

APPENDIX 4D

HALF YEAR REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

1. Details of the reporting period

Current period	1 July 2007 to 31 December 2007
Previous corresponding period	1 July 2006 to 31 December 2006

2. Results for announcement to the market

		\$	Up / down	Movement %
2.1	Revenues from ordinary activities	20,248,219	down	18.3%
2.2	Profit/(loss) from ordinary activities after tax attributable to members	2,450,641	up	1.5%
2.3	Net profit/(loss) for the period attributable to members	2,450,641	up	1.5%
2.4	Dividends	Amount per Security (cents)	Franked amount per security (cents)	
	<i>Current Period</i>			
	Final	N/A		N/A
	Interim – payable 2 April 2008	3.0		3.0
	<i>Previous corresponding period</i>			
	Final – paid 5 October 2007	3.5		3.5
	Interim – paid 24 April 2007	3.0		3.0
2.5	Record date for determining entitlements to dividends		5 March 2008	
2.6	<p>On 1 August 2007 UnderCoverWear changed its business model whereby the relationship between UnderCoverWear and the Independent Sales Consultants changed to that of wholesaler and retailer, respectively.</p> <p>Commissions are no longer paid to the Independent Sales Consultants as a result of the change from retailer to wholesaler. The consultant instead receives the margin between the wholesale purchase price and the retail sale price. This change only reflect changes to reported revenue and commissions paid lines of the Profit and Loss statement. It has no impact on EBIT.</p> <p>Below the results for the six months ended 31 December 2007 have been presented in a proforma format to show the result had trading continued with the previous business model.</p>			

	This proforma comparison analysis shows revenue is 7% below the prior period compared to 18% below as shown above.		
	31 December 2007		31 December 2006
	Proforma Previous Retail Model	Actual Current Wholesale Model	Actual
Revenue	23,166,367	20,248,219	24,792,228
Refer to the Directors' Report contained in attached interim financial report for further explanation of the results.			

3. Net Tangible Assets per security

	31 Dec 2007	31 Dec 2006
Net tangible asset backing per ordinary security	10.52 cents	8.35 cents

4. Details of entities over which control has been gained or lost during the period

i.	Name of entity (or group of entities) over which control was gained/lost	N/A
ii.	Date control was gained/lost	N/A
iii.	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired/lost	N/A
	Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

5. Details of dividends / distributions

The Directors have declared a fully franked interim dividend of 3.0 cents per share. This dividend maintains the 3.0 cents per share paid in the previous interim period.

The interim dividend will have a payment date of 2 April 2008.

6. Details of dividend / distribution reinvestment plan

At 31 December 2007, there was no dividend reinvestment plan in operation for UnderCoverWear Limited.

7. Details of associates and joint venture entities

N/A

8. Accounting Standards used by foreign entities

N/A

9. Qualification of audit / review

N/A as there is no audit dispute or qualification. Refer to the attached interim financial report which includes our auditor's Independent Review Report.



UnderCoverWear

Half Yearly Financial Report
Ended 31 December 2007

UnderCoverWear

UNDERCOVERWEAR LIMITED
A.B.N 85 108 962 152

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UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

COMPANY DETAILS

Directors	Stuart Richardson, <i>Chairman</i> John Everett AM Elaine Vincent, <i>Chief Executive Officer</i>
Company Secretary	Nick Geddes
Registered & Principal Office	UnderCoverWear Limited ABN 85 108 962 152 ACN 108 962 152 8 Solent Circuit Norwest Business Park Baulkham Hills NSW 2153 Tel: +61 2 8853 2800 Fax: +61 2 8853 2899
Auditor	Grant Thornton NSW Level 17, 383 Kent Street Sydney NSW 2000
Share Registry	ComputerShare Investor Services Pty Ltd Level 5, 115 Grenfell Street Adelaide SA 5000
Stock Exchange Listing	Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' REPORT

Your directors submit the financial report of UnderCoverWear Limited and its controlled entities for the half-year ended 31 December 2007.

Directors

The names of directors who held office during or since the end of the half-year:

John H Everett

Elaine M Vincent

David C Hall (resigned 10 December 2007)

Geoffrey Hill (resigned 30 October 2007)

Stuart Richardson (appointed 10 December 2007)

All directors held office from the start of the half year to the date of this report unless otherwise stated.

Review of Operations

The six months of trading for UnderCoverWear Limited for the period ended 31 December 2007 was slightly above the prior half year.

When compared with the corresponding period to December 2006, using the proforma analysis at Note 3, the comparisons can be highlighted as follows:

Revenue	- down 7%
Net profit after tax	- up 1%

On 1 August 2007 UnderCoverWear changed its business model whereby the relationship between UnderCoverWear and the Independent Sales Consultants changed to that of wholesaler and retailer, respectively.

Nearly all members of the direct selling industry in Australia contract their independent sales consultants on a buy/sell basis, ie, that the consultant buys the product from the company and then sells it to their customer with the general rule of thumb being that the consultant makes a gross profit of approximately 20% of the recommended selling price.

Effective from 1 August 2007, UnderCoverWear successfully adopted this arrangement rather than continuing with the model that the Company sell the product directly to the customer for the gross recommended selling price and therefore reward the consultant with a commission payment approximately 20% of the sale price.

Outlook

The main focus for the year is to grow sales consultant numbers with the consequent result to increase net sales revenue. One of the initiatives management is currently investigating is opportunities to reach new customers in Australia and other geographic locations.

Low unemployment is the major impediment to recruiting and this situation still remains. As indicated in the Chairman's Report for the year ended 30 June 2007, it is difficult to forecast the results for the twelve months to June 2008. Your Board has recommended that the interim dividend be maintained at 3.0 cents per share payable on 2 April 2008.



UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the review of the interim financial report for the half year ended 31 December 2007 is shown on page 15 and forms part of this report.

This report is signed in accordance with a resolution of the board of directors.



Stuart Richardson

Director

Dated this 21st day of February, 2008

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Consolidated Entity	
	31 December 2007	31 December 2006
	\$	\$
Revenue	20,248,219	24,792,228
Changes in inventories of finished goods and work in progress	(3,358,279)	(5,627,175)
Raw materials and consumables used	(4,589,200)	(3,400,066)
Distribution costs	(924,560)	(790,093)
Commissions paid	(2,062,560)	(5,293,423)
Promotions and advertising expense	(1,139,750)	(1,473,152)
Depreciation and amortisation expense	(78,530)	(118,047)
Insurance expense	(56,761)	(73,640)
Employee benefits expense	(3,028,768)	(3,054,666)
Rental expenses	(452,920)	(386,813)
Finance costs	-	(657)
Other expenses from ordinary activities	(1,054,890)	(1,123,815)
Profit before income tax expense	3,502,001	3,450,681
Income tax expense	(1,051,360)	(1,035,879)
Profit attributable to members of the parent entity	2,450,641	2,414,802
Basic earnings per share (cents per share)	5.11 c	5.03c
Diluted earnings per share (cents per share)	5.11 c	5.03c

The accompanying notes form part of this financial report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Consolidated Entity	
	31 December 2007	30 June 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	3,298,287	2,097,808
Trade and other receivables	213,508	347,354
Inventories	4,894,420	5,735,172
Other current assets	340,144	330,080
TOTAL CURRENT ASSETS	8,746,359	8,510,414
NON-CURRENT ASSETS		
Plant and equipment	297,737	330,732
Deferred tax assets	361,446	357,376
Intangible assets	24,817,498	24,817,499
TOTAL NON-CURRENT ASSETS	25,476,681	25,505,607
TOTAL ASSETS	34,223,040	34,016,021
CURRENT LIABILITIES		
Trade and other payables	2,412,464	3,272,430
Current tax liabilities	756,480	604,291
Short-term provisions	1,064,804	904,700
TOTAL CURRENT LIABILITIES	4,233,748	4,781,421
NON-CURRENT LIABILITIES		
Long-term provisions	117,315	115,987
Deferred tax liabilities	7,259	24,536
TOTAL NON-CURRENT LIABILITIES	124,574	140,523
TOTAL LIABILITIES	4,358,322	4,921,944
NET ASSETS	29,864,718	29,094,077
EQUITY		
Issued capital	23,960,750	23,960,750
Retained earnings	5,903,968	5,133,327
TOTAL EQUITY	29,864,718	29,094,077

The accompanying notes form part of this financial report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Ordinary Share Capital	Retained Profits	Total
Balance at 1 July 2006		23,960,750	4,129,138	28,089,888
Profit for the period		-	2,414,802	2,414,802
Total recognised income and expense for the period		23,960,750	6,543,940	30,504,690
Dividends paid or provided for	4	-	(1,680,000)	(1,680,000)
Balance at 31 December 2006		23,960,750	4,863,940	28,824,690
Balance at 1 July 2007		23,960,750	5,133,327	29,094,077
Profit for the period		-	2,450,641	2,450,641
Total recognised income and expense for the period		23,960,750	7,583,968	31,544,718
Dividends paid or provided for	4	-	(1,680,000)	(1,680,000)
Balance at 31 December 2007		23,960,750	5,903,968	29,864,718

The accompanying notes form part of this financial report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Consolidated Entity	
	31 December 2007	31 December 2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	22,299,017	27,542,629
Payments to suppliers and employees	(18,551,652)	(23,419,302)
Interest received	99,133	74,084
Dividends & trust distributions received	31	26
Finance costs	-	(657)
Income taxes paid	(920,515)	(370,124)
Net cash provided by operating activities	2,926,014	3,826,656
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(45,535)	(78,018)
Net cash used in investing activities	(45,535)	(78,018)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,680,000)	(1,680,000)
Net cash used in financing activities	(1,680,000)	(1,680,000)
Net increase in cash held	1,200,479	2,068,638
Cash at beginning of period	2,097,808	1,635,141
Cash at end of period	3,298,287	3,703,779

The accompanying notes form part of this financial report.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by UnderCoverWear Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated entity and are consistent with those applied in the 30 June 2007 financial report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting basis and conventions

The half year report has been prepared on an accruals basis and is based on historical costs.

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Consolidated Entity
31 December 2007 31 December 2006

NOTE 2: PROFIT FROM ORDINARY ACTIVITIES

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Revenue:

• sale of goods	19,149,228	23,634,848
• distribution charges	675,505	734,940
• rental revenue	295,738	322,370
• other revenue	28,585	25,216
• interest & dividends received	99,163	74,854
Total Revenue	20,248,219	24,792,228

Profit from ordinary activities before income tax has been determined after:

• Expenses		
- cost of sales	7,947,479	9,027,241
- borrowing costs	-	657
- depreciation of non-current assets	78,530	118,047
- bad & doubtful debts	4,547	4,878
- rental expense on operating leases	464,889	417,002
• Income		
- net gain on disposal of non-current assets	-	-

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

NOTE 3: CHANGE IN BUSINESS MODEL

On 1 August 2007 UnderCoverWear changed its business model whereby the relationship between UnderCoverWear and the Independent Sales Consultants changed to that of wholesaler and retailer, respectively.

Commissions are no longer paid to the Independent Sales Consultants as a result of the change from retailer to wholesaler. Revenues from ordinary activities from 1 August 2007 to 31 December 2007 include sales at wholesale value. In the previous period all sales had been recorded at retail value accordingly. The consultant instead receives the margin between the wholesale purchase price and the retail sale price. This change only reflects changes to reported revenue and commissions paid lines of the Profit and Loss statement. It has no impact on EBIT.

Below the results for the six months ended 31 December 2007 have been presented in a proforma format to show the result had trading continued with the previous business model.

This proforma comparison analysis shows revenue is 7% below the prior period compared to 18% below as shown in the income statement. Commissions paid is shown as 6% below the prior period in the proforma, compared to 61 % below as shown in the income statement. The final result is equal to that shown in the income statement, being 1% above the prior period.

	31 December 2007		31 December 2006
	Proforma Previous Retail Model	Actual Current Wholesale Model	Actual
Revenue	23,166,367	20,248,219	24,792,228
Changes in inventories of finished goods and work in progress	(3,358,279)	(3,358,279)	(5,627,175)
Raw materials and consumables used	(4,589,200)	(4,589,200)	(3,400,066)
Distribution costs	(924,560)	(924,560)	(790,093)
Commissions paid	(4,980,708)	(2,062,560)	(5,293,423)
Promotions and advertising expense	(1,139,750)	(1,139,750)	(1,473,152)
Depreciation and amortisation expense	(78,530)	(78,530)	(118,047)
Insurance expense	(56,761)	(56,761)	(73,640)
Employee benefits expense	(3,028,768)	(3,028,768)	(3,054,666)
Rental expenses	(452,920)	(452,920)	(386,813)
Finance costs	-	-	(657)
Other expenses from ordinary activities	(1,054,890)	(1,054,890)	(1,123,815)
Profit before income tax expense	3,502,001	3,502,001	3,450,681
Income tax expense	(1,051,360)	(1,051,360)	(1,035,879)
Profit attributable to members of the parent entity	2,450,641	2,450,641	2,414,802

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Consolidated Entity

31 December 2007 31 December 2006

NOTE 4: DIVIDENDS

Dividends provided for and paid during the half year are listed below:

Dividends paid	1,680,000	1,680,000
Declared interim fully franked ordinary dividend of 3.0 (2006: 3.0) cents per share franked at the tax rate of 30% (2006: 30%)	1,440,000	1,440,000

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

On 21st February 2008, an interim dividend of 3.0 cents per ordinary share, fully franked, was declared by the Company. The dividend record date will be 5 March 2008 and will be paid on 2 April 2008.

NOTE 6: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 7: SEGMENT INFORMATION

The Company only operated in one business segment being the manufacturing and distribution of underwear and garments through the home party plan.

The Company operates in the following geographic segments: Australia, New Zealand and Singapore.

Primary segment – geographical

Segment revenues are allocated based on the country in which the customer is located. Segment assets and capital expenditure are allocated based on where the assets are located

Geographical location:	Segment Revenues from External Customers		Segment profit before income tax expense	
	2007	2006	2007	2006
Australia	19,319,764	23,890,214	3,356,295	3,295,572
Other Countries	928,455	902,014	145,706	155,109
Total	20,248,219	24,792,228	3,502,001	3,450,681

UNDERCOVERWEAR LIMITED
A.B.N. 85 108 962 152

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 13:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give 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.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Stuart Richardson

Director

Dated this 21st day of February, 2007

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF UNDERCOVERWEAR LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of UnderCoverWear Limited and controlled entities for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON NSW
Chartered Accountants



N J BRADLEY
Partner

Sydney

21 February 2008

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF UNDERCOVERWEAR LIMITED

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of UnderCoverWear Limited and its controlled entities (the consolidated entity), which comprises the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flows statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes to the financial statements and the directors' declaration for the consolidated entity. The consolidated entity comprises both UnderCoverWear Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and true 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 designing, implementing and maintaining internal control 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 Engagement 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 UnderCoverWear Limited, 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.

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF UNDERCOVERWEAR LIMITED (CONT)**

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

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

- (a) 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
- (b) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



GRANT THORNTON NSW
Chartered Accountants



N J BRADLEY
Partner

Sydney

21 February 2008