interim dividend [2.5]: 25 March 2008				
*The fair value adjustments relating to the Australian Homewares discontinued operations were required to be applied against distributable reserves in the prior corresponding period which prevented the declaration of an interim dividend.				
<b>Dividend reinvestment plan [6]</b>				
The dividend plan shown below is in operation:				
<b>HOUSEWARES INTERNATIONAL LIMITED DIVIDEND REINVESTMENT PLAN ('DRP')</b>				
The DRP will be in operation for the interim dividend but shares to be issued under the DRP for this dividend will not be issued at a discount. The issue price of the shares to be issued under the DRP will be the weighted average market price of the company's shares traded on the Australian Stock Exchange during the five consecutive trading days immediately preceding, and inclusive of, the record date.				
The last date for the receipt of an election notice for participation in the DRP associated with the current reporting period interim dividend is 5.00pm 25 March 2008.				



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**Brief explanation [2.6]**

Please refer to the commentary in the review of results and operations section of the directors' report.

For further explanation please refer to the press release accompanying this half year report.

**Net tangible assets [3]**

	Current period	Previous corresponding period
Net tangible assets per security	55.92 ¢	55.80 ¢

**Control gained or lost over entities [4]**

The group has not gained control of, or lost control of, any entities during the half year ended 31 December 2007.

**Total dividend paid / payable [5]**

	Current period A\$'000	Previous corresponding period A\$'000
Final dividend paid	NIL	4,322

**Associates and joint venture entities [7]**

Name of associates and joint venture entities	Percentage holdings in associates and joint venture entities	Current period A\$'000	Previous corresponding period A\$'000
Anglo Canadian Housewares, L.P.*	2007-100% / 2006 - 50%	-	1,995
HWI China Limited	50%	-	48
<b>Aggregate share of profit of associates and joint venture entities</b>		-	2,043

\* The group gained 100% control of Anglo Canadian Housewares, L.P on 1 January 2007.

**For foreign entities, which set of Accounting Standards are used in compiling the report [8]**

Not applicable.

**Compliance statement**

This report should be read in conjunction with the attached half year report for the half year ended 31 December 2007.

No audit dispute or qualification is contained in the attached independent review report for the half year ended 31 December 2007.

Sign here:

Shiraz Khan  
Company secretary

Date:

27 February 2008

# Housewares International Limited

## Half year report

FOR THE HALF YEAR ENDED

31 December 2007

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Housewares International Ltd  
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## Corporate information

This half year report covers the consolidated entity comprising Housewares International Limited and its subsidiaries (the group).

A description of the group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 5. The directors' report is unaudited and does not form part of the financial report.

### Directors

John Schmoll  
Non-executive chairman

Steven Fisher  
Non-executive director

Steven Klein  
Non-executive director

John McConnell  
Non-executive director

Joseph Hersch – retired 30 September 2007  
Managing Director

### Company secretary

Shiraz Khan – appointed 28 September 2007  
Paul Milburn – resigned 28 September 2007

### Registered office and principal place of business

Building 2  
1A Hale Street  
Botany NSW 2019  
Telephone (+61 2) 9384 8100

### Company websites

[www.housewares.com.au](http://www.housewares.com.au)  
[www.breville.com](http://www.breville.com)  
[www.kambrook.com.au](http://www.kambrook.com.au)

### Share register

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford Victoria 3067

Enquiries with Australia: 1300 850 505  
Enquiries outside Australia: (+61 3) 9415 4000  
Website: [www.computershare.com](http://www.computershare.com)

### Auditors

Ernst & Young  
680 George Street  
Sydney NSW 2000

### Solicitors

Arnold Bloch Leibler  
333 Collins Street  
Melbourne Victoria 3000

### Bankers

Australia and New Zealand Banking Group Limited  
530 Collins Street  
Melbourne Victoria 3000

## Directors' report

The board of directors of Housewares International Limited has pleasure in submitting its report in respect of the financial half year ended 31 December 2007.

### Directors

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

John Schmoll	Non-executive chairman
Steven Fisher	Non-executive director
Steven Klein	Non-executive director
John McConnell	Non-executive director
Joseph Hersch	Managing director – retired 30 September 2007

### Review of results and operations

Sales revenues of the continuing operations of the consolidated entity for the half year to 31 December 2007 were \$248,185,000, which was up 24.4% from the consolidated sales for the previous corresponding half year (2006: \$199,526,000). The mix of the group sales now reflects a higher proportion of sales from the North American business (significantly due to the acquisition of the remaining 50% interest in the Canadian Joint Venture effective 1 January 2007) and the Asian reporting segment.

The group's profit after tax from continuing operations for the half year to 31 December 2007 was \$16,498,000. This was up 16.6% on the previous corresponding half year result of \$14,151,000. The group's loss after tax from the discontinued operations for the half year to 31 December 2007 was \$256,000 (2006: \$43,254,000, after recognising an impairment loss of \$39,484,000). After the inclusion of this loss from the discontinued operations, the net profit attributable to shareholders was \$16,242,000 (2006: Loss \$29,103,000).

The basic earnings per share for the consolidated entity was 12.93 cents per share (2006: -23.49 cents per share), with the continuing basic earnings per share increasing from 11.42 to 13.14.

### Principal activities

During the half year, the principal activities of the consolidated entity were the innovation, development, marketing and distribution of small electrical appliances and homewares in the consumer products industry. The consolidated entity operated in the principal markets of Australia, the United States of America, Canada, New Zealand, and Hong Kong.

### Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC class order 98/0100. The company is an entity to which the class order applies.



Housewares International Ltd  
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## Directors' report (continued)

### Auditor's independence declaration

Attached on page 25 is a copy of the auditor's declaration provided under section 307C of the Corporations Act 2001 in relation to the review for the half year ended 31 December 2007. This auditor's declaration forms part of this directors' report.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'John Schmolli', with a stylized flourish at the end.

John Schmolli  
Non-executive chairman

Sydney  
27 February 2008

## Income statement

for the half year ended 31 December 2007

		<b>Consolidated</b>	
		<b>Half year ended 31 Dec 2007</b>	<b>Half year ended 31 Dec 2006</b>
		<b>\$'000</b>	<b>\$'000</b>
	Note		
<b>Continuing operations</b>			
Revenue	2(a)	<b>248,185</b>	199,526
Cost of sales	2(b)	<b>(178,502)</b>	(143,973)
<b>Gross profit</b>		<b>69,683</b>	55,553
Other income	2(c)	<b>175</b>	118
Share of the profits of jointly controlled entities accounted for using equity method		-	2,043
Employee benefits expenses	2(f)	<b>(24,299)</b>	(19,604)
Premises, lease & utilities expenses	2(e)	<b>(6,264)</b>	(5,395)
Advertising expenses		<b>(8,641)</b>	(4,474)
Depreciation & amortisation expenses	2(d)	<b>(1,652)</b>	(1,206)
Other expenses	2(e)	<b>(3,883)</b>	(4,589)
Profit before tax and finance costs		<b>25,119</b>	22,446
Finance costs, net	2(g)	<b>(3,051)</b>	(2,161)
<b>Profit from continuing operations before income tax</b>		<b>22,068</b>	20,285
Income tax expense	3	<b>(5,570)</b>	(6,134)
<b>Profit from continuing operations after income tax</b>		<b>16,498</b>	14,151
<b>Discontinued operations</b>			
<b>Loss from discontinued operations after income tax</b>	4	<b>(256)</b>	(43,254)
<b>Net profit / (loss) for the half year attributable to members of Housewares International Limited</b>		<b>16,242</b>	(29,103)
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent entity:</b>			
- basic earnings per share		<b>13.14</b>	11.42
- diluted earnings per share		<b>12.88</b>	10.99
<b>Earnings per share for profit / (loss) attributable to the ordinary equity holders of the parent entity:</b>			
- basic earnings per share		<b>12.93</b>	(23.49)
- diluted earnings per share		<b>12.68</b>	(23.49)

The accompanying notes form an integral part of this income statement.



Housewares International Ltd  
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## Balance sheet

at 31 December 2007

		Consolidated		
		31 Dec 2007	30 June 2007	31 Dec 2006
Note		\$'000	\$'000	\$'000
<b>Current assets</b>				
Cash and cash equivalents	6, 10	13,191	22,657	14,002
Trade and other receivables		114,863	71,688	101,186
Inventories	7	71,859	80,494	56,673
Other financial assets		932	277	3
Current tax assets		2,860	5,413	4,278
Other assets		1,478	1,561	2,523
		<b>205,183</b>	182,090	178,665
Assets of disposal group classified as held for sale	4	138	562	22,164
<b>Total current assets</b>		<b>205,321</b>	182,652	200,829
<b>Non-current assets</b>				
Trade and other receivables		1,000	1,000	-
Investments in jointly controlled entities		-	95	7,411
Plant and equipment	8	9,711	9,507	7,881
Deferred tax assets		16,380	19,531	13,265
Intangible assets – other	9	39,985	38,452	37,254
Intangible assets – goodwill		24,558	24,558	16,869
<b>Total non-current assets</b>		<b>91,634</b>	93,143	82,680
<b>Total assets</b>		<b>296,955</b>	275,795	283,509
<b>Current liabilities</b>				
Trade and other payables		61,534	48,555	53,906
Borrowings	10	50,852	59,097	91,902
Current tax liabilities		3,616	2,087	2,942
Provisions		4,334	3,852	2,717
Other financial liabilities		1,090	3,290	2,413
		<b>121,426</b>	116,881	153,880
Liabilities directly associated with assets classified as held for sale	4	-	-	1,564
<b>Total current liabilities</b>		<b>121,426</b>	116,881	155,444
<b>Non-current liabilities</b>				
Borrowings	10	35,384	35,414	464
Deferred tax liabilities		2,696	3,538	3,112
Provisions		2,423	2,847	672
<b>Total non-current liabilities</b>		<b>40,503</b>	41,799	4,248
<b>Total liabilities</b>		<b>161,929</b>	158,680	159,692
<b>Net assets</b>		<b>135,026</b>	117,115	123,817
<b>Equity</b>				
Issued capital	11	131,839	130,713	129,844
Reserves		(5,897)	(6,440)	(3,791)
Retained earnings / (accumulated losses)		9,084	(7,158)	(2,236)
<b>Total equity</b>		<b>135,026</b>	117,115	123,817

The accompanying notes form an integral part of this balance sheet.



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## Cash flow statement

for the half year ended 31 December 2007

		<b>Consolidated</b>	
		<b>Half year ended 31 Dec 2007</b>	<b>Half year ended 31 Dec 2006</b>
		<b>\$'000</b>	<b>\$'000</b>
	Note		
<b>Cash flows from operating activities</b>			
Receipts from customers		212,855	226,168
Payments to suppliers and employees		(212,806)	(229,450)
Finance costs paid		(4,058)	(3,305)
Income tax refund/(paid)		666	(3,163)
Finance income received		258	201
<b>Net cash flows used in operating activities</b>		<b>(3,085)</b>	<b>(9,549)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of plant and equipment		154	114
Purchase of plant and equipment	8	(1,610)	(2,694)
Purchase of intangible assets	9	(2,817)	(2,028)
Deferred proceeds from sale of business	4	5,237	-
Deferred settlement payment for purchase of business		(392)	(784)
Repayment of loan from jointly controlled entity		-	1,087
Distribution received from jointly controlled entity		-	2,174
<b>Net cash flows from/(used in) investing activities</b>		<b>572</b>	<b>(2,131)</b>
<b>Cash flows from financing activities</b>			
Net (repayment)/proceeds (of)/from borrowings		(10,979)	15,871
Proceeds from issue of shares	11(a)	797	-
Proceeds from repayment of senior executive option plan loans	11(b)	329	-
Equity dividends paid	5(a)	-	(2,715)
<b>Net cash flows (used in)/from financing activities</b>		<b>(9,853)</b>	<b>13,156</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(12,366)</b>	<b>1,476</b>
Cash and cash equivalents at beginning of the half year		14,509	13,716
Net foreign exchange difference		(313)	(1,206)
<b>Cash and cash equivalents at end of the half year</b>		<b>1,830</b>	<b>13,986</b>

The accompanying notes form an integral part of this cash flow statement.

## Statement of recognised income and expense

for the half year ended 31 December 2007

	Note	Consolidated	
		Half year ended 31 Dec 2007 \$'000	Half year ended 31 Dec 2006 \$'000
Exchange differences on translation of foreign operations		(1,672)	(2,435)
Cash flow hedges:			
- Losses taken to equity		(1,778)	(4,226)
- Transferred to income statement during the half year		-	147
- Transferred to initial carrying amount of hedged items		4,100	3,300
Income tax on items taken directly to or transferred directly from equity	3	(67)	975
Net gain/(expense) recognised directly in equity		583	(2,239)
Profit / (loss) for the half year		16,242	(29,103)
<b>Total recognised income / (expense) for the half year</b>		<b>16,825</b>	<b>(31,342)</b>

The accompanying notes form an integral part of this statement of recognised income and expense.

## Notes to the half year report

for the half year ended 31 December 2007

### Note 1. Basis of preparation of the half year financial report

#### (a) Corporate information

The financial report of Housewares International Limited (the company) for the half year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 27 February 2008. Housewares International Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange (ASX).

The nature of the operations and principal activities of the group are described in the directors' report.

#### (b) Summary of significant accounting policies

The half year consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the consolidated entity as the full financial report.

The half year report should be read in conjunction with the annual report of Housewares International Limited as at 30 June 2007.

It is also recommended that the half year report be considered together with any public announcements by Housewares International Limited and its controlled entities during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

#### (i) Basis of accounting

The half year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 *Interim Financial Reporting* and other mandatory professional reporting requirements.

The half year financial report has been prepared on a historical cost basis, except for derivative financial instruments and assets held for sale that have been measured at fair value.

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC class order 98/0100. The Company is an entity to which the class order applies.

For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

#### (ii) Significant accounting policies

The half year consolidated financial statements have been prepared using the same accounting policies used in the annual financial statements for the year ended 30 June 2007 except for the change in accounting policy noted below.

Since 1 July 2007 the group has adopted AASB 7 *Financial Instruments: Disclosures* and AASB 2005-10 *Amendments to Australian Accounting Standards* which is mandatory for annual reporting periods beginning on or after 1 January 2007. Adoption of the standards did not have any effect on the financial position or performance of the group. Disclosures required under the standards will be contained in the annual report for the year ending 30 June 2008.

#### (iii) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of Housewares International Limited and its subsidiaries as at 31 December 2007 (the group).

## Notes to the half year report (continued)

for the half year ended 31 December 2007

		Consolidated	
		Half year ended 31 Dec 2007	Half year ended 31 Dec 2006
		\$'000	\$'000
Note			
<b>Note 2. Revenue and expenses from continuing operations</b>			
<b>Specific items</b>			
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
<b>(a) Revenue</b>			
	Sale of goods	248,185	199,526
<b>(b) Cost of sales</b>			
Costs of inventories recognised as an expense (includes net inventory provision movements (note 7))			
		154,553	123,513
	Costs of delivering goods to customers	8,992	8,121
	Rebates paid / payable to customers	10,346	7,853
	Warranty provision	3,681	4,138
	Amortisation - development costs	930	348
	Total cost of sales	178,502	143,973
<b>(c) Other income</b>			
	Other	175	118
	Total other income	175	118
<b>(d) Depreciation and amortisation expenses</b>			
	Depreciation - plant and equipment	1,336	1,065
	Amortisation - capitalised software	316	141
		1,652	1,206
Included in cost of sales:			
	Amortisation - development costs	930	348
	Total depreciation and amortisation expenses	2,582	1,554
<b>(e) Lease payments and other expenses/(gains) included in income statement</b>			
Included in premises, lease & utilities expenses:			
	▪ Minimum lease payments - operating lease	4,917	3,675
Included in other expenses:			
	▪ Loss/(profit) on disposal of plant and equipment	10	(2)
	▪ Bad and doubtful debts	141	854
	▪ Net foreign exchange gains	(1,414)	(379)
	▪ Other product related costs	598	441

## Notes to the half year report (continued)

for the half year ended 31 December 2007

		Consolidated	
		Half year ended 31 Dec 2007	Half year ended 31 Dec 2006
		\$'000	\$'000
Note			
<b>Note 2. Revenue and expenses from continuing operations continued</b>			
<b>Specific items continued</b>			
<b>(f) Employee benefits expenses</b>			
	Wages & salaries, leave and other employee related benefits	23,457	18,684
	Defined contribution plan expense	882	791
	Share-based payments (benefit)/expense	(40)	129
	<b>Total employee benefits expenses</b>	<b>24,299</b>	<b>19,604</b>
<b>(g) Finance costs, net</b>			
	Finance costs paid or payable on borrowings and bank overdrafts:		
	- interest	2,974	1,959
	- other borrowing costs	335	384
	Finance revenue	(258)	(182)
	<b>Total finance costs, net</b>	<b>3,051</b>	<b>2,161</b>
<b>(h) Research and development costs</b>			
	Amortisation of previously capitalised development costs included in cost of sales	930	348
	Research and development costs charged directly to the income statement	1,655	2,004
	<b>Total research and development costs</b>	<b>2,585</b>	<b>2,352</b>

### Seasonality of operations

The financial performance of the consolidated entity is exposed to seasonality in the volume of sales; such that the Company's financial performance is historically weighted in favour of the half year to 31 December. This seasonality is a reflection of the additional retail sales generated during the Christmas trading period each year.

This seasonality in the volume of sales also results in a higher level of the receivable and inventory balances at the half year compared to year-end, which consequently results in a higher working capital requirement and lower operating cash flows at the half year.

## Notes to the half year report (continued)

for the half year ended 31 December 2007

	Consolidated	
	Half year ended 31 Dec 2007 \$'000	Half year ended 31 Dec 2006 \$'000
<b>Note 3. Income tax expense</b>		
The major components of income tax expense from continuing operations are:		
Income statement		
<b>Current income tax</b>		
Current income tax charge	6,502	7,859
Adjustments in respect of current income tax of previous years	(890)	-
<b>Deferred income tax</b>		
Relating to the origination and reversal of temporary differences	(42)	(1,725)
Income tax expense reported in the income statement	<u>5,570</u>	<u>6,134</u>
Statement of recognised income and expense		
<b>Deferred income tax related to items charged or credited directly to equity</b>		
Exchange differences on translation of foreign operations	647	731
Revaluation of cash flow hedges	(714)	244
Income tax (benefit)/expense reported in equity	<u>(67)</u>	<u>975</u>

### Note 4. Discontinued operations

On 16 November 2006, Housewares International Limited publicly announced that the board of directors had retained the services of Gresham Advisory Partners Limited to assist in evaluating options for either productively growing the rationalised Australian Homewares business, including SABCO retail and commercial activities, through effective bolt-on acquisitions and/or further divestments. This business has been operating in a sector with reducing margins and increasing pressures from competitors.

Based on the status of the various options as at 31 December 2006, the Australian Homewares business was classified as a disposal group and was held for sale.

The board of directors announced on 10 May 2007 that the sale of the SABCO retail and commercial activities was completed effective 30 March 2007.

On 8 June 2007 the board announced that the sale of the Australian Homewares business was approved by the company in an extraordinary general meeting. The effective date of this sale was 16 March 2007.

The completion of the above two disposals brings to a conclusion the company's rationalisation and restructure of the Australian Homewares and SABCO businesses.

Amounts recognised in the half year ended 31 December 2007 predominantly relate to adjustments made to amounts previously presented as discontinued operations, the disposal of assets previously classified as held for sale and other expenses incurred prior to all employees being made redundant.

## Notes to the half year report (continued)

for the half year ended 31 December 2007

### Note 4. Discontinued operations (continued)

The major classes of assets and liabilities associated with the Homewares/SABCO discontinued operations are as follows:

	Consolidated		
	31 Dec 2007 \$'000	30 June 2007 \$'000	31 Dec 2006 \$'000
<b>Assets</b>			
Assets classified as held for sale			
Inventories	138	462	18,853
Plant and equipment	-	100	3,049
Intangible assets – other	-	-	262
<b>Assets classified as held for sale</b>	<b>138</b>	<b>562</b>	<b>22,164</b>
Other assets attributed to discontinued operations			
Trade and other receivables	3,754	15,094	14,423
Other assets	-	140	933
<b>Total assets attributed to discontinued operations</b>	<b>3,892</b>	<b>15,796</b>	<b>37,520</b>
<b>Liabilities</b>			
Liabilities directly associated with assets classified as held for sale			
Trade and other payables	-	-	901
Provisions	-	-	663
<b>Liabilities directly associated with assets classified as held for sale</b>	<b>-</b>	<b>-</b>	<b>1,564</b>
Other liabilities attributed to discontinued operations			
Trade and other payables	725	5,756	8,972
Provisions	2,842	3,214	96
<b>Total liabilities attributed to discontinued operations</b>	<b>3,567</b>	<b>8,970</b>	<b>10,632</b>
<b>Net assets attributed to discontinued operations</b>	<b>325</b>	<b>6,826</b>	<b>26,888</b>

## Notes to the half year report (continued)

for the half year ended 31 December 2007

	Consolidated	
	Half year ended 31 Dec 2007 \$'000	Half year ended 31 Dec 2006 \$'000
<b>Note 4. Discontinued operations (continued)</b>		
Results of the discontinued operations are presented below:		
Revenue	375	39,596
Cost of sales	(208)	(33,347)
<b>Gross profit</b>	<b>167</b>	<b>6,249</b>
Other income	122	69
Other expenses	(587)	(14,132)
<b>Underlying loss before tax, finance costs, significant items and fair value adjustments</b>	<b>(298)</b>	<b>(7,814)</b>
Finance costs:		
- interest income	-	19
- interest expense	-	(824)
- other borrowing costs	(12)	(219)
Significant items:		
- Restructuring costs associated with discontinued operations (including inventory clearance program)	-	(1,028)
<b>Loss before tax and before fair value adjustments from discontinued operations</b>	<b>(310)</b>	<b>(9,866)</b>
Tax benefit related to pre-tax loss, excluding significant items	54	2,767
Tax benefit related to significant items	-	308
<b>Loss after tax and before fair value adjustments from discontinued operations</b>	<b>(256)</b>	<b>(6,791)</b>
Loss recognised on the measurement to fair value related to:		
- Trade and other receivables	-	(892)
- Inventories	-	(7,187)
- Other assets	-	(452)
- Plant and equipment	-	(699)
- Intangible assets – other	-	(13,720)
- Intangible assets – goodwill	-	(15,930)
- Discontinuation of hedge accounting	-	(604)
	-	(39,484)
Tax benefit related to measurement to fair value	-	3,021
<b>Loss after tax and after fair value adjustments from discontinued operations</b>	<b>(256)</b>	<b>(43,254)</b>

## Notes to the half year report (continued)

for the half year ended 31 December 2007

	Consolidated	
	Half year ended 31 Dec 2007 \$'000	Half year ended 31 Dec 2006 \$'000
<b>Note 4. Discontinued operations (continued)</b>		
The net cash flows of discontinued operations are as follows:		
Operating activities	890	(5,658)
Investing activities *	5,355	(1,231)
Financing activities	-	2,272
Net cash inflow/(outflow)	<b>6,245</b>	<b>(4,617)</b>

\* Half year ended 31 December 2007 includes \$5,237,000 deferred proceeds from sale of business.

	Note	Consolidated	
		Half year ended 31 Dec 2007 \$'000	Half year ended 31 Dec 2006 \$'000
<b>Note 5. Dividends</b>			
<b>(a) Dividends on ordinary shares paid during the half year to equity holders</b>			
Final dividend for financial year ended 30 June 2007 of nil cents per share (FY2006: 3.5 cents) fully franked at 30% tax rate			
- Dividend paid in cash		-	2,715
- Dividend reinvested	11(a)	-	1,607
Total final dividend		-	4,322
<b>(b) Dividends proposed and not recognised as a liability to equity holders</b>			
Interim dividend for the financial year ending 30 June 2008 of 8.5 cents per share (FY2007: nil cents) fully franked at 30% tax rate		<b>10,714</b>	-
<b>Note 6. Cash and cash equivalents</b>			
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:			
Cash and cash equivalents		<b>13,191</b>	14,002
Borrowings (current) – bank overdraft		<b>(11,361)</b>	(16)
		<b>1,830</b>	13,986

## Notes to the half year report (continued)

for the half year ended 31 December 2007

### Note 7. Inventories

During the half year ended 31 December 2007 net inventory provision movements (recognised as a credit) totalled \$25,146 (2006: \$6,911,000 net inventory write-down expense) for the group. This net credit is included in the cost of sales line item in the cost of inventories (2006: included in the cost of sales line item in the cost of inventories or as a part of the fair value inventory adjustment of the discontinued operations).

### Note 8. Plant and equipment

#### Acquisitions and disposals

During the half year ended 31 December 2007, the group acquired plant and equipment with a cost of \$1,610,000 (2006: \$2,694,000). Plant and equipment with a net book value of \$47,000 were disposed of by the continuing operations of the group during the half year ended 31 December 2007 (2006: \$58,000), resulting in a loss on disposal of \$10,000 (2006: profit \$2,000).

### Note 9. Intangible assets - other

#### Additions

During the half year ended 31 December 2007, other intangible asset additions (including computer software and development costs) totalled \$2,817,000 (2006: \$2,028,000).

### Note 10. Borrowings

Due to the seasonality of the business, as disclosed in note 2, total net borrowings of the Group at the half year end are traditionally higher than at June year-end. Total borrowings, net of cash assets, of the Group at 31 December 2007 were \$73,045,000 (2006: \$78,364,000).

#### ANZ bank covenant

In the prior corresponding period, as a result of the company's intention to dispose of the Australian Homewares business and the related significant asset write downs, under the terms of the Banking Agreement with Australia and New Zealand Banking Group Limited (ANZ), this resulted in an event of default and a financial covenant review event. Subsequent to the half year, but pre 30 June 2007, ANZ agreed in writing to waive the breach of financial undertakings and any other event of default arising from the above divestments. As a result, in the prior half year all ANZ drawn bills of exchange were classified as current liabilities.

Subsequent to 30 June 2007 and prior to the half year ended 31 December 2007, the ANZ has confirmed an amendment to the financial covenant undertakings reflecting the restructured group following the above divestments. These amendments have ensured that no event of default has occurred during the half year ended 31 December 2007.

#### City National bank covenant

Metro/Thebe Inc a controlled entity within the group has failed to comply with a requirement of its banking agreement with City National Bank in the half year ended 31 December 2007. This has resulted in an event of default. As a consequence the Group has classified all outstanding debt of \$14,491,000 (June 07: \$16,463,000) as a current liability. Subsequent to the half year end the bank agreed to waive the event of default.

## Notes to the half year report (continued)

for the half year ended 31 December 2007

<b>Consolidated</b>			
	Note	Half year ended 31 Dec 2007 \$'000	Half year ended 31 Dec 2006 \$'000
<b>Note 11: Issued capital</b>			
Ordinary shares – issued	(a)	133,429	130,501
Ordinary shares – reserved under SEOP	(b)	(1,590)	(657)
Total contributed equity		<b>131,839</b>	<b>129,844</b>

<b>Parent</b>					
	Note	Half year ended 31 December 2007		Half year ended 31 December 2006	
		Number of shares	\$'000	Number of shares	\$'000
<b>(a) Movements in ordinary issued shares during the half year:</b>					
Beginning of the half year		125,017,632	131,570	123,454,185	128,894
Issued during the year					
- dividend reinvestment plan	5(a)	-	-	985,447	1,607
- exercise of options – non-recourse loans	(i)	574,000	1,062	-	-
- exercise of options – cash	(i)	456,666	797	-	-
End of the half year		<b>126,048,298</b>	<b>133,429</b>	124,439,632	130,501

(i) During the half year 1,030,666 options were exercised resulting in the issue of ordinary shares. The average value placed on these issues was \$1.80 per share.

### **(b) Movements in ordinary reserved shares during the half year:**

Beginning of the half year		(460,000)	(857)	(352,000)	(657)
Ordinary reserved shares issued during the year	(i)	(574,000)	(1,062)	-	-
Ordinary reserved shares repaid during the year	(ii)	178,000	329	-	-
End of the half year		<b>(856,000)</b>	<b>(1,590)</b>	(352,000)	(657)

(i) During the half year 574,000 options were exercised resulting in the issue of ordinary reserved shares. The average value placed on these issues was \$1.85 per share.

(ii) During the half year 178,000 ordinary reserved shares were repaid. The average value placed on these issues was \$1.85 per share.

## Notes to the half year report (continued)

for the half year ended 31 December 2007

### Note 12. Segment information

#### Geographic segments

The following table presents the revenue and profit information regarding geographic segments for the half year periods ended 31 December 2007 and 31 December 2006.

	Continuing Operations					Discontinued Operations	Total Operations
	Australia	New Zealand	Asia	Nth America	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half year ended 31 December 2007							
<b>Revenue</b>							
Sales to external customers	113,344	19,305	26,932	88,604	248,185	375	248,560
Other income	37	-	60	78	175	122	297
Inter segment revenue	2,034	-	-	-	2,034	-	2,034
Total segment revenue	115,415	19,305	26,992	88,682	250,394	497	250,891
Inter segment elimination					(2,034)	-	(2,034)
<b>Total consolidated revenues</b>					<b>248,360</b>	<b>497</b>	<b>248,857</b>
<b>Results</b>							
Segment result	10,833	1,473	6,496	6,317	25,119	(298)	24,821
Finance costs, net					(3,051)	(12)	(3,063)
Profit / (loss) before income tax					22,068	(310)	21,758
Income tax (expense)/benefit					(5,570)	54	(5,516)
<b>Net profit / (loss) for the half year</b>					<b>16,498</b>	<b>(256)</b>	<b>16,242</b>
Half year ended 31 December 2006							
<b>Revenue</b>							
Sales to external customers	109,679	21,134	19,033	49,680	199,526	39,596	239,122
Other income	-	-	110	8	118	69	187
Inter segment revenue	492	-	-	-	492	-	492
Total segment revenue	110,171	21,134	19,143	49,688	200,136	39,665	239,801
Inter segment elimination					(492)	-	(492)
<b>Total consolidated revenues</b>					<b>199,644</b>	<b>39,665</b>	<b>239,309</b>
<b>Results</b>							
Total segment result	11,435	1,605	4,662	2,844	20,546	(48,326)	(27,780)
Unallocated expenses					(143)	-	(143)
Finance costs, net					(2,161)	(1,024)	(3,185)
Share of profits of jointly controlled entities	-	-	48	1,995	2,043	-	2,043
Profit / (loss) before income tax					20,285	(49,350)	(29,065)
Income tax (expense)/benefit					(6,134)	6,096	(38)
<b>Net profit / (loss) for the half year</b>					<b>14,151</b>	<b>(43,254)</b>	<b>(29,103)</b>

## Notes to the half year report (continued)

for the half year ended 31 December 2007

### Note 13. Commitments and contingencies

Since 30 June 2007, there has been no material change of any contingent liabilities or contingent assets.

### Note 14: Events after the balance sheet date

There are no other matters or circumstances that have arisen since the end of the half year, which significantly affected or may affect the operation of the consolidated entity.

## Directors' declaration

In accordance with a resolution of the directors of Housewares International Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 31 December 2007 and the performance for the half year ended on that date of the consolidated entity; and
  - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the board



John Schmoll  
Non-executive chairman

Sydney  
27 February 2008

To the members of Housewares International Limited

### Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Housewares International Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of recognised income and expense and cash flow statement for the half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half year end.

### Directors Responsibility for the Half Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Housewares International Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

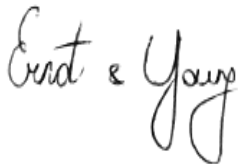
### Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

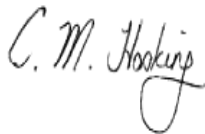
## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Housewares International Limited is not in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



Ernst & Young



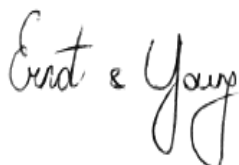
Colleen Hosking

Partner

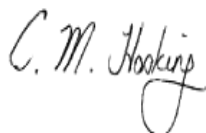
27 February 2008

## Auditor's Independence Declaration to the Directors of Housewares International Limited

In relation to our review of the financial report of Housewares International Limited for the half-year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Colleen Hosking

Partner

27 February 2008