MICHAEL HILL INTERNATIONAL LIMITED

ABN 25 610 937 598

APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

FOR THE HALF-YEAR ENDED 1 JANUARY 2023

REPORTING PERIOD

Reporting period:	27 weeks ending 1 January 2023
Previous reporting period:	26 weeks ending 26 December 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenue from contracts with customers	Up	11.1%	to	363,385
Earnings before interest and taxation (EBIT)*	Up	5.3%	to	58,780
Net profit after tax for the period attributable to members	Up	1.2%	to	37,584

**EBIT is non-IFRS information and is unaudited. Please refer to non-IFRS information in the Directors' Report for an explanation of non-IFRS information*

DIVIDENDS

	Amount per security cents per share	Franked amount per security cents per share
Interim dividend for the year ended 2 July 2023*	4.0	-
Final dividend for the year ended 26 June 2022	4.0	-
Interim dividend for the year ended 26 June 2022	3.5	-

*On 24 February 2023, the directors of Michael Hill International Limited declared an interim dividend for the period ended 1 January 2023. The record date for determining entitlements to the dividend is 10 March 2023 and payment date is 24 March 2023. There is no dividend reinvestment plan in operation for Michael Hill International Limited.

NET TANGIBLE ASSETS

	1 January 2023 $	26 December 2021 $
Net tangible asset[1] backing per ordinary security	0.49	0.49

[1]Net tangible assets were calculated including the Group's right-of-use assets and lease liabilities recognised under AASB16 Leases.

COMPLIANCE STATEMENT

This report is based on accounts which have been reviewed by the auditor of Michael Hill International Limited. There have been no matters of disagreement and a report of the auditor's review appears in the half-year financial report.
This report should be read in conjunction with the annual report for the year ended 26 June 2022 and any public announcements made by Michael Hill International Limited in accordance with the continuous disclosure requirements arising under the Corporations Act 2021 (Cth), ASX Listing Rules and NZX Listing Rules.

Your directors present their report on the consolidated entity consisting of Michael Hill International Limited and the entities it controlled at the end of, or during, the half-year ended 1 January 2023.

R I Fyfe
Chair

Brisbane
24 February 2023

Webcast scheduled to take place at 9.30am (AEST) on Monday, 27 February 2023. Please use the following link to register.
https://web.lumiconnect.com/386435838

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MICHAEL HILL INTERNATIONAL LIMITED
ABN 25 610 937 598
DIRECTORS' REPORT AND FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 1 JANUARY 2023

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DISCLAIMER

Certain statements in this announcement constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and the anticipated or planned financial and operational performance of Michael Hill International Limited and its related bodies corporate (the Company). The words "targets," "believes," "expects," "aims," "intends," "plans," "seeks," "will," "may," "might," "anticipates," "would," "could," "should," "continues," "estimates" or similar expressions or the negatives thereof, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as the Company's future results of operations; financial condition; working capital, cash flows and capital expenditures; and business strategy, plans and objectives for future operations and events, including those relating to ongoing operational and strategic reviews, expansion into new markets, future product launches, points of sale and production facilities.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Company's actual results, performance, operations or achievements or industry results, to differ materially from any future results, performance, operations or achievements expressed or implied by such forward-looking statements.

Such risks, uncertainties and other important factors include, among others: global and local economic conditions; changes in market trends and end-consumer preferences; fluctuations in the prices of raw materials, currency exchange rates, and interest rates; the Company's plans or objectives for future operations or products, including the ability to introduce new jewellery and non-jewellery products; the ability to expand in existing and new markets and risks associated with doing business globally and, in particular, in emerging markets; competition from local, national and international companies in the markets in which the Company operates; the protection and strengthening of the Company's intellectual property rights, including patents and trademarks; the future adequacy of the Company's current warehousing, logistics and information technology operations; changes in laws and regulations or any interpretation thereof, applicable to the Company's business; increases to the Company's effective tax rate or other harm to the Company's business as a result of governmental review of the Company's transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced to in this presentation.

Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

The Company does not intend, and do not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward-looking statements attributable to us or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this announcement.

MICHAEL HILL INTERNATIONAL LIMITED
CORPORATE DIRECTORY

DIRECTORS	R I Fyfe B.Eng, F.E.N.Z., C.N.Z.M. *Chair* Sir R M Hill K.N.Z.M. E J Hill B.Com., M.B.A. G W Smith B.Com., F.C.A., F.A.I.C.D. J E Naylor D Bracken
COMPANY SECRETARIES	A Lowe BCom, LLB (Hons), MAppFin, CA, CTA E Bird LLB (Hons), BA (Psych), GradDipLegalPrac, GradDipAppCorpGov, GAICD
PRINCIPAL REGISTERED OFFICE IN AUSTRALIA	34 Southgate Avenue Cannon Hill QLD 4170 +61 7 3114 3500
SHARE REGISTER	Computershare Investor Services Pty Ltd Level 1 200 Mary Street Brisbane QLD 4000 1300 552 270 (within Australia) +61 3 9415 4000 (outside of Australia)
AUDITOR	Ernst & Young Level 51 111 Eagle Street Brisbane QLD 4000
SOLICITOR	Allens Linklaters Level 26 480 Queen Street Brisbane QLD 4000
BANKERS	Australia and New Zealand Banking Group Limited ANZ Banking Group (New Zealand) Limited HSBC Australia Limited Bank of Montreal Bank of America
WEBSITES	www.michaelhill.com.au www.michaelhill.co.nz www.michaelhill.ca www.michaelhill.com www.medleyjewellery.com.au http://investor.michaelhill.com
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MICHAEL HILL INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE HALF YEAR ENDED 1 JANUARY 2023

The Directors present their report on the consolidated entity (referred to hereafter as the 'Group') consisting of Michael Hill International Limited ACN 610 937 598 ('Michael Hill International' or the 'Company') and all controlled subsidiaries for the half-year ended 1 January 2023.

DIRECTORS

The following persons were directors of Michael Hill International Limited during the financial period and up to the date of this report:

R I Fyfe

Sir R M Hill

E J Hill

G W Smith

J E Naylor

D Bracken

PRINCIPAL ACTIVITIES

The Group operates predominately in the retail sale of jewellery and related services sector in Australia, New Zealand and Canada. There were no significant changes in the nature of the Group's activities during the half-year ended 1 January 2023*.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the Group's operations and the expected results of operations have been included in the Review of Operations and Strategy Update sections of this report.

REVIEW OF OPERATIONS

The Group achieved the following key outcomes for the half year ended 1 January 2023:

Key Financial Results

- Group operating revenue increased by 11% to $363.4m (FY22H1: $327.1m).
- Group comparable earnings before interest and tax (EBIT*) increased by 6% to $54.5m (FY22H1: $51.6m).
- Group gross margin remained steady at 65.2% (FY22H1: 65.1%), underpinned by strategic initiatives.
- Strong working capital management resulted in a closing cash position of $78.7m (FY22H1: $99.1m), having deployed cash to support higher dividends, share buy-back and inventory investment.
- Interim dividend of AU4.0 cents per share declared (FY22H1: AU3.5 cents per share).

Operational Performance

- Loyalty strategy continues to deliver with 82% of sales from members – *Brilliance by Michael Hill* now over 1.7m members (FY22H1: 1.0m).
- Rebasing of digital sales – Following last year's surge in digital sales from closed stores and with a strong consumer return to physical retail, digital sales declined by 9% on LY, however were up 30% on FY21H1.
- Strategic investment in inventory levels in core ranges to support elevated sales.
- Successful transition to new Global HQ – The new state of the art building is home to the Company's global leadership team and functions, high tech distribution centre and reimagined artisanal jewellery workshop.
- New pure play brand *Medley* delivers 53% sales growth in the half.
- Three new stores opened and one under-performing store was closed during the half, giving a network total of 282 stores at half year end (FY22: 280).

**EBIT and Comparable EBIT are non-IFRS information and are unaudited. Please refer to non-IFRS information section in this report for an explanation of non-IFRS information and a reconciliation of EBIT and Comparable EBIT.*

FY23H1 - GROUP BUSINESS PERFORMANCE

The Group reported comparable earnings before interest and tax (EBIT*) of $54.5m for the half year ended 1 January 2023 (FY22H1: $51.6m) an increase of ~$3m (+6%) year on year, driven by a combination of strong sales growth and continued elevated margin.

For the half, the Company delivered record revenue of $363.4m, up ~$30m on the previous best first half in FY20, with 22 fewer stores. The Group year-on-year FY23H1 revenue growth of +11% was off the back of particularly strong performances from Australia and New Zealand. Strategic initiatives supported elevated group gross margins in-line with prior year, despite higher input costs.

Throughout COVID we saw an increase in customers embracing our digital channels and delivering significant growth. In FY23H1 retailers saw consumers return to physical retail where they could engage with team and product directly. While our digital sales results for the half declined by 9% on last year, they were up 30% on FY21H1 and up 148% on FY20H1 (pre-COVID). During the half, further progress was also made on our international digital strategy including the launch of international shipping, and further leveraging of our third party marketplace partnerships in all three countries. Our digital pure-play Medley delivered 53% growth, as it continues to progress through its start-up phase.

**The half-year ended 1 January 2023 is a 27 week period. Comparative period is 26 weeks.*

In August, the Company successfully relocated to a new global headquarters housing our upgraded artisanal manufacturing workshop and support functions. These new premises further enhanced employee engagement and our ability to attract and retain best-in-class talent. The new HQ also houses new state of the art distribution technology which delivers greater supply chain accuracy and efficiency for Australian and New Zealand operations. Across the key Christmas trade period, this facility supported flawless execution of store and e-commerce fulfilment.

In order to support the continued evolution of the brand, further strategic lift in ATV and record sales for the half, the Company made considered investments in inventory. This investment strategy followed supply chain disruption in the prior year, and was focused on core ongoing product ranges. Stock holdings closed for the half at $198.2m.

Having invested in core inventory and deployed cash to support capital management initiatives, including higher dividends and the share buy-back program, the Company delivered a healthy closing cash position of $78.7m and nil debt.

During the half, the Company opened three new stores (AU:2, CA:1) and closed one under-performing store in Australia, resulting in 282 stores at half year end (FY22: 280).

SEGMENT RESULTS

The operational segments below reflect the performance of the Group's retail operations in each geographic segment. The segments include trading activity from our online channels presence and our Canadian in-house credit function. The segments exclude revenue and expenses that do not relate directly to the relevant retail segments, and are treated as unallocated. These predominately relate to corporate costs and Australian based support costs, but also include the manufacturing activities, warehouse and distribution, interest and company tax.

The results below are expressed in local currency.

Australian Retail Performance

	HALF-YEAR ENDED	
OPERATING RESULTS (AU $'000)	1 January 2023	26 December 2021
Revenue	190,570	161,486
Gross profit	122,801	104,538
Gross margin	64.4%	64.7%
Comparable EBIT	38,426	33,505
Comparable EBIT as a % of revenue	20.2%	20.7%

Retail segment revenue increased by 18.0% to $190.6m for the half. For a more meaningful comparison, due to store closures in the prior year, revenue was up 8.8% on FY21H1.

As well as a strong sales performance, the segment maintained an elevated gross margin for the half of 64.4% (FY22H1: 64.7%), and 450bps growth on pre-pandemic levels.

During the half, two new stores opened, and one under-performing store closed, resulting in 148 stores at the end of the half (FY22: 147).

New Zealand Retail Performance

	HALF-YEAR ENDED	
OPERATING RESULTS (NZ $'000)	1 January 2023	26 December 2021
Revenue	76,261	67,030
Gross profit	47,751	42,534
Gross margin	62.6%	63.5%
Comparable EBIT	17,060	18,586
Comparable EBIT as a % of revenue	22.4%	27.7%

Retail segment revenue increased by 13.8% to NZ$76.3m for the half. For a more meaningful comparison, due to store closures in the prior year, revenue was up 10.0% on FY21H1.

Gross margin for the half was 62.6% (FY22H1: 63.5%), with 360bps growth on pre-pandemic levels. Given the uplift in the security incidents experienced by Auckland retailers through the half, additional investment in security was required to protect our team and stores, which had a direct impact on earnings.

At half year end, there were 48 stores (FY22: 48).

Canada Retail Performance

	HALF-YEAR ENDED	
OPERATING RESULTS (CA $'000)	1 January 2023	26 December 2021
Revenue	92,059	92,997
Gross profit	59,187	60,103
Gross margin	64.3%	64.6%
Comparable EBIT	18,533	22,196
Comparable EBIT as a % of revenue	20.1%	23.9%

For the half, retail segment revenue was CA$92.1m, flat on last year and up 22.4% on FY21H1. This result is a credit to the segment considering last year was a record performance, driven by significant pent-up demand following seven months of store closures in Eastern Canada.

In addition to strong sales performance, the segment maintained an elevated gross margin for the half of 64.3% (FY22H1: 64.6%), with an impressive 610bps growth on pre-pandemic levels, validating that the strategic changes made to the segment are driving the results.

During the half, one new store was opened, resulting in 86 stores at the end of the half (FY22: 85).

CAPITAL MANAGEMENT

Taking into consideration the Company's performance and strength of the balance sheet, the Board has decided to declare an increased interim dividend of AU4.0 cents per share (FY22H1: AU3.5cps), unfranked, fully imputed with conduit foreign income. The record date for the dividend will be Friday 10 March 2023 with payment on Friday 24 March 2023.

In addition to the above, the Company retains sufficient balance sheet strength and cash reserves for deployment into new earnings accretive growth initiatives. These cash reserves and an undrawn debt facility reaffirm the Company's ability to pursue acquisition opportunities in the fine jewellery sector in our existing markets, which meet our strategic and investment criteria.

The on-market share buy-back commenced during the half, with the Company acquiring 8.6m shares at a cost of $10.2m, representing 2.2% of share capital. The Board retains the discretion to resume buy-back activity.

STRATEGY UPDATE – FRAMEWORK UNDERPINNED BY GROWTH INITIATIVES

The Company's strategic transformation and further elevation of the brand have continued, with an overarching emphasis on sales and margin growth. The strategic framework underpins the future growth of the business, is customer-led and continually evolving and adapting to meet consumer demands:

Brand & Loyalty	Modern, differentiated, omni-channel jewellery brand with loyal customers
Digital & Omni-channel	Omni-first, digital-led & channel agnostic
Retail Fundamentals	Elevated productivity & customer experience
Product Evolution	House of diamonds
New Territories & Services	New markets, new channels & new service propositions
Cost Conscious Culture	Unwavering focus on costs
Sustainability	*"the jeweller that cares"*

The strategic framework encompasses a number of growth initiatives covering both short and long-term horizons:

Organic Growth Initiatives

- Brand and product elevation, driving ATV growth
- Leveraging of loyalty program through advanced data insights and tailored communications
- Retail productivity and investment in refreshing the store network across all markets

Digital Growth Initiatives

- Expansion of core direct-to-consumer channels and ramping up our virtual selling capabilities
- Marketplaces – growth in existing & new geographies
- International shipping
- Digital expansion into Quebec
- Pure-play Medley growth

New Services & Offerings

- Launching a circular economy offering, encompassing:
  - a digitally-enabled recycling platform
  - the ability for customers to upgrade their jewellery wardrobe
  - modernisation and expansion of repair service offerings
- Development of a new digitally-led bespoke diamond jewellery brand
- Introducing third-party jewellery insurance and replacement solutions for customers

OUTLOOK

Putting aside New Zealand's severe weather events over the last few weeks, FY23H2 sales to date are in line with our expectations. On the basis that retail trading conditions do not materially deteriorate, the Company anticipates full year comparable EBIT will be ahead of prior year.

NON-IFRS FINANCIAL INFORMATION

This report contains certain non-IFRS financial measures of historical financial performance. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards. The measures therefore may not be directly comparable with other companies' measures. Many of the measures used are common practice in the industry in which the Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by Australian Securities and Investments Commission (ASIC) to promote full and clear disclosure for investors and other users of financial information, and minimise the possibility of those users being misled by such information.

The measures are used by management and directors for the purpose of assessing the financial performance of the Group and individual segments. The directors also believe that these non-IFRS measures assist in providing additional meaningful information on the drivers of the business, performance and trends, as well as the position of the Group. Non-IFRS financial measures are also used to enhance the comparability of information between reporting periods by adjusting for non-recurring or controllable factors which affect IFRS measures, to aid the user in understanding the Group's performance. Consequently, non-IFRS measures are used by the directors and management for performance analysis, planning, reporting and incentive setting. These measures are not subject to audit.

The non-IFRS measures used in describing the business performance include:

- Same store sales reflect sales through store and online channels on a comparable trading day basis
- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Earnings before interest and tax (EBIT)
- Comparable EBIT
- Significant item

Comparable EBIT

Comparable EBIT has been calculated as follows:

	HALF-YEAR ENDED	
	1 January 2023	26 December 2021
Statutory EBIT	58,780	55,814
Add back costs relating to:		
Impact of IFRIC SaaS-related guidance	480	2,307
Less items relating to:		
Wage subsidies received (AU, NZ, CA)	-	(2,844)
Impact of AASB16 Leases	(4,755)	(3,706)
Comparable EBIT	54,505	51,571

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001 (Cth)* is included in this report.

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relation to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

The report is made on 24 February 2023 in accordance with a resolution of directors.

R I Fyfe
Chair

Brisbane
24 February 2023

Building a better working world

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Auditor's independence declaration to the directors of Michael Hill International Limited

As lead auditor for the review of the half-year financial report of Michael Hill International Limited for the half-year ended 1 January 2023, I declare 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;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Michael Hill International Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

McKenzie

Kellie McKenzie
Partner
24 February 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		HALF-YEAR ENDED	
		1 January 2023	26 December 2021
Profit or loss	NOTES	$'000	$'000
Revenue from contracts with customers	2	363,385	327,110
Other income		4,982	2,951
Cost of goods sold		(126,484)	(114,188)
Employee benefits expense		(88,473)	(75,340)
Occupancy costs		(5,265)	(4,894)
Marketing expenses		(28,489)	(23,426)
Selling expenses		(11,737)	(9,330)
Impairment of property, plant and equipment	5	(228)	(53)
Impairment of other assets		(13)	(457)
Depreciation and amortisation expense		(28,562)	(25,958)
Gain on disposal of property, plant and equipment	5	110	-
Other expenses		(20,233)	(20,601)
Finance expenses		(4,684)	(3,739)
Profit before income tax		**54,309**	**52,075**
Income tax expense		(16,725)	(14,939)
Profit for the half-year		**37,584**	**37,136**
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising during the half-year		(8,929)	(1,647)
Other comprehensive income for the half-year, net of tax		(8,929)	(1,647)
Total comprehensive income for the half-year		**28,655**	**35,489**
Total comprehensive income for the half-year is attributable to:			
Owners of Michael Hill International Limited		**28,655**	**35,489**
Earnings per share for profit attributable to the ordinary equity holders of the Company:		cents	cents
Basic earnings per share		9.77	9.56
Diluted earnings per share		9.60	9.44

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	AS AT 1 January 2023 $'000	AS AT 26 December 2021 $'000	AS AT 26 June 2022 $'000
ASSETS				
Current assets				
Cash and cash equivalents		78,742	99,138	95,844
Trade and other receivables	4	14,403	9,128	7,541
Inventories		198,249	175,753	181,539
Assets held for sale		-	17,733	-
Current tax receivables		1,575	-	944
Contract assets	2	1,223	886	845
Other current assets		4,947	5,801	5,419
Total current assets		**299,139**	**308,439**	**292,132**
Non-current assets				
Trade and other receivables	4	1,178	-	227
Right-of-use assets	3	133,564	113,944	107,385
Property, plant and equipment		48,534	40,178	41,012
Intangible assets		12,020	8,654	10,989
Deferred tax assets		55,693	66,036	58,552
Contract assets	2	382	599	488
Other non-current assets		303	854	394
Total non-current assets		**251,674**	**230,265**	**219,047**
Total assets		**550,813**	**538,704**	**511,179**
LIABILITIES				
Current liabilities				
Trade and other payables	4	76,080	86,133	78,397
Lease liabilities	3	40,350	35,735	38,183
Contract liabilities	2	26,482	25,194	24,818
Provisions	7	13,307	13,752	14,306
Liabilities directly associated with assets held for sale		-	1,401	-
Current tax liabilities		11,720	7,800	2,093
Deferred revenue		179	521	799
Total current liabilities		**168,118**	**170,536**	**158,596**
Non-current liabilities				
Lease liabilities	3	115,117	104,787	91,386
Contract liabilities	2	59,367	58,579	58,605
Provisions	7	8,554	6,565	7,497
Total non-current liabilities		**183,038**	**169,931**	**157,488**
Total liabilities		**351,156**	**340,467**	**316,084**
Net assets		**199,657**	**198,237**	**195,095**
EQUITY				
Contributed equity	8	11,112	11,388	11,388
Reserves		(3,939)	2,498	3,369
Retained profits		192,484	184,351	180,338
Total equity		**199,657**	**198,237**	**195,095**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of Michael Hill International Limited	NOTES	CONTRIBUTED EQUITY $'000	SHARE BASED PAYMENTS RESERVE $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	CASH FLOW HEDGE RESERVE $'000	RETAINED PROFITS $'000	TOTAL EQUITY $'000
Balance at 28 June 2021		11,285	637	3,579	-	158,812	174,313
Profit for the half-year		-	-	-	-	37,136	37,136
Currency translation differences		-	-	(1,647)	-	-	(1,647)
Total comprehensive income for the half-year		-	-	(1,647)	-	37,136	35,489
Transactions with members in their capacity as owners:							
Dividends paid	9	-	-	-	-	(11,649)	(11,649)
Issue of share capital on exercise of share rights	8	103	(103)	-	-	-	-
Transfer option reserve on forfeiture of vested options		-	(52)	-	-	52	-
Share-based payments expense		-	84	-	-	-	84
		103	(71)	-	-	(11,597)	(11,565)
Balance at 26 December 2021		11,388	566	1,932	-	184,351	198,237
Balance at 27 June 2022		11,388	767	2,602	-	180,338	195,095
Profit for the half-year		-	-	-	-	37,584	37,584
Currency translation differences		-	-	(8,929)	-	-	(8,929)
Total comprehensive income for the half-year		-	-	(8,929)	-	37,584	28,655
Transactions with members in their capacity as owners:							
Dividends paid	9	-	-	-	-	(15,531)	(15,531)
Issue of share capital on exercise of share rights	8	24	(24)	-	-	-	-
Share-based payments expense		-	1,645	-	-	-	1,645
Share buy-back	8	(300)	-	-	-	(9,907)	(10,207)
		(276)	1,621	-	-	(25,438)	(24,093)
Balance at 1 January 2023		11,112	2,388	(6,327)	-	192,484	199,657

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	HALF-YEAR ENDED 1 January 2023 $'000	HALF-YEAR ENDED 26 December 2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST and sales taxes)		409,261	374,260
Payments to suppliers and employees (inclusive of GST and sales taxes)		(335,399)	(286,687)
		73,862	87,573
Interest received		213	-
Other revenue received		988	3,907
Interest paid		(442)	(348)
Leasing interest paid	3	(4,178)	(3,347)
Income tax paid		(5,807)	(5,723)
Net GST and sales taxes paid		(17,046)	(11,010)
Net cash inflow from operating activities		47,590	71,052
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		4	-
Payments for property, plant and equipment	5	(14,439)	(8,299)
Payments for intangible assets	6	(2,460)	(3,454)
Net cash (outflow) from investing activities		(16,895)	(11,753)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		9,000	-
Repayment of borrowings		(9,000)	-
Principal portion of lease payments	3	(21,762)	(21,114)
Dividends paid to Company's shareholders	9	(15,531)	(11,649)
Share buy-back	8	(10,207)	-
Net cash (outflow) from financing activities		(47,500)	(32,763)
Net (decrease) / increase in cash and cash equivalents		(16,805)	26,536
Cash and cash equivalents at the beginning of the financial year		95,844	72,361
Effects of exchange rate changes on cash and cash equivalents		(297)	241
Cash and cash equivalents at the end of the half-year		78,742	99,138

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 SEGMENT INFORMATION

Management have determined the operating segments based on the reports reviewed by the Board and Executive Management team (chief operating decision makers (CODM)) that are used to make strategic decisions. The Board and Executive Management team consider, organise and manage the business primarily from a geographic perspective, being the country of origin where the sale and service was performed.

The amounts provided to the Board and Executive Management team in respect of total assets and liabilities are measured in a manner consistent with the financial statements. These reports do not allocate total assets or total liabilities based on the operations of each segment or by geographical location.

The Group's operations are in three geographical segments: Australia, New Zealand and Canada.

The Corporate and other segment includes revenue and expenses that do not relate directly to the relevant Michael Hill retail segments. These predominately relate to corporate costs and Australian based support costs, but also include manufacturing activities, warehouse and distribution, interest and company tax. Inter-segment pricing is at arm's length or market value.

The segment disclosures are prepared excluding the impact of AASB16 *Leases* and IFRIC SaaS guidance. An adjustment column representing these entries has been included for the purposes of reconciliation to statutory results.

TYPES OF PRODUCTS AND SERVICES

Michael Hill International Limited and its controlled entities operate predominately in the sale of jewellery and related services.

MAJOR CUSTOMERS

Michael Hill International Limited and its controlled entities sell goods and provide services to a number of customers from which revenue is derived. There is no single customer from which the Group derives more than 10% of total consolidated revenue.

SEGMENT RESULTS

	Australia	New Zealand	Canada	Corporate & other	Group pre-adjustments	Adjustments	Group
Half-year ended 1 January 2023	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Operating revenue	190,570	69,658	102,928	229	363,385	-	363,385
Gross profit	122,801	43,597	66,171	4,332	236,901	-	236,901
Gross margin	64.4%	62.6%	64.3%		65.2%		65.2%
EBITDA*	43,210	17,217	23,843	(18,998)	65,272	22,070	87,342
Depreciation and amortisation	(4,784)	(1,557)	(3,338)	(1,088)	(10,767)	(17,795)	(28,562)
Segment EBIT*	**38,426**	**15,660**	**20,505**	**(20,086)**	**54,505**	**4,275**	**58,780**
EBIT as a % of revenue	20.2%	22.5%	19.9%		15.0%		16.2%
Interest income	1	-	-	212	213	-	213
Finance costs	(66)	(1)	-	(439)	(506)	(4,178)	(4,684)
Net profit before tax	**38,361**	**15,659**	**20,505**	**(20,313)**	**54,212**	**97**	**54,309**
Income tax expense							(16,725)
Net profit after tax							**37,584**

Half-year ended 26 December 2021	Australia $'000	New Zealand $'000	Canada $'000	Corporate & other $'000	Group pre-adjustments $'000	Adjustments $'000	Group $'000
Operating revenue	161,486	63,937	101,126	561	327,110	-	327,110
Gross profit	104,538	40,575	65,360	2,449	212,922	-	212,922
Gross margin	64.7%	63.5%	64.6%		65.1%		65.1%
EBITDA*	36,749	18,816	29,530	(21,826)	63,269	18,503	81,772
Depreciation and amortisation	(3,244)	(1,096)	(2,562)	(1,952)	(8,854)	(17,104)	(25,958)
Segment EBIT*	**33,505**	**17,720**	**26,968**	**(23,778)**	**54,415**	**1,399**	**55,814**
EBIT as a % of revenue	20.7%	27.7%	26.7%		16.6%		17.1%
Finance costs	(22)	(1)	-	(369)	(392)	(3,347)	(3,739)
Net profit before tax	**33,483**	**17,719**	**26,968**	**(24,147)**	**54,023**	**(1,948)**	**52,075**
Income tax expense							(14,939)
Net profit after tax							**37,136**

** EBIT and EBITDA are non-IFRS, unaudited information. Please refer to non-IFRS information in the Directors' Report for an explanation of non-IFRS information.*

2 REVENUE

	HALF-YEAR ENDED 1 January 2023 $'000	HALF-YEAR ENDED 26 December 2021 $'000
Revenue from sale of goods and repair services	346,394	309,466
Revenue from Professional Care Plans (PCP)	16,221	15,937
Interest and other revenue from in-house customer finance program	318	1,368
Revenue from Lifetime Diamond Warranty (LTDW)	452	339
Total revenue from contracts with customers	**363,385**	**327,110**

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical regions:

Half-year ended 1 January 2023 Timing of revenue recognition	Australia $'000	New Zealand $'000	Canada $'000	Corporate & other $'000	Total $'000
At a point in time	181,545	66,651	98,043	155	346,394
Over time	9,025	3,007	4,885	74	16,991
	190,570	**69,658**	**102,928**	**229**	**363,385**
Half-year ended 26 December 2021 **Timing of revenue recognition**					
At a point in time	153,092	61,035	94,841	498	309,466
Over time	8,394	2,902	6,285	63	17,644
	161,486	**63,937**	**101,126**	**561**	**327,110**

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

	AS AT 1 January 2023 $'000	AS AT 26 June 2022 $'000
Right of return assets	992	577
Deferred PCP bonuses	613	756
Total contract assets	**1,605**	**1,333**
Deferred service revenue - PCP	77,965	77,148
Deferred service revenue - Lifetime Diamond Warranty	5,410	4,808
Rights of return liabilities	2,474	1,467
Total contract liabilities	**85,849**	**83,423**

3 LEASES

RIGHT-OF-USE ASSETS	AS AT 1 January 2023 $'000	AS AT 26 June 2022 $'000
Right-of-use assets	268,851	221,894
Less: Accumulated depreciation	(134,702)	(113,863)
Less: Accumulated impairment	(585)	(646)
	133,564	107,385

LEASE LIABILITIES	AS AT 1 January 2023 $'000	AS AT 26 June 2022 $'000
Current	40,350	38,183
Non-current	115,117	91,386
	155,467	129,569

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Right-of-use assets Total $'000	Lease liabilities Total $'000
Balance as at 27 June 2022	107,385	129,569
Additions	44,474	44,488
Lease modifications agreed during the half-year	4,183	4,143
Depreciation and amortisation expense	(21,522)	-
COVID-19 practical expedient on rent concessions	(684)	(684)
Interest expense	-	4,178
Lease repayments	-	(25,940)
Foreign currency translation	(272)	(287)
Balance as at 1 January 2023	133,564	155,467

4 FINANCIAL ASSETS AND LIABILITIES

Set out below is an overview of financial assets and liabilities, other than cash and short-term deposits, held by the Group as at 1 January 2023 and 26 June 2022:

FINANCIAL ASSETS AT AMORTISED COST	AS AT 1 January 2023 $'000	AS AT 26 June 2022 $'000
Trade and other receivables	15,581	7,768
FINANCIAL LIABILITIES AT AMORTISED COST		
Trade and other payables	76,080	78,397

5 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the 27 weeks ended 1 January 2023, the Group acquired assets with a total cost of $14,439,000 (26 December 2021: $8,299,000). Assets with a net book value of $106,000 were disposed of during the 27 weeks ended 1 January 2023 (26 December 2021: nil) resulting in a net gain on disposal of $110,000 (26 December 2021: no loss).

Impairment

An impairment loss of $228,000 (26 December 2021: $53,000) was recognised during the 27 weeks ended 1 January 2023.

6 INTANGIBLE ASSETS

Acquisitions and disposals

During the 27 weeks ended 1 January 2023, the Group acquired assets, primarily software development, with a total cost of $2,460,000 (26 December 2021: $3,454,000).There were no assets disposed of during the 27 weeks ended 1 January 2023 (26 December 2021: nil).

Impairment

No impairment loss in relation to intangibles was recognised for the 27 weeks ended 1 January 2023 (26 December 2021: no loss).

7 PROVISIONS

			AS AT 1 January 2023			AS AT 26 June 2022
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits	11,291	2,015	13,306	10,617	1,667	12,284
Assurance-type warranties	1,751	130	1,881	1,613	120	1,733
Make good provision	205	6,409	6,614	1,876	5,710	7,586
Restructuring costs	-	-	-	80	-	80
Diamond warranty	60	-	60	120	-	120
	13,307	8,554	21,861	14,306	7,497	21,803

8 CONTRIBUTED EQUITY

MOVEMENTS IN ORDINARY SHARES	Number of shares	Total $'000
Balance at 28 June 2021	388,142,149	11,285
Rights converted	143,225	103
Balance at 26 December 2021	**388,285,374**	**11,388**
Balance at 27 June 2022	388,285,374	11,388
Rights converted	34,747	24
Share buy-back*	(8,631,237)	(300)
Balance at 1 January 2023	**379,688,884**	**11,112**

*During the half-year the Group engaged in an on-market share buy-back program, purchasing 8,631,237 shares at an average price of AUD1.18 per share.

9 DIVIDENDS

	HALF-YEAR ENDED	
Ordinary shares	1 January 2023 $'000	26 December 2021 $'000
Final ordinary dividend for the year ended 26 June 2022 of 4.0 cents (2021: 3.0 cents) per fully paid share paid on 23 September 2022 (2021: 24 September 2021).	15,531	11,649

	HALF-YEAR ENDED	
	1 January 2023 $'000	26 December 2021 $'000
On 24 February 2023, the directors recommended the payment of an interim dividend of 4 cents (2021: 3.5 cents) per fully paid share, expected to be paid on 24 March 2023.	15,188	13,590

The dividends paid during the current financial period were fully imputed and not franked.

As the dividend was declared subsequent to the half-year end, no provision has been made as at 1 January 2023.

10 COMMITMENTS

The following sets out the various lease contracts that the Group has entered into and have yet to commence as at 1 January 2023.

	Within one year	One to five years	Greater than five years	Total
	$'000	$'000	$'000	$'000
Future lease payments for these non-cancellable lease contracts	549	4,898	1,879	7,326

11 EVENTS OCCURING AFTER THE END OF THE REPORTING PERIOD

No other matters or circumstances have occurred subsequent to half-year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

12 SUMMARY OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES AND JUDGEMENTS

(A) BASIS OF PREPARATION

The consolidated financial statements of Michael Hill International Limited and its subsidiaries (collectively, the Group) for the half year ended 1 January 2023 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*.

These consolidated 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 26 June 2022 and any public announcements made by Michael Hill International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*, ASX Listing Rules and NZX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Michael Hill International Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activity is the sale of jewellery and related services.

The financial statements have been prepared on a historical cost basis, except for assets held for sale that have been measured at fair value. The consolidated financial statements provide comparative information in respect of the previous period.

For reporting purposes, the Group adopts a weekly 'retail calendar' closing each Sunday. The current 27 week reporting period ended on 1 January 2023.

Due to the seasonal nature of selling jewellery and related services, higher revenues and operating profits are usually expected in the first half of the financial year. Accordingly, inventory levels and working capital levels are higher at the end of the first half of the financial year rather than at the end of the financial year. A comparative half-year balance sheet has been included in the consolidated statement of financial position. This information is provided to allow for a better understanding of the results. However, management has concluded that this is not 'highly seasonal' in accordance with AASB 134.

These consolidated financial statements of Michael Hill International Limited and its subsidiaries (collectively, the Group) for the 27 weeks ended 1 January 2023 were authorised for issue in accordance with a resolution of directors on 24 February 2023.

(B) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In June 2022, the IFRS Interpretations Committee (IFRIC) published an agenda decision in relation to the accounting treatment of Cash Received via Electronic Transfer as Settlement for a Financial Asset (IFRS 9 *Financial Instruments*), specifically in regards to payment timing and classification as cash or receivables. In September 2022, the International Accounting Standards Board (IASB) decided to explore narrow scope standard setting as part of its post-implementation review of IFRS 9, rather than approving the agenda decision.

Consequently, until and unless the IASB finalises an amendment to IFRS 9, the Group will continue with current accounting treatments.

Several other amendments and interpretations apply for the first time in the period, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(C) SIGNIFICANT ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are incorporated within the relevant note.

Accounting judgements that relate to this are accounting for COVID-19 related lease concessions and lease renewal periods (note 3) and the significant accounting estimates were in relation to the pattern of PCP revenue recognition (note 2).

DIRECTORS' DECLARATION

For the purposes of section 303(4) of the *Corporations Act 2001 (Cth)* and for all other purposes, the directors declare that in their opinion:

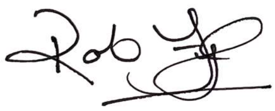
(a) the financial statements and notes are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

  (ii) giving a true and fair view of the consolidated entity's financial position as at 1 January 2023 and of its performance for the half-year ended on that date; 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.

This declaration is made on 24 February 2023 in accordance with a resolution of the directors.



R I Fyfe
Chair

Brisbane
24 February 2023

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working world

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Independent auditor's review report to the members of Michael Hill International Limited

Conclusion

We have reviewed the accompanying half-year financial report of Michael Hill International Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 1 January 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 1 January 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 1 January 2023 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*.

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.

Ernst & Young

Ernst & Young

Kellie McKenzie

Kellie McKenzie
Partner
Brisbane
24 February 2023