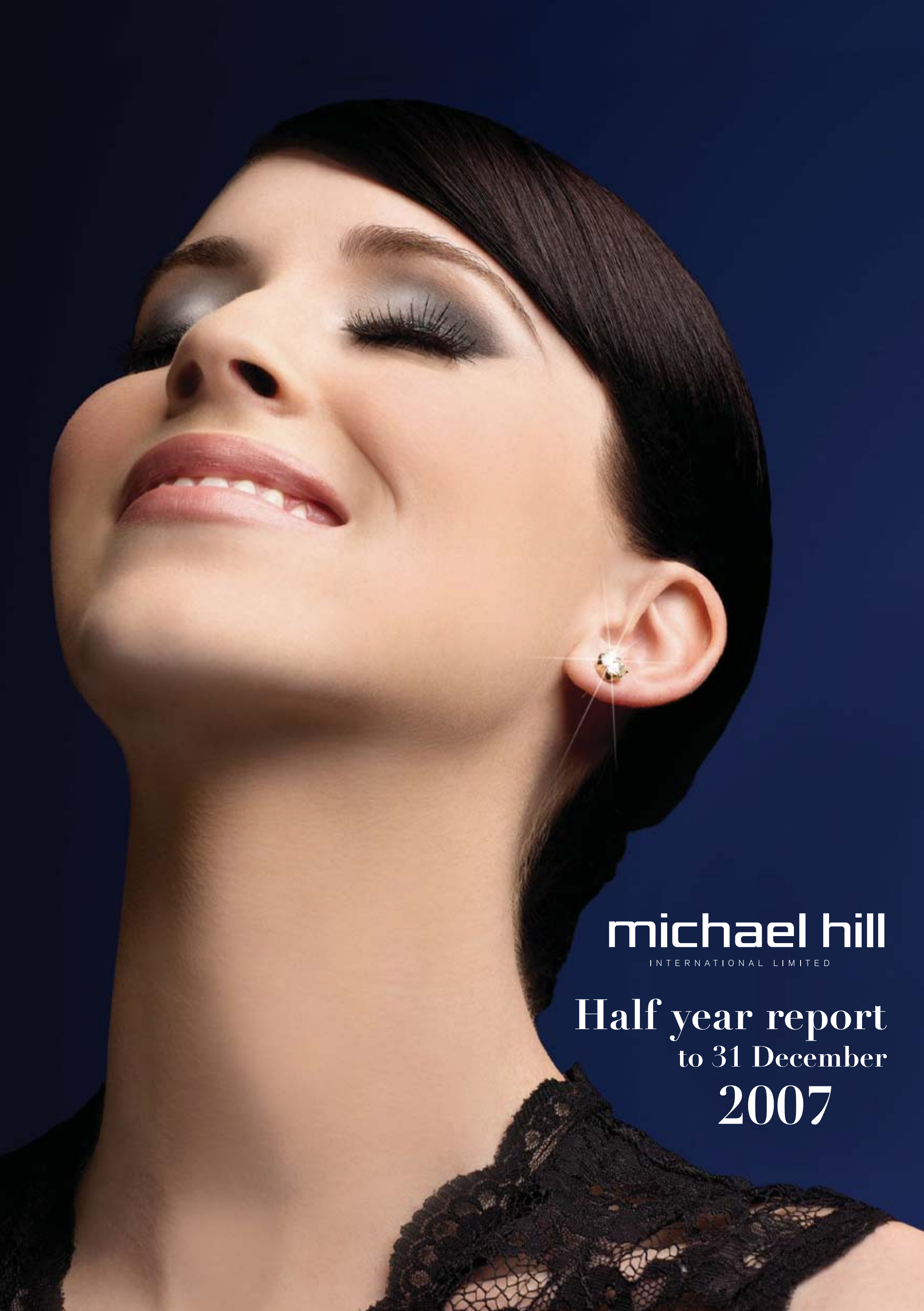

michael hill
INTERNATIONAL LIMITED

Half year report to 31 December 2007

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COMPANY PROFILE

Michael Hill International operates Michael Hill Jeweller - a global retail jewellery chain with 210 stores in Australia, New Zealand and Canada as at 31 December 2007. The Company had its origins in 1979 when Michael Hill opened the first store in the New Zealand town of Whangarei, some 160 kilometres north of Auckland.

A unique retail jewellery formula that included dramatically different store designs, a product range devoted exclusively to jewellery and almost saturation levels of high impact advertising elevated the company to national prominence and record sales.

The company grew rapidly, expanding to 10 stores by 1987 - the same year it was listed on the New Zealand Stock Exchange. 1987 also saw expansion into Australia with the opening of two stores in October, in the Brisbane suburbs of Indooroopilly and Chermside. In 2002, the Company expanded in to Canada, opening its first stores in Vancouver.

Today the group employs over 2,000 full and part time staff in retailing, manufacturing and administration. It has approximately 3,000 shareholders and is proud of its consistently high returns to shareholders averaging over 25% in the past 5 years.

HIGHLIGHTS OF THE HALF YEAR

Group Revenue up 4.8% to $209.191m

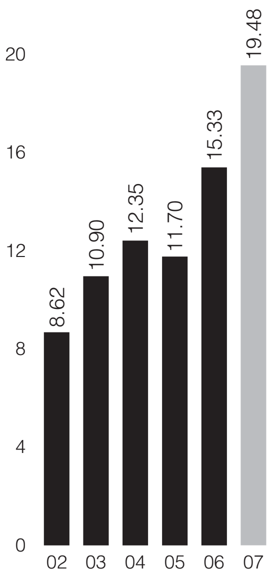
Group Profit after tax up 27.1% to $19.480m

19 new stores opened (one closed) during the period:
New Zealand 2
Australia 11
Canada 6

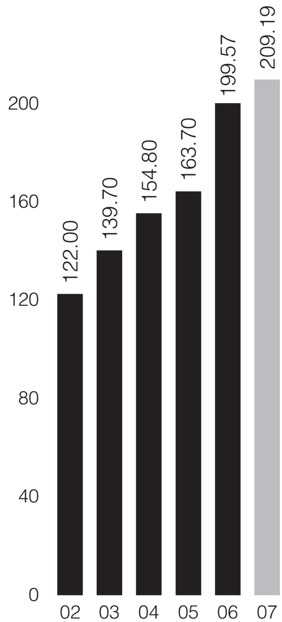
Total Stores open across Group
at 31 December 2007 - 210

Canadian operation continues to grow and
produced an operating surplus for the half year

Interim dividend increased 20% to 1.2 cents,
fully imputed and franked



GROUP PROFIT AFTER TAX
$ millions to 31 December



GROUP OPERATING REVENUE
$ millions to 31 December

December 2004 - 2007 figures are presented under NZ IFRS and are not directly comparable to prior periods as these are under previous NZ GAAP.

FINANCIAL CALENDAR

Dividends Payable: Interim - April, Final - October

Financial Results Announced: Half Year - February, Annual - August

RESULTS IN BRIEF for the six months ended 31 December 2007

(NZ$)	**31 Dec 07**	31 Dec 06	±%
Trading results			
Group revenue ($000's)	**209,191**	199,569	4.8%
Group profit after tax ($000's)	**19,480**	15,331	27.1%
Financial position at period end			
Total assets ($000's)	**199,724**	162,308	23.1%
Total shareholders' funds ($000's)	**84,840**	80,013	6.0%
Key measures			
Earnings per share (basic)	**5.10¢**	3.91¢	
Shareholders' equity	**42.5%**	49.3%	
Interest cover (times)	**12.5**	14.3	
Current ratio	**3.0:1**	3.2:1	
Number of stores 31 December			
New Zealand	**52**	50	
Australia	**136**	123	
Canada	**22**	16	
Total	**210**	189	
Distribution to shareholders			
Interim dividend per ordinary share Note that the Company performed a 1:10 share split during the half year	**1.2¢**	1.0¢	
Contributed equity			
Ordinary shares (excluding treasury)	**380,468,900**	39,232,946	
Treasury stock	**584,290**	75,654	
Contributed equity ($000's)	**$2,541**	$13,858	
Options Issued			
2,000,000 - expiry date 30/6/2008, exercise price $0.615			
4,750,000 - expiry date 30/9/2014, exercise price $1.25			

REPORT OF THE DIRECTORS

Profit Announcement

Michael Hill International today announced a tax paid profit of $19.480m for the six months ended 31 December 2007 compared to $15.331m for the previous corresponding period.

Performance Highlights

- Operating revenue of $209.191m up 4.8%
- EBIT of $30.799m up 27.8%
- Net profit after tax of $19.480m up 27.1%
- 19 new stores opened during the six months and 1 closed
- Total of 210 stores open at 31 December 2007
- Fully imputed interim dividend of 1.2 cents

New Zealand Retail Operations

The New Zealand retail segment revenue decreased by 1.1% to $53.672m for the six months with earnings before interest and tax (EBIT) of $9.097m an increase of 12.1% on the corresponding period last year.

The operating surplus as a percentage of revenue increased from 15.0% to 16.9%.

Same store sales during the six months decreased by 3.0% (last year 7.6% increase).

There were 52 stores operating in New Zealand as at 31 December 2007.

2 new stores opened in New Zealand during the period, as follows:

- Upper Hutt, Trentham
- South City, Christchurch

Australian Retail Operations

The Australian retail segment increased its revenue by 5.8% to NZ$137.462m for the six month period with EBIT of NZ$18.048m compared to NZ$15.070m for the previous corresponding period an increase of 19.8%.

The operating surplus as a percentage of revenue increased from 11.6% to 13.1%.

Same store sales decreased by 1.6% for the six months (last year 5.5% increase).

11 new stores were opened in Australia during the period, as follows:

- Winston Hills, NSW
- Rouse Hill, NSW
- Lake Macquarie, NSW
- Fig Tree Plaza, NSW
- Dapto Mall, NSW
- Forest Hill, Victoria
- Calamvale, QLD
- Garden City, QLD
- West Lakes, South Australia
- Gateways, Western Australia
- Armadale, Western Australia

One under performing store was closed during the period giving a total of 136 stores operating in Australia at 31 December 2007.

Canadian Retail Operations

The Canadian retail segment improved its revenue 22.9% for the six months to NZ$17.691m.

Same stores sales decreased 3.7% for the six months (last year 4.2% increase).

There was an operating surplus of NZ$0.488m for the six months compared to NZ$0.502m for the previous corresponding period. The company, however, entered the Ontario market in East Canada in July and established a separate retail management team to manage this market. This has added some infra-structure costs to the Canadian operation but will in the long term allow the company to grow more effectively in the years to come. The 5 stores opened in this new market during the 6 months and did not contribute fully for the period. The existing West Canada operation experienced solid growth for the 6 months with an operating profit of C$0.801m compared to C$0.444m for the corresponding period last year.

6 new stores were opened during the period:

- West Edmonton Mall, Alberta
- Fairview Park, Ontario
- Burlington Mall, Ontario
- Pen Centre, Ontario
- White Oaks, Ontario
- Masonville, Ontario

There were 22 stores open as at 31 December 2007.

Interim Dividend

The Directors are pleased to announce an interim dividend of 1.2¢ per share (2007 – 1.0¢), with full imputation credits attached for New Zealand shareholders and full franking credits for Australian shareholders. The dividend will be paid on Monday, 1st April 2008 with the record date being Tuesday 18th March 2008.

Cash Flows / Balance Sheets

The Group has reported net operating cash flows of $5.648m for the six months, compared to $32.064m for the previous year. The reduced surplus from operations, compared to last year, is a direct result of increased investment in inventory both for new stores but also to fund extended diamond ranges consistent with our brand strategy.

Since the announcement of a share buy-back on 26 March 2007, the company bought back 1,203,281 shares amounting to $11.466m which resulted in the reduction in contributed equity. The company also performed a 10 for 1 share split on the 19 November 2007.

The Group's balance sheet is very sound with an equity ratio of 42.5% as at 31 December 2007 (49.3% in 2006) and a working capital ratio of 3.0:1 (3.2:1 in 2006).

Summary

The Directors were pleased with the result for the six months which was achieved with a focus on supply chain and margin management which impacted on the second quarter.

The Group's philosophy of controlled profitable growth will continue and further new stores are being evaluated for all three countries as opportunities arise.

The Directors remain confident in the continued growth and profitability of the Group.

Michael Hill

Michael Hill
Chairman
22 February 2008

PricewaterhouseCoopers

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ACCOUNTANTS' REPORT

to the shareholders of Michael Hill International Limited

We have reviewed the interim financial statements ("financial statements") on pages 10 - 19. The financial statements provide information about the past financial performance and cash flows of the Group, comprising Michael Hill International Limited and its subsidiaries for the half year ended 31 December 2007 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 15.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2007 and its financial performance and cash flows for the half year ended on that date.

Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the half year ended 31 December 2007 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in Michael Hill International Limited or its subsidiaries other than in our capacities as accountants conducting this review, auditors under the Companies Act 1993, tax and accounting advisors.

Review opinion

We have reviewed the financial performance and cash flows of the Group for the half year ended 31 December 2007 and its financial position as at that date.

Based on our review nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Group as at 31 December 2007 and its financial performance and cash flows for the half year ended on that date in accordance with both International Accounting standard 34 and New Zealand Equivalent to International Accounting Standard 34, Interim Financial Reporting and International Financial Reporting Standard 1 and New Zealand Equivalent to International Financial Reporting Standard 1, First-time Adoption of International Financial Reporting Standards.

Our review was completed on 22 February 2008 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Brisbane

I, Robert Roach, am currently a member of The Institute of Chartered Accountants in Australia and my membership number is 20656.

PricewaterhouseCoopers was the firm appointed to undertake the review of Michael Hill International Ltd for the half year ended 31 December 2007. I was responsible for the execution of the review and delivery of our firm's accountants' report. The review work was completed on 22 February 2008.

Robert Roach

INCOME STATEMENT for the six months ended 31 December 2007

	31 Dec 07 $000	31 Dec 06 $000
Revenue from continuing operations	**209,191**	199,569
Other income	**1,565**	55
Cost of goods sold	**(78,292)**	(81,711)
Employee benefits expense	**(52,300)**	(48,671)
Occupancy costs	**(14,934)**	(13,119)
Depreciation and amortisation expense	**(4,090)**	(3,634)
Loss on disposal of property, plant and equipment	**(20)**	(171)
Other expenses	**(30,160)**	(27,779)
Finance costs	**(2,479)**	(2,115)
Profit before income tax	**28,481**	22,424
Income tax expense	**(9,001)**	(7,093)
Profit for the half-year	**19,480**	15,331
Profit attributable to members of Michael Hill International Ltd	**$ 19,480**	$ 15,331
Earnings per share for profit attributable to the ordinary equity holders of the Company during the year:		
Basic earnings per share	**5.10¢**	3.91¢
Diluted earnings per share	**5.07¢**	3.88¢

The comparative basic and diluted earnings per share have been re-stated for the half-year ended 31 December 2006 due to the 10 to 1 share split. Basic earnings per share was restated from 39.1¢ to 3.91¢ and diluted earnings per share was restated from 38.8¢ to 3.88¢.

The above income statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY for the six months ended 31 December 2007

	NOTES	31 Dec 07 $000	31 Dec 06 $000
Total equity at the beginning of the half-year		**72,504**	74,759
Exchange differences on translation of foreign operations	4	**1,161**	(4,434)
Profit for the half-year		**19,480**	15,331
Total recognised income and expense for the half year		**20,641**	10,897
Transactions with equity holders in their capacity as equity holders:			
Share buyback	3	**(2,360)**	-
Treasury stock movement	3	**149**	-
Dividends provided for or paid	5	**(6,096)**	(5,646)
Options reserve	4	**2**	3
		(8,305)	(5,643)
Total equity at the end of the half-year		**$ 84,840**	$ 80,013

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF SEGMENTED RESULTS for the six months ended 31 December 2007

	MHJ NEW ZEALAND			MHJ AUSTRALIA			MHJ CANADA			GROUP		
	2007 $000	2006 $000	± %	**2007** $000	2006 $000	± %	**2007** $000	2006 $000	± %	**2007** $000	2006 $000	± %
Operating revenue												
Sales to customers	**53,672**	54,256	-1.1%	**137,462**	129,939	5.8%	**17,691**	14,396	22.9%	**208,825**	198,591	5.2%
Unallocated revenue										**208**	350	-40.6%
Total segment revenue										**$209,033**	$198,941	5.1%
Segment results												
Operating surplus	**9,097**	8,116	12.1%	**18,048**	15,070	19.8%	**488**	502	-2.8%	**27,633**	23,688	16.7%
Unallocated revenue less unallocated expenses										**848**	(1,264)	-167.1%
Profit before income tax										**28,481**	22,424	27.0%
Income tax expenses										**(9,001)**	(7,093)	26.9%
Profit for the half year										**$19,480**	$15,331	27.1%
Segment assets	**38,343**	38,173	0.4%	**90,234**	86,552	4.3%	**23,345**	13,538	72.4%	**151,922**	138,263	9.9%
Unallocated										**47,802**	24,045	98.8%
Total										**$199,724**	$162,308	23.1%
Segment liabilities	**9,685**	8,217	17.9%	**12,484**	11,264	10.8%	**3,738**	1,977	89.1%	**25,907**	21,458	20.7%
Unallocated										**88,977**	60,837	46.3%
Total										**$114,884**	$82,295	39.6%
Segment acquisitions of property, plant & equipment and intangibles	**1,025**	676	51.6%	**4,328**	3,172	36.4%	**1,759**	905	94.4%	**7,112**	4,753	49.6%
Unallocated										**1,370**	1,062	29.0%
Total										**$8,482**	$5,815	45.9%
Segment depreciation and amortisation expense	**769**	788	-2.4%	**2,154**	1,825	18.0%	**273**	189	44.4%	**3,196**	2,802	14.1%
Unallocated										**894**	832	-7.6%
Total										**$4,090**	$3,634	12.6%

Notes:
1. The company operates in 3 geographical segments; New Zealand, Australia and Canada and is managed on a global basis.
2. Michael Hill International Limited and its controlled entities operate predominantly in one business segment being the sale of jewellery and related services.
3. Inter segment pricing is at arm's length or market value.
4. Unallocated expenses include all expenses that do not relate directly to the relevant segment and include: manufacturing activities, warehouse and distribution, interest, company taxation and general corporate expenses.

The above statement of segmented results should be read in conjunction with the accompanying notes.

BALANCE SHEET as at 31 December 2007

	NOTES	31 Dec 07 $000	31 Dec 06 $000	30 June 07 $000
ASSETS				
Current assets				
Cash and cash equivalents		**8,651**	8,231	8,426
Trade and other receivables		**8,039**	9,113	5,568
Inventories		**139,925**	109,089	101,592
Current tax receivables		**-**	-	863
Total current assets		**156,615**	126,433	116,449
Non-current assets				
Property, plant and equipment	2	**33,945**	27,689	28,748
Deferred tax assets		**8,115**	6,851	7,938
Intangible assets		**1,049**	1,335	1,205
Total non-current assets		**43,109**	35,875	37,891
Total assets		**$ 199,724**	$ 162,308	$ 154,340
LIABILITIES				
Current liabilities				
Trade and other payables		**45,840**	36,356	29,952
Current tax liabilities		**4,627**	1,813	-
Provisions		**1,777**	1,600	1,422
Total current liabilities		**52,244**	39,769	31,374
Non-current liabilities				
Borrowings		**61,587**	41,317	49,515
Provisions		**1,053**	1,209	947
Total non-current liabilities		**62,640**	42,526	50,462
Total liabilities		**$ 114,884**	$ 82,295	$ 81,836
Net assets		**$ 84,840**	$ 80,013	$ 72,504
EQUITY				
Contributed equity	3	**2,541**	13,858	4,752
Reserves	4(a)	**514**	(341)	(649)
Retained earnings	4(b)	**81,785**	66,496	68,401
		84,840	80,013	72,504
Total equity		**$ 84,840**	$ 80,013	$ 72,504

The above balance sheet should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT for the six months ended 31 December 2007

	NOTES	31 Dec 07 $000	31 Dec 06 $000
Cash flows from operating activities			
Receipts from customers (incl. of goods and services tax)		**229,220**	220,636
Payments to suppliers and employees (incl. of goods and services tax)		**(210,377)**	(181,091)
		18,843	39,545
Interest received		**165**	442
Other revenue		**474**	281
Interest paid		**(2,518)**	(1,811)
Income tax paid		**(3,261)**	(4,215)
Net goods and services tax		**(8,055)**	(2,178)
Net cash inflow from operating activities	9	**$ 5,648**	$ 32,064
Cash flows from investing activities			
Payments for property, plant and equipment		**(8,373)**	(5,712)
Payments for intangible assets		**(109)**	(103)
Proceeds from sale of property, plant and equipment		**99**	154
Net cash outflow from investing activities		**($ 8,383)**	($ 5,661)
Cash flows from financing activities			
Proceeds from borrowings		**35,844**	7,006
Repayment of borrowings		**(24,960)**	(23,354)
Proceeds from sale of treasury stock		**149**	-
Share buy-back		**(2,360)**	-
Dividends paid to company's shareholders	5	**(6,096)**	(5,646)
Net cash inflow / (outflow) from financing activities		**$ 2,577**	($ 21,994)
Net (decrease) / increase in cash and cash equivalents		**(158)**	4,409
Cash and cash equivalents at the beginning of the half-year		**8,426**	4,088
Effects of exchange rate changes on cash and cash equivalents		**383**	(266)
Cash and cash equivalents at end of the half-year		**$ 8,651**	$ 8,231

The above cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half year reporting period ended 31 December 2007 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-orientated entities.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Statutory base

Michael Hill International Limited is a public company registered under the Companies Act 1993 and is domiciled in New Zealand. The company has its primary listing on the New Zealand Stock Exchange.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

These consolidated financial statements have been approved for issue by the Board of Directors on 22 February 2008. The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded to the nearest thousands.

2. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 31 December 2007, the Group acquired assets with a total cost of $8,373,000 (31 December 2006 - $5,712,000). Assets with a net book value of $120,000 were disposed of during the six months ended 31 December 2007 (31 December 2006 - $325,000), resulting in a net loss on disposal of $20,000 (31 December 2006 - $171,000 loss). The book value and net loss on sale of property, plant and equipment includes those assets classified as 'held for sale'.

NOTES TO THE FINANCIAL STATEMENTS cont.

3. CONTRIBUTED EQUITY

	31 Dec 07 Shares	31 Dec 06 Shares	30 June 07 Shares	**31 Dec 07 $000**	31 Dec 06 $000	30 June 07 $000
(a) Share capital						
Ordinary shares						
Fully paid (no par value)	**381,053,190**	39,308,600	39,308,600	**2,832**	14,235	14,235
Shares purchased through buy-back not yet cancelled	**-**	-	(956,876)	**-**	-	(9,106)
Treasury stock held for employee share scheme	**(584,290)**	(75,654)	(75,654)	**(291)**	(377)	(377)
	380,468,900	39,232,946	38,276,070	**2,541**	13,858	4,752

	31 Dec 07 Shares	31 Dec 06 Shares	30 June 07 Shares	**31 Dec 07 $000**	31 Dec 06 $000	30 June 07 $000
Opening balance of ordinary shares issued	**39,308,600**	39,308,600	39,308,600	**14,235**	14,235	14,235
Issues of ordinary shares during the year						
Employee share scheme issue	**17,225**	-	-	**149**	-	-
Transfer from treasury stock	**(17,225)**	-	-	**(86)**	-	-
Shares bought back in prior periods and cancelled during the half-year	**(956,876)**	-	-	**(9,106)**	-	-
Shares bought back on-market and cancelled	**(246,405)**	-	-	**(2,360)**	-	-
10 for 1 share issue	**342,947,871**	-	-	**-**	-	-
Closing balance of ordinary shares issued	**381,053,190**	39,308,600	39,308,600	**2,832**	14,235	14,235

(b) Employee share scheme

During the half-year, 17,225 shares were issued to the Michael Hill Employee Share Ownership Plan at an average price of $8.65.

Michael Hill International Limited acquired nil shares through on-market purchases on the New Zealand Stock Exchange during the half-year.

(c) Options

On 7 November 2007, the board resolved to issue 475,000 share options to subscribe for ordinary shares in the Company to a director and employees. The options have an exercise price of $12.53, which was 30% above the volume weighted average market price of the Company's ordinary shares in the 20 business days following the announcement on 17 August 2007 of the Company's results for the year to 30 June 2007 to New Zealand Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS cont.

(d) Share buy-back

On 26 March 2007, Michael Hill International Limited announced an on-market share buyback program in order to optimise the balance sheet structure and gearing ratios, taking advantage of the current strong cash flow of the group. Share purchases could occur from 30 March 2007 and continue for a period not exceeding 12 months.

During August 2007, the company purchased 246,405 ordinary shares on-market. The shares were acquired at an average cost of $9.50 per share. The total cost of $2,360,000, including $19,000 of transaction costs, was deducted from ordinary shareholder equity.

The share buy-back was completed on 30 August 2007, and all shares acquired through the program have been cancelled.

(e) Share Split

On 22 August 2007, the board resolved that shareholders would receive 9 ordinary shares for every registered share held on 19 November 2007, which constituted a 10 for 1 share split. No payment was required for the issue of shares and a total of 342,947,871 shares were issued.

4. RESERVES AND RETAINED EARNINGS	**31 Dec 07** $000	31 Dec 06 $000	30 June 07 $000
(a) Reserves			
Share-based payments reserve	**40**	35	38
Foreign currency translation reserve	**474**	(376)	(687)
	514	(341)	(649)
(b) Retained earnings			
Movements in retained earnings were as follows:			
Balance 1 July	**68,401**	56,811	56,811
Profit for the half-year	**19,480**	15,331	21,017
Dividends	**(6,096)**	(5,646)	(9,427)
Balance 31 December	**81,785**	66,496	68,401

NOTES TO THE FINANCIAL STATEMENTS cont.

5. DIVIDENDS

	consolidated half-year ended	
	31 Dec 07 $000	31 Dec 06 $000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2007 of 16 cents (2006 - 14 cents) per fully paid share paid on 15 October 2007 (2006 - 16 October 2006)	**6,096**	5,646
(b) Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 1.2 cents per fully paid ordinary share (2006 - 10 cents), fully franked based on tax paid at 33%. The aggregate amount of the proposed dividend expected to be paid on 1 April 2008 out of retained profits at 31 December 2007, but not recognised as a liability at the end of the half-year, is	**4,566**	3,923

The dividends are fully imputed. Supplementary dividends of $178,000 (2006: $153,000) were paid to shareholders not tax-resident in New Zealand for which the Group received a foreign investor tax credit entitlement.

6. CONTINGENCIES

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2007 in respect of guarantees to bankers and other financial institutions of subsidiary companies' overdraft facilities and fixed assets at 31 December 2007 of $45,940,000 (31 December 2006 - $45,376,000).

No material losses are anticipated in respect of any of the above contingent liabilities.

The Group has no other material contingent liabilities as at balance date.

(b) Contingent assets

The company has no material contingent assets existing as at balance date.

7. RELATED PARTY TRANSACTIONS

There were no loans to directors by the company or associated persons at 31 December 2007.

The gross remuneration of the directors and key management personnel during the period was $1,987,000 (31 December 2006 - $1,412,000).

8. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no events occurring after balance date that would cause a material misstatement to the financial information presented in this interim financial report.

NOTES TO THE FINANCIAL STATEMENTS cont.

9. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	consolidated half-year ended	
	31 Dec 07 $000	31 Dec 06 $000
Profit for the half-year		
Add/(less) non-cash items	**19,480**	15,331
Depreciation and amortisation	**4,090**	3,634
Non-cash employee benefits expense - share based payments	**2**	3
Net loss on sale of non-current assets	**20**	171
Deferred taxation	**(177)**	433
Net exchange differences	**1,198**	(6,421)
Add/(less) changes in operating assets and liabilities		
(Increase) / decrease in trade and other receivables	**(2,471)**	1,696
(Increase) / decrease in inventories	**(38,333)**	12,962
Increase in trade and other payables	**15,888**	1,320
Increase in current tax liabilities	**5,490**	2,535
Increase in provisions	**461**	400
Net cash inflow from operating activities	**5,648**	32,064

CORPORATE DIRECTORY

DIRECTORS
R.M. Hill, C.N.Z.M (Chairman)
M.R. Parsell (Chief Executive Officer)
G.J. Gwynne
L.W. Peters A.D.Bus, M.B.A., A.S.I.A., M.A.I.C.D.
M.R. Doyle
A.C. Hill Dip F.A.
E.J. Hill B.Com., M.B.A.

COMPANY SECRETARY
W.K. Butler B.Com., C.A., F.C.I.S.

REGISTERED OFFICE
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Australia)

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Murarrie, Qld 4172
GPO Box 2922
Brisbane Qld 4001, Australia
Telephone (07) 3399 0200
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SHARE REGISTRAR
Computershare Investor Services Limited
Level 2, 159 Hurstmere Rd
Takapuna
North Shore City
Investor Enquiries (09) 488 8777

SOLICITORS
Kensington Swan
PO Box 10246
Wellington
New Zealand

AUDITORS
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Riverside Centre, Level 15
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Australia

BANKERS
ANZ Banking Group (New Zealand) Limited
Australia and New Zealand Banking Group Limited

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INTERNATIONAL LTD