michael hill
INTERNATIONAL LIMITED

ANNUAL REPORT 2022

TERMINOLOGY: In this report, unless otherwise specified or appropriate in the context, the term "Company" refers to Michael Hill International Limited, and the terms "Group" or "Michael Hill" refer to the Company and its subsidiaries (as appropriate).

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The Directors are pleased to present the annual report of Michael Hill International Limited and its subsidiaries for the year ended 26 June 2022.


Love

COMPANY PROFILE

Michael Hill is a market leading, premium jewellery brand, operating a network of 280 stores across Australia, New Zealand and Canada, with multiple international digital platforms.

The first Michael Hill store opened in 1979 when Sir Michael Hill and his wife, Lady Christine Hill launched their unique retail jewellery formula in Whangarei, on the North Island of New Zealand.

With engaging store designs, a product range devoted exclusively to accessible jewellery and the clever use of high impact advertising, Michael Hill rapidly gained popularity and rose to national prominence.

In 2016, Michael Hill moved its primary stock exchange listing to the Australian Securities Exchange and maintains a secondary listing on the New Zealand Stock Exchange (ASX/NZX: MHJ).

Over the last three years, the Company has been on a transformative journey reshaping many aspects of the business, underpinned by a clearly defined strategic agenda to elevate the brand and drive growth. The *strategic framework* is customer-led and continually evolving as we adapt to the ever-changing landscape of retail – with a focus on elevating our *Brand*, growing our *Loyalty* membership, enhancing and innovating our *Digital & Omni-channel* capabilities, refining our *Retail Fundamentals*, continual *Product Evolution*, exploring *New Territories & Services*, maintaining a *Cost Conscious Culture* and with a focus on *Sustainability*.

Around the world, the Group employs over 2,500 employees across retail sales, manufacturing and corporate roles. As of 26 June 2022, the Group operates 147 stores in Australia, 48 in New Zealand and 85 stores in Canada.

From 1979 to the present day, and as we look to the future, Michael Hill is dedicated to creating quality jewellery for our customers to celebrate the key moments in their lives.

At Michael Hill, we are committed to becoming a more sustainable and ethically responsible business, protecting our eco-system and contributing to the communities we serve in meaningful ways, for generations to come.

Information on our corporate governance policies and practices, including our Corporate Governance Statement, is available on our Investor Centre website at **investor.michaelhill.com**

Our purpose:
The people behind the moments that matter

LETTER FROM THE CHAIR

ANOTHER RECORD PERFORMANCE DESPITE DISRUPTIONS TO TRADE

FY22 has been another remarkable year at Michael Hill as we delivered record results. I am extremely proud of the commitment, resilience and creativity of Daniel and the entire team as they continued to drive business performance, strategically transform operations, and progressively elevate the brand to expand our addressable market. All this has been achieved whilst navigating through the evolving Covid pandemic and complex economic conditions. Our results over the last two years, despite these challenges, demonstrate the resilience of our business, strength of our brand, loyalty of our customers and determination of our team. We continue to have confidence in the momentum of the business and our ability to adapt and thrive in the face of ongoing uncertainties.

HERITAGE BRAND UNDERPINNED BY CREATIVE FOUNDERS

As the business continues its journey to evolve and elevate our brand, the legacy of our creative founders remains extremely relevant as we showcase our artisanal craftsmanship, quality products and innovative designs. These core elements along with Sir Michael Hill and Lady Christine Hill's values, insightful vision and infectious passion continue to be infused throughout every facet of the business and are fundamental to the continued success of our business.

COMMITMENT TO OUR PEOPLE AND OUR VALUES

At Michael Hill, we recognise that our business is our people. We continually strive to be a workplace where all team members feel valued, appreciated, and encouraged to be their brilliant self. Our values: *We care, We create outstanding experiences, We are professional,* and *We are inclusive and diverse* – are truly embraced by all areas of the business and are key to attracting and retaining our high-performance team. Our employee engagement survey is a key source of insights into our cultural wellbeing and employees' connection with our purpose and ambition at Michael Hill. Impressively, once again, Michael Hill recorded another exceptionally high global engagement score of 83%, which is a credit to the strong leadership that has inspired a collaborative and energetic culture.

FOCUS ON SUSTAINABILITY

We are passionate about identifying opportunities to make Michael Hill more sustainable and I am proud of the progress we are making. We recently published our new 2030 Environmental, Social and Governance (ESG) vision centered around three key pillars: People, Product and Planet. We are committed to bringing about change in how we operate in order to drive more sustainable practices that benefit our customers, our planet and future generations. We also want to demonstrate and share these practices with the wider jewellery industry to help all participants move toward a more sustainable, innovative and responsible future.

CAPITAL MANAGEMENT

Reflecting the strength of the balance sheet and strong underlying operating results, the business undertook a detailed capital management review during the year. One of the outputs was the release of a new Dividend Distribution Policy which sets a target dividend payout range of 50% to 75% of adjusted NPAT.

We were pleased to declare a final dividend of AU4.0 cents per share, bringing our total dividend for the year to AU7.5 cents per share, representing ~67% of adjusted annual NPAT, at the higher end of the target range. Subject to the Company's ongoing trading performance and growth plans, the Board's intention is for dividends to remain at the higher end of the target range.

Furthermore, we announced the launch of an on-market share buy-back of up to 5% of the Company's issued capital, funded from existing cash reserves. The buy-back is expected to commence in mid-September 2022.

In addition to the above, the Company still retains sufficient balance sheet strength and cash reserves for deployment into new earnings accretive organic growth initiatives and to also pursue acquisition opportunities in the jewellery sector, which meet our strict strategic and investment criteria.

IN CONCLUSION

As I reflect on FY22 and my first full year as Chair, I am honoured to be surrounded by a very high calibre, stable Board of Directors and Executive Team that are all aligned on the strategic direction for Michael Hill. We look forward to continuing the positive momentum of the business, and focusing on growth initiatives that will strengthen our market position and financial performance.

Regards,

Robert Fyfe
Chair

CEO'S MESSAGE

PIVOTING FROM TRANSFORMATION TO GROWTH

I am absolutely delighted by our outstanding results for FY22, delivering record sales, gross margin, and profit, especially considering the disruptions we faced across Australia and New Zealand in the first half. A key highlight was our ability to grow profit faster than sales, underpinned by continued gross margin expansion. All facets of the business came together to drive this result, but I would particularly like to highlight the evolution of our product, the outstanding performance from our stores, the continued acceleration of our digital channels and the key role that our loyalty program now plays in driving sales and margin growth.

These results demonstrate that we have successfully shifted the emphasis from transformation to growth, as we continue to elevate and modernise the Michael Hill brand.

I am particularly proud of our people and the culture that we continue to build at Michael Hill – a high performance team across all levels, with an energy and passion that underpins our growth agenda. This culture is best evidenced by the sensational performance this year from our Canadian team delivering huge lifts in productivity, sales and margin.

STRATEGIC UPDATE

Much of the Company's strong performance can be attributed to the strategic transformation and elevation of the brand, along with overarching emphasis on sales and margin growth. The strategic framework underpins the future growth of the business, is customer-led and continually evolving.

Brand & Loyalty: The elevation of the Michael Hill brand has been led by highly engaging and emotive marketing campaigns with an emphasis on product, quality and craft, which is leading the transition away from price and promotion, towards emotional long-term customer relationships. Simultaneously, the *Brilliance by Michael Hill* loyalty program is proving to be a key lever for growth and customer engagement and now has close to 1.5 million members.

Digital & Omni-Channel: Michael Hill's digital transformation continues to gather pace delivering another record year in FY22. Strong performances on the Company's direct to consumer websites were driven by improved customer experience, higher traffic and increased conversion rates. The successful deployment of "click and collect" and "ship-from-store", now available in all stores globally, enhanced our omni-channel capabilities as the Company continues its customer-led digital transformation journey.

Retail Fundamentals: Bricks and mortar retail is at the core of the Michael Hill business, driving the majority of sales. Elevating the in-store experience across visual presentation and customer engagement has delivered considerable increases in gross margin, conversion rates and ATV. An unwavering focus on people and performance, operational excellence, and effective labour management underpin our retail productivity which has seen significant lifts in all markets.

Product Evolution: Product evolution is at the centre of a customer-led retail strategy, and is critical to achieve sales and margin growth. Elevated quality and craftmanship are essential to our aspirational brand journey, and this will be delivered through the evolution of our supply chain, and further investment in the artisanal capabilities of our Australian manufacturing facility.

New Territories & Services: As the Company pivots from transformation to growth, the opportunity to stretch the brand into new territories and services is a key focus. Through the course of the year, the Company has executed its marketplace strategy across its three core segments, partnering with The Iconic in Australia and New Zealand, and The Bay in Canada.

Sustainability: Michael Hill is elevating its strategic focus on Environmental, Social and Governance, with the launch of our 2030 vision centred around three key pillars: People, Product and Planet. In addition, laboratory created diamonds are gaining momentum in the business, delivering increased quality and choice while providing customers with a certified Sustainable and Climate Neutral choice. For more information on our 2030 vision, please refer to our sustainability update in this report.

EXECUTIVE LEADERSHIP TEAM

Our strategic roadmap has been carefully planned, articulated and led by our highly cohesive and collaborative Executive Leadership Team. I'm particularly proud of my entire team, the breadth and depth of their knowledge spreads across a wide range of retail, digital and technology capabilities, brand and loyalty expertise, along with an elevated focus on performance and culture, and of course financial acumen.

Importantly, the business will continue its growth agenda, elevating our core business and at the same time, deploying organic growth initiatives, and pursuing acquisition opportunities in the jewellery sector.

Regards,

Regards,

Daniel Bracken
Managing Director and CEO

PERFORMANCE HIGHLIGHTS

KEY FINANCIAL RESULTS

Statutory net profit after tax **increased** by 13.9% to

$46.7M

Group gross margin **increased** by 200 bps to

64.7%

Healthy inventory levels supporting elevated sales at

$181.5M

Earnings before interest & tax (EBIT) **increased** by 9.8% to

$73.2M

Group operating revenue **increased**

7.0% to $595.2M

Strong balance sheet, with a closing cash position of

$95.8M

OPERATIONAL PERFORMANCE

Digital sales **increased** by

23% **to a record** $42M

One new store **opened** and six under-performing stores were **closed**

1.4M+

Brilliance by Michael Hill members

Extensive H1 temporary store closures culminated in

10,020

lost trading days

Group same store sales were up

8.0%

for the year

New pure play brand **Medley delivered over $1M** in sales for its first full year of trade

KEY FACTS

TRADING RESULTS

	% Change	2022 $000's	2021 $000's Restated[1]
Group revenue	7.0%	595,210	556,486
Gross profit	10.3%	384,826	348,916
Earnings before interest & tax (EBIT)*	9.8%	73,236	66,672
Comparable EBIT*	11.1%	62,870	56,594
Net profit before tax (NPBT)	11.2%	65,703	59,081
Net profit after tax (NPAT)	13.9%	46,712	41,015
Net cash inflow from operating activities	(17.0%)	111,574	134,497

FINANCIAL POSITION

	% Change	2022 $000's	2021 $000's Restated[1]
Contributed equity 388,285,374 ordinary shares	0.9%	11,388	11,285
Total equity	11.9%	195,095	174,313
Total assets	4.5%	511,179	489,023
Net (debt)/cash	32.5%	95,844	72,361
Capital expenditure	123.1%	22,471	10,072

KEY RATIOS

	2022	2021 Restated[1]
Return on average shareholders funds	25.3%	25.0%
Gross margin	64.7%	62.7%
Interest expense cover (times)	9.7	8.8
Equity ratio	38.2%	35.6%
Working capital ratio	3.7 : 1	3.7 : 1
Current ratio	1.8 : 1	1.8 : 1

DIVIDENDS (including final dividend)

	2022	2021 Restated[1]
Per ordinary share	AU7.5c	AU4.5c
Times covered by net profit after tax	1.60	2.35

SHARE PRICE AT YEAR END

	2022	2021
Share price (ASX)	AU$0.93	AU$0.83

KEY INVESTOR RATIOS

	2022	2021 Restated[1]
Basic earnings per share	12.03c	10.57c
Diluted earnings per share	11.86c	10.53c
EBIT to sales	12.3%	12.0%
Return on average total assets	9.3%	8.2%

SAME STORE SALES* (in local currency)

	2022	2021
Australia	4.2%	13.0%
New Zealand	8.9%	7.1%
Canada	11.3%	6.8%
Group	8.0%	8.6%

STORE NUMBERS

	2022	2021
Australia	147	150
New Zealand	48	49
Canada	85	86
Total stores	280	285

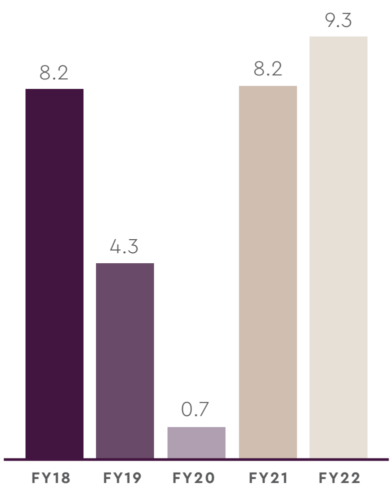
** EBIT, Comparable EBIT and Same Store Sales are Non-IFRS information and are unaudited. Please refer to **page 48** for an explanation of Non-IFRS information and a reconciliation of EBIT and Comparable EBIT.*

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 11(R) for details.

PERFORMANCE

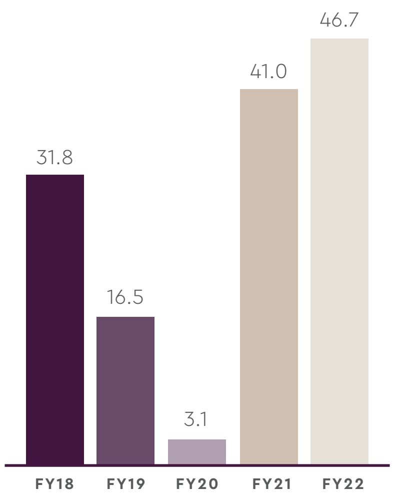
Return on average assets 9.3%

%



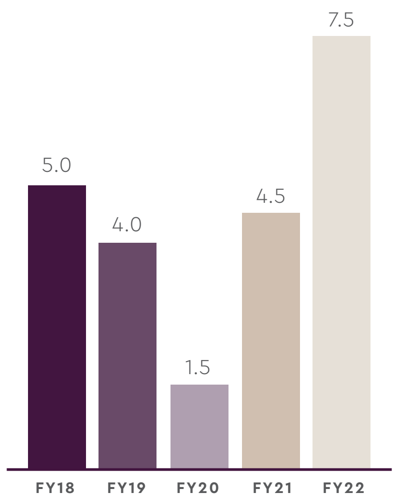
Net profit from operating activities after tax up 13.9%

AU$ MILLIONS



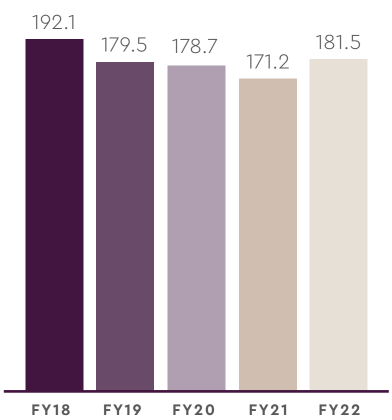
Ordinary dividend

AU CENTS PER SHARE



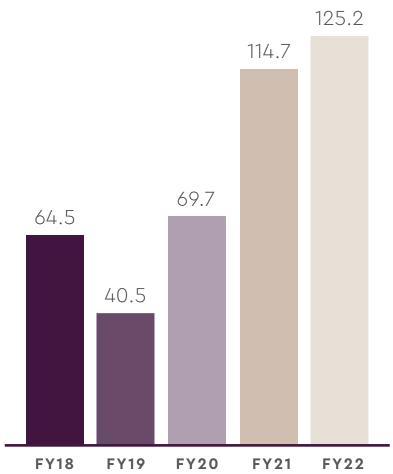
Inventory

AU$ MILLIONS



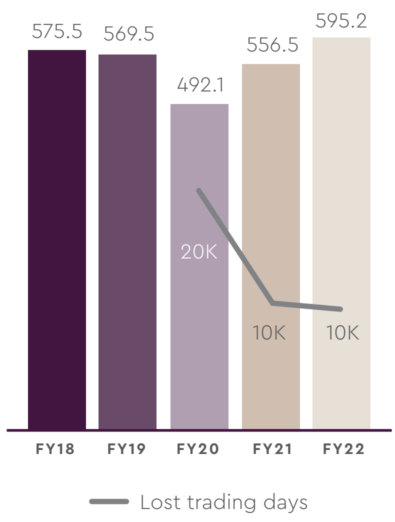
EBITDA up 9.1%

AU$ MILLIONS

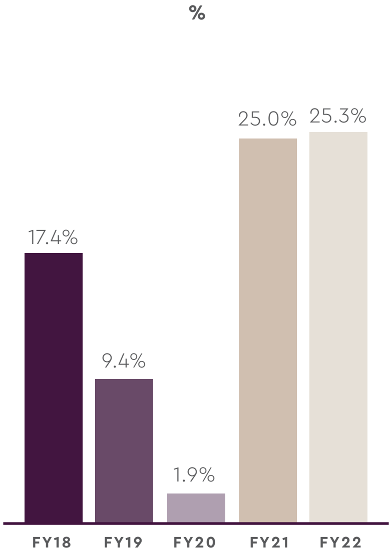


Group revenue up 7.0%

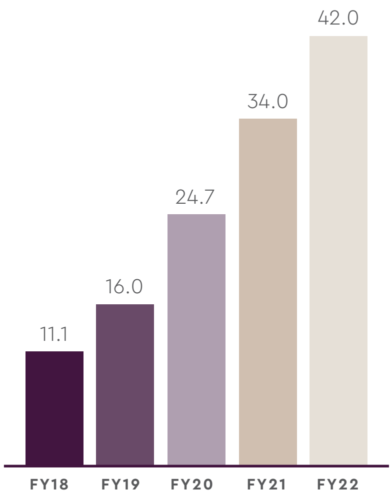
AU$ MILLIONS



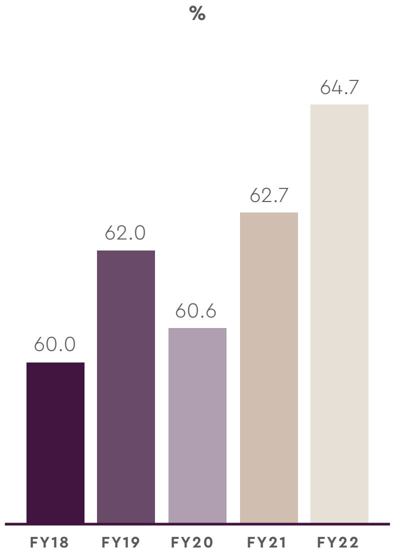
Return on average shareholders' funds 25.3%



Digital sales up 23.4%

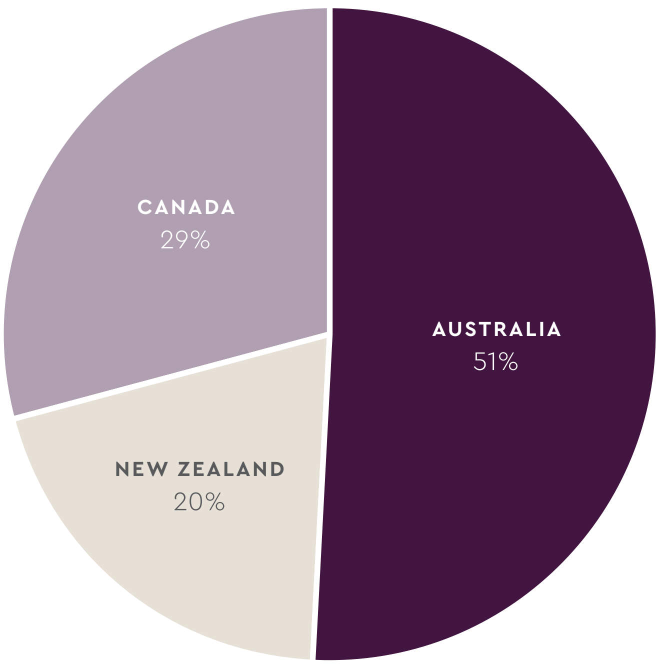


Gross margin



Revenue by country

YEAR ENDED 26 JUNE 2022



TREND STATEMENT

TREND STATEMENT					
Financial performance	**2022** $'000	**2021** $'000 RESTATED	**2020** $'000	**2019** $'000	**2018** $'000
Group revenue	**595,210**	**556,486**	**492,060**	**569,500**	**575,539**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	125,180	114,733	69,690	40,481	64,481
Depreciation and amortisation	51,944	48,061	55,611	19,366	18,694
Earnings before interest and tax (EBIT)	**73,236**	**66,672**	**14,079**	**21,115**	**45,787**
Net interest paid	7,533	7,591	9,594	2,304	2,680
Net profit before tax (NPBT)	**65,703**	**59,081**	**4,485**	**18,811**	**43,107**
Income tax	18,991	18,066	1,426	2,313	11,342
Net profit after tax (NPAT)	**46,712**	**41,015**	**3,059**	**16,498**	**31,765**
Net operating cash flow	111,574	134,497	83,699	38,969	54,893
Ordinary dividends paid during the year	25,239	11,636	5,817	19,365	19,371
Financial position	**2022** $'000	**2021** $'000 RESTATED	**2020** $'000	**2019** $'000	**2018** $'000
Cash	95,844	72,361	11,204	7,923	7,220
Inventories	181,539	171,246	178,742	179,503	192,074
Other current assets	14,749	27,463	31,007	35,878	29,314
Total current assets	**292,132**	**271,070**	**220,953**	**223,304**	**228,608**
Other non-current assets	42,121	37,729	57,857	72,742	72,219
Deferred tax assets	58,552	68,329	74,468	67,708	68,022
Total tangible assets	**392,805**	**377,128**	**353,278**	**363,754**	**368,849**
Right-of-use assets	107,385	105,882	123,911	–	–
Intangible assets	10,989	6,013	24,429	15,439	12,626
Total assets	**511,179**	**489,023**	**501,618**	**379,193**	**381,475**
Total current liabilities	**158,596**	**151,522**	**159,405**	**105,130**	**108,710**
Non-current borrowings	–	–	10,681	32,704	35,213
Lease liabilities	91,386	99,382	115,848	–	–
Other long term liabilities	66,102	63,806	61,878	64,607	62,627
Total liabilities	**316,084**	**314,710**	**347,812**	**202,441**	**206,550**
Net assets	**195,095**	**174,313**	**153,806**	**176,752**	**174,925**
Reserves and retained profits	183,707	163,028	142,790	165,768	164,659
Paid up capital	11,388	11,285	11,016	10,984	10,266
Total shareholder equity	**195,095**	**174,313**	**153,806**	**176,752**	**174,925**
Basic earnings per share	12.11c	10.57c	0.79c	4.26c	8.20c
Diluted earnings per share	11.93c	10.53c	0.79c	4.25c	8.19c
Dividends declared per share (interim)	AU3.5c	AU1.5c	AU1.5c	AU2.5c	AU2.5c
Dividends declared per share (final)	AU4.0c	AU3.0c	–	AU1.5c	AU2.5c
Net tangible asset backing	$0.20	$0.16	$0.01	$0.42	$0.42

Analytical information	2022	2021 RESTATED	2020	2019	2018
EBITDA to sales	21.0%	20.6%	14.2%	7.1%	11.2%
EBIT to sales	12.3%	12.0%	2.9%	3.7%	8.0%
Net profit after tax to sales	7.8%	7.4%	0.6%	2.9%	5.5%
EBIT to total assets	14.3%	13.6%	2.8%	5.6%	12.0%
Return on average shareholders funds	25.3%	25.0%	1.9%	9.4%	17.4%
Return on average total assets	9.3%	8.2%	0.7%	4.3%	8.2%
Working capital ratio	3.7 : 1	3.7 : 1	3.4 : 1	5.0 : 1	4.6 : 1
Current ratio	1.8 : 1	1.8 : 1	1.4 : 1	2.1 : 1	2.1 : 1
EBIT interest expense cover	9.7	8.8	1.5	8.6	17.0
Effective tax rate	28.9%	30.6%	31.8%	12.3%	26.3%
Net borrowings to equity	(49.1%)	(41.5%)	(0.3%)	23.5%	27.7%
Equity ratio	38.2%	35.6%	30.7%	46.6%	45.9%
Shares issued at year end excl Treasury	388,285,374	388,142,149	387,769,105	387,750,000	387,438,513
Exchange rate for translating:					
- New Zealand results	1.06	1.07	1.04	1.06	1.09
- Canadian results	0.92	0.95	0.90	0.95	0.98

Store numbers	2022	2021	2020	2019	2018
Australia	147	150	155	167	171
New Zealand	48	49	49	52	52
Canada	85	86	86	86	83
Number of Michael Hill stores	**280**	**285**	**290**	**305**	**306**

“I’m absolutely delighted by our outstanding FY22 results, delivering record sales, gross margin, and profit.”

DANIEL BRACKEN, MANAGING DIRECTOR & CEO

SUSTAINABILITY

MICHAEL HILL – THE JEWELLER THAT CARES

At Michael Hill, we are evolving our strategic sustainability direction by mapping out a 2030 vision for our three key pillars – People, Product and Planet. We have made significant progress on our sustainability journey in previous years, however with a new structure and rigor around roadmaps for delivery, we have established a comprehensive set of goals to align with global sustainability efforts.

Our new 2030 vision for environmental, social and governance "ESG" relevant issues is to transform how we source and manufacture our products, impact our planet and improve people's lives, and we have mapped out a new strategic architecture, with supporting pillars and goals we are striving to achieve by 2030.

Through these goals, we are committed to bringing change in how we operate to drive sustainable practices that benefit our customers, our planet and future generations. Through our internal operations, we aim to move our business and the broader jewellery industry toward a more sustainable, innovative and responsible future. We plan to have an active voice in key industry sectors, while educating our customers on the choices they can make as consumers to support and drive our journey.

With our new strategic focus, combined with great governance and direction we look forward to providing updates on our progress regularly. We recognise these goals require consistent and long-term focus and efforts – by us, by others in the retail and jewellery industry, by customers, and by governments – however our commitment to striving for our goals is unwavering.

THE MICHAEL HILL SUSTAINABILITY VISION & STRATEGIC DIRECTION

Our ESG vision is to: transform how we source and manufacture our products, impact our planet and improve people's lives. We aim to move our business and the broader jewellery industry towards a more sustainable, innovative, and responsible future. This strategic framework outlines the goals Michaell Hill is working to achieve by 2030.

These goals will be delivered through a structured framework of cross functional team members with a clear governance program, linking back to our Board.   An internal ESG committee has been created, which includes the CEO and is accountable for deciding on strategic orientations and accountability for progress. This committee will feed into the Board to update on progress and strategic information and decisions and gain strategic endorsement where required.

PEOPLE

We will improve the lives of people across our value chain

Responsible Suppliers

100% of all suppliers meet our expectations on their social and environmental impacts [by 2030]

Empowering Women

Deliver initiatives and develop partnerships focused on empowering and supporting over 100,000 women [by 2030]

Great Place to Work

Michael Hill will maintain a leading workforce engagement score of greater than 80% [by 2030]

PRODUCT

100% of our products will be sustainable, responsible or circular

Transparency

100% use of certified sustainable or responsibly sourced natural diamonds, coloured gemstones and cultured pearls [by 2030]

Metal Stewardship

100% of Michael Hill's products will be made from certified recycled, local, artisanal or responsibly sourced metals [by 2025]

Innovation

We will pioneer an innovation hub to champion and integrate jewellery circularity, product innovation and laboratory created diamonds [by 2024]

PLANET

We will nurture nature and reduce our negative impacts to net zero

Zero Carbon Operations

Acheive net zero carbon operations (scopes 1 & 2) [by 2025]

Nature Positive

Contributing to the restoration and conservation of the natural environment in our key markets [by 2025]

Eliminate Waste

We will send zero waste to landfill and eliminate single use plastic from our packaging [by 2025]

DRIVING INDUSTRY CHANGE

The jewellery industry supply chain is long and complex. The materials used – namely precious metals and gemstones – come from a variety of sources, all with varying locations, risks, and production methods. Multiple stakeholders are engaged throughout the Michael Hill supply chain to gain confidence and assurance over sourcing practices for materials and to ensure sourcing practices are in accordance with Michael Hill's sustainability strategy. Some suppliers have the knowledge and capacity to meet these demands and may even be further ahead on their journey than Michael Hill, however others will have limited knowledge and little to no capacity and require drastic industry change to make this happen.

At Michael Hill, we want to be a part of the solution, advocating for change within our industry, setting high standards and expectations of our suppliers. We will become a more active member of the jewellery community, working with partners, suppliers and other participants in the jewellery industry generally. Our challenge will be to use our voice to advocate for industry change relating to sustainability through industry relationships, memberships, and products we sell to our customers. We will work throughout our entire supply chain to advocate for industry change.

RESPONSIBLE JEWELLERY COUNCIL

The Responsible Jewellery Council (RJC) is the jewellery and watch industry's leading standard setting organisation. Membership requires companies to demonstrate compliance with rigorous codes of practices covering all aspects of the business from sourcing and procurement to manufacturing and selling of jewellery, with a key focus on human rights.

Michael Hill is proud to continue our long standing RJC membership, with our pending re-certification to 2025 being a major milestone in our sustainability journey, demonstrating our commitment to responsible jewellery and promoting trust and transparency in our supply chains.

Whilst we closely monitor ongoing developments with the RJC and the broader global impacts on the jewellery industry supply chains, Michael Hill continues to endorse the RJC's Code of Practices as the benchmark for our business.

As part of our pending recertification, Michael Hill made a provenance claim relating to the *De Beers Code of Origin* range. The range includes diamonds ethically sourced from the *De Beers Code of Origin Trusted Source Program*, reflecting a dedication to social and environmental responsibility. Michael Hill plans to make further provenance claims in support of our sustainability strategy regarding responsible sourcing of Michael Hill products.

“We want to be a part of the solution, advocating for change within our industry, setting high standards and expectations of our suppliers.”

FY22 SUSTAINABILITY HIGHLIGHTS

PEOPLE

$162,000+

Raised for Dress for Success in AU, NZ and CA

140

Team members participated in our volunteering trial

(420 team volunteering hours, equalling $19,131 volunteering salary hours donated)

Exceptionally high global engagement score at

83%

PRODUCT

17%

of our international product sold was made in Australia

Laboratory created diamonds are **Certified Sustainability Rated** and **Climate Neutral**

Launched DeBeers Code of Origin Trusted Source program – **our first traceable diamond range**

PLANET

Environmentally considerate head office – a new 99kw solar panel system installed at Head office

100%

recyclable e-commerce packaging launched

340,000+

Products repaired, preventing waste and extending product lifespan

PEOPLE

People are the heart of Michael Hill and are the reason we exist. Across our entire value chain – our customers, our suppliers, our team and our communities, people are vital to bringing our brand to life.

At Michael Hill, we continually strive to be a workplace where all team members feel consistently valued, appreciated, and encouraged to be their brilliant selves. We recognise that a company's purpose, behaviour and its values is a key component of attracting talent into the organisation and to keeping our talent engaged.

Further to this, we see it as a privilege to be able to help others where global challenges exist. We have a focus on empowering women in need who live in our communities and are committed to ensuring anyone who is connected to our supply chain is responsible and meet our expectations on social impact.

Our 2030 strategic direction shows our focus in our People pillar area, with the aim that **we will improve the lives of people across our value chain.** To achieve this goal, three key areas of focus are crucial – Responsible Suppliers, Empowering Women and being a Great Place to Work.

GREAT PLACE TO WORK

Our high levels of workforce engagement, together with how positive our team feel about Michael Hill as their employer, showcase that we are a great place to work. Even so, 2022 has been dominated worldwide by a tight talent market which poses challenges to retention and attraction. To combat the challenging labour market, Michael Hill has continued to focus on internal career progression and providing rewarding development and recognition opportunities to our people. Our team's health, safety, security and wellbeing whilst at work is front of mind in all we do. The company's values, purpose, leadership promise, sustainability and aspirational brand journeys are key enablers to attract and retain a new generation of team members. Our revitalised Employee Value Proposition, linked to our core theme of 'The People Behind The Moments That Matter' aims to showcase our strengths as an employer.

Michael Hill has a goal to maintain a leading workforce engagement score of greater than 80%. Our consistent focus on our team member experience through their journey with us, our leadership behaviours and our culture are key drivers of engagement. We seek feedback from our team members, and we listen to the feedback. Taking action to do and to improve is paramount to building trust. We want our team members to speak positively about us, to stay and grow with us and to strive to deliver for our customers and each other. This cultural leading focus is pivotal to feelings of belonging and enthusiasm for who we are, what we do and why we do it.

Our leading-edge recruitment processes are key to providing potential candidates with a positive experience and a human touch to enhance their journey into Michael Hill. We also utilise cutting edge recruitment tools to ensure we can secure quality talent quickly. Tools such as video interviewing, psychometric testing, online reference checking all help build our capability and enable the company to look for candidates who demonstrate qualities that will make them successful in their roles and fit with our culture.

Our people practices will ensure we continue to remain competitive, defend against skill shortages and decrease team turnover. We desire to be known internally and externally for providing a workplace environment and culture that consistently delivers **on maintaining our leading engagement goal of greater than 80%.**

EMPLOYEE VALUE PROPOSITION

Our team are the **people behind the moments that matter.** They mark the moments that create the story of our customers' lives. Our collaborative and supportive environment creates high performance outcomes. We are a company full of the brightest, most passionate and engaged people.

We desire for our people to love the culture, embrace our purpose and see it as unique and special to work at Michael Hill. We're a supportive, inclusive, collaborative, fun company committed to supporting career progression and long-term development, by providing the tools to help our team progress and celebrating their success when they do.

We have best in class people practices including robust training that teach our team how to achieve their goals and unique incentive programs.

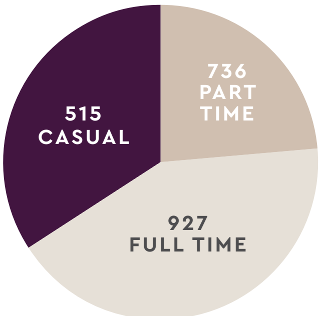
We attract, retain and develop high performing people because of our collaborative and supportive processes and structures: training protocols, incentive programs, loyalty programs, reward and recognition.

We value everyone's point of view, and our people can be sure that their voice will be heard.

OUR TEAM STATISTICS

As at 26th June 2022 employee **numbers** across our markets **out of a total 2554**

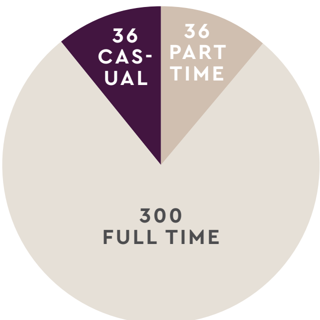
Gender Split



Female

85%

2178 FEMALE EMPLOYEES



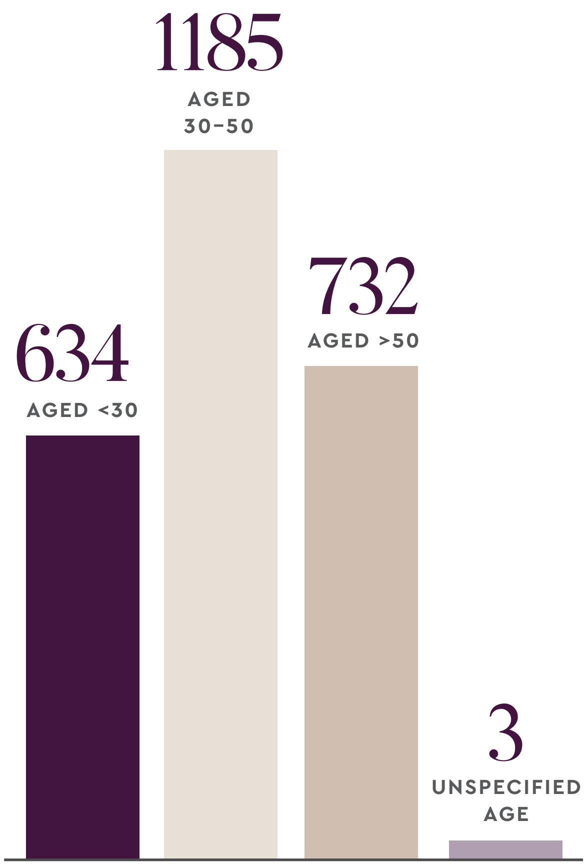
Male

15%

372 MALE EMPLOYEES

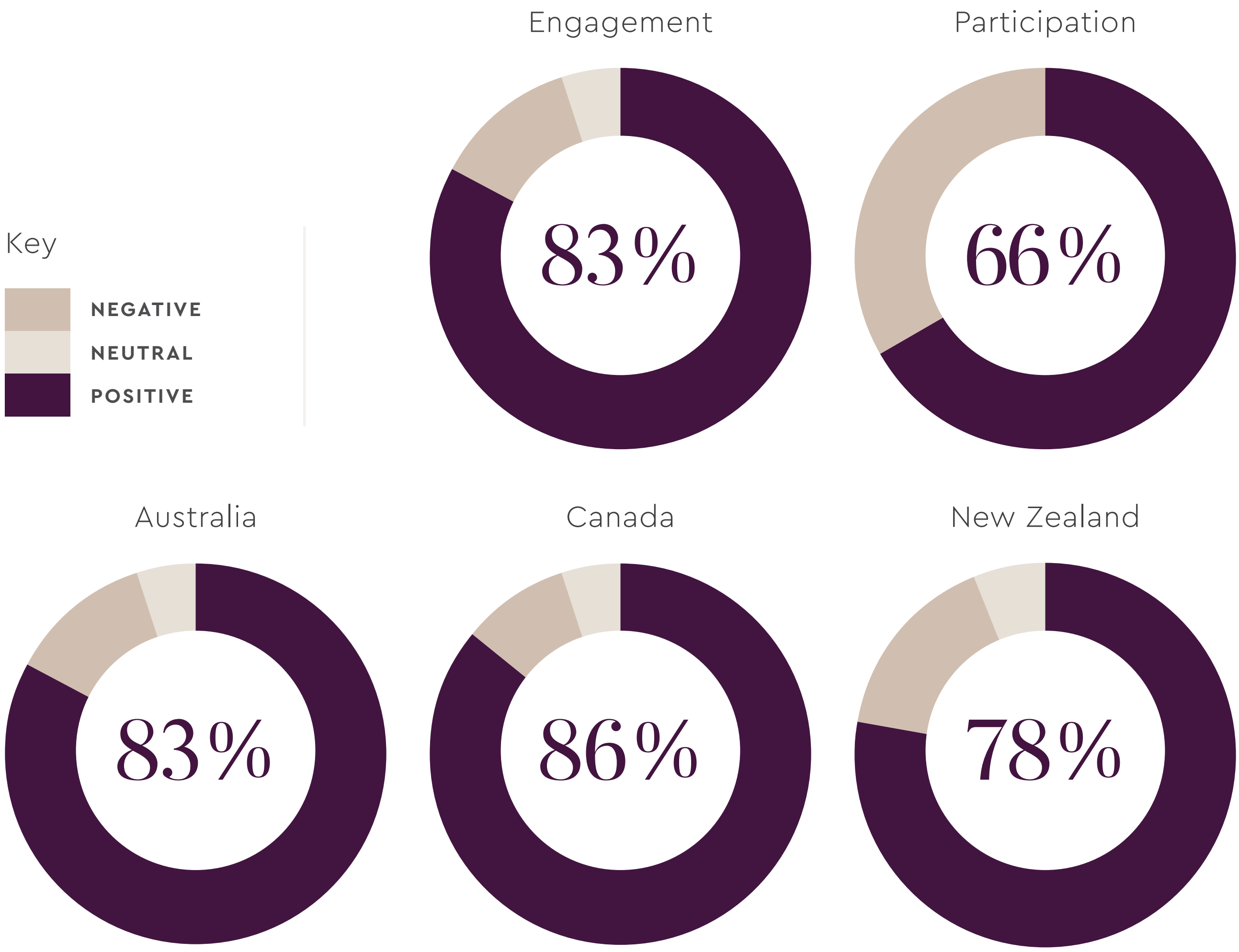
4 EMPLOYEES HAVE NOT PROVIDED GENDER INFORMATION

Age Distribution



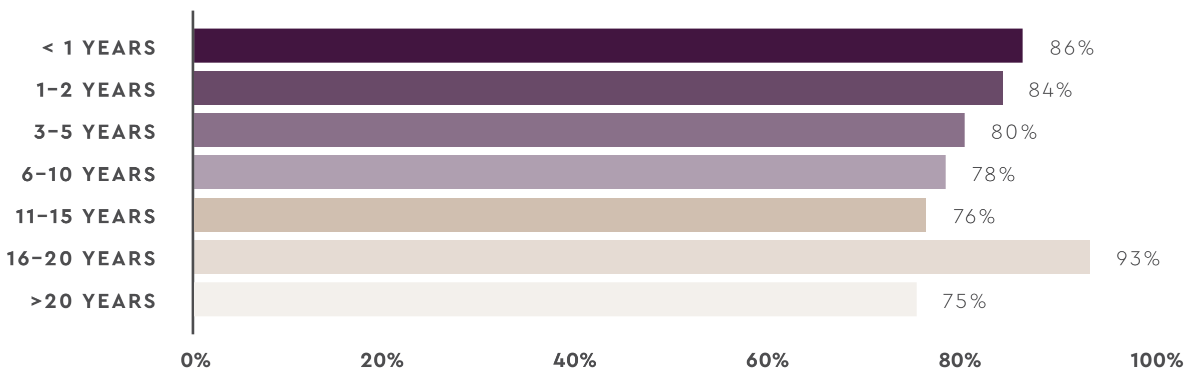
EMPLOYEE ENGAGEMENT

We pride ourselves on having a highly engaged and enabled workforce who love what they do and where they work. Our Pulse Engagement Survey in 2022 was completed by 66% of our workforce and resulted in an engagement score of 83%. This positive result sets us apart from the global retail industry average of 72% and confirms that Michael Hill remains an employer of choice and is a great place to work.



Our results also show that across all length of service demographics we continue to outperform against the global retail average.

Engagement Scores by Length of Service



In 2022, as a further way to listen to our team members, we introduced an engagement survey for our seasonal casuals. This enabled us to measure the experience of our seasonal team members who are a key enabler of quarter two performance. The survey asked our seasonal casuals to consider our recruitment process, engagement, and onboarding experience. We were pleased to see that these seasonal team members were also highly engaged, **with a score of 84%.**

INVESTING IN OUR TEAM

Our team at Michael Hill are here to create exceptional experiences – and we don't do that with mediocrity. We continually evolve, we keep learning and we grow, and none of that can happen without our people. At Michael Hill, we have team members across three countries, and they are at the heart of everything we do. We encourage each member of our team to bring their own individual talents and perspectives to work every day. We are aligned in our business purpose to be the People Behind the Moments That Matter and live with our values at our core: we care, we create exceptional experiences, we are inclusive and diverse and we are professional. We believe Michael Hill isn't just a great place to work, it's a place to do great things.

We invest in our team's learning and focus on development through experiences and empowerment, as we know our future leaders are among us. This focus on development unlocks great potential in our workforce which is ready and able to respond to our customers' needs. We create bespoke learning experiences for our teams, including our 12-week onboarding Stepping Stones program to provide all the detail retail team members need to know regarding product, systems, and sales in an interactive and human-centred approach. We work with our vendors to ensure our product training is aligned with industry excellence and our teams are equipped with the knowledge they need to have the most meaningful and informed connections with our customers. We encourage our people to own their development and take charge of their careers.

Our leaders at Michael Hill are trained and empowered to lead and coach their teams through an in house built coaching platform and are taught to have valuable skills based coaching conversations through our leadership workshops.

To develop our people in all areas of life, we have invested in LinkedIn Learning for many roles in the business in FY22, with the view to include all team members in the next financial year. This allows our team to continue growing our learning culture, where, when and how they like and to develop the way they want, while building an ongoing skillset with flexibility in this approach for all.

DIVERSITY & INCLUSION

Michael Hill recognises its talented and diverse workforce as a key competitive advantage. Our business performance reflects the quality and skill of our people and behaviours that are aligned to our Group Values. We are firmly committed to developing policies, practices and ways of working that support diversity.

Central to achieving this goal is an inclusive work environment and culture that allows team members to contribute to their full potential, through recognising and supporting their diverse strengths, experiences and needs. We achieve this by educating our teams, sharing experiences and analysing metrics of diversity across the business. We've continued to work on building a comprehensive comparative analysis framework to enable deeper understanding of quantitative and qualitative diversity and inclusion metrics across the company. This includes measuring, tracking, and reporting annually on markers such as gender distribution, gender wage gap, generational spread and employee engagement. This data is used to inform our strategy and areas of focus for the future. Together, we will continue to build an inclusive culture that encourages, supports, and celebrates the diverse voices of our team members; a culture which fuels innovation, and creates closer connections with our customers and our communities.

Michael Hill's Diversity and Inclusion Committee has continued its work through the year and is formed with a diverse representation of team members from our global workforce. The Committee is dedicated to and is passionate about elevating our Diversity and Inclusion strategy in a variety of ways, including a calendar of cultural, world and religious days to celebrate the diversity within our organisation and communities, through awareness raising and educational initiatives. The Diversity and Inclusion Committee promotes educational content and works with LinkedIn Learning to promote and elevate our team's perspective and understanding of our teams and communities we live in.

In 2022, Michael Hill continued to make good progress in our holistic Diversity and Inclusion agenda, with a key focus on calendar events including International Women's Day, Pride Month, World Mental Health Day and International Day of People with Disabilities.

"Michael Hill isn't just a great place to work, it's a place to do great things."

GENDER EQUALITY

At Michael Hill we are committed to fostering a gender equal workplace and providing opportunities for women to thrive at all levels of the business. 84% of our global workforce is female, 43% of Executive Leadership Team is female, and 64% of our global leadership positions are held by females. For this reason, it was important that International Women's Day was celebrated across all three countries Michael Hill operates in. Teams worked together to pledge ways to increase our allyship and continue to 'Break the Bias' against females in the workforce. We shared learnings and experiences in a fireside chat with our CEO and key senior leaders and encouraged team members to continue to learn how to challenge their own biases which make an impact in their lives.

In June 2022, Michael Hill embraced and celebrated Pride Month with all team members. It's important that we create a space where our team and customers feel safe and accepted as their true and authentic selves. As such we reaffirmed our solidarity with the Pride community, hosted lunchtime social events, challenged our teams to continue their learning about the history of pride and how to support LGBTQI+ team members, and trained our team on the importance of using inclusive language and gender pronouns in the workplace.

We also used the gravity of PRIDE Month to launch 'Room For All', Michael Hill's Diversity and Inclusion podcast. The podcast takes a closer look into the lives and experiences of our team members at Michael Hill. Each month, we celebrate our commonalities that bring us together as a global team, but aim to learn more about our cultural backgrounds, religions, sexuality, mental health, abilities and all of the differences that make us uniquely us.

The next year will see the continuation of Diversity and Inclusion program of work. The following initiatives will be implemented in the next financial year:

- Inclusion of diversity training in leadership development programs
- Ongoing reporting and review of diversity metrics
- Development of employee resource groups' strategy
- Increase accessibility requirements in line with health and wellbeing strategy
- Expand our Diversity and Inclusion strategy on external platforms and the Michael Hill careers website

HEALTH, SAFETY AND SECURITY

At Michael Hill, we are accountable for creating and maintaining healthy, safe and secure work environments for our team members, customers and visitors who interact with our business. We know that our success depends on our people, and we are committed to ensuring the physical and mental health, safety and security of everyone who comes to work, or visits our stores. We continue to support our team members through flexible work arrangements as we journey out of COVID-19 and we also dealt with impacts of natural disasters collaboratively as a team.

Key achievements across health, safety and security in FY22 include:

- No non-conformances from the Responsible Jewellery Council audit
- Continued downward trends of lost time and significant incident rates. LTIFR down to 3.22 compared to 9.50 in FY2018, and SIFR down to 1.34 compared to 6.04 in FY2018
  - *Lost Time Injury Frequency Rate – Total number of W/Comp Claimable Incidents where > 1 Day lost from work / Total # of Hours Worked x 1,000,000. LTIFR Industry rate 3.7*
  - *Significant Incident Frequency Rate – W/Comp Claimable incident where > 5 days lost from work / Total # of Hours Worked x 1,000,000. SIFR Industry Rate 6.4*
- Achieved a 22% participation rate for flu vaccinations across AUS & NZ
- 16% of our workforce participated in our 6 week – 15 Minute Exercise Challenge
- Obtained an annual 3.4% utilisation rate of our Employee Assistance Program (EAP) compared to an industry rate of 1.3%
- Upgraded CCTV and / or intrusion systems across 30 stores in AUS, 15 stores in NZ and 6 stores in Canada
- Rolled out Mental Health First Aid Training to 34 of our retail leaders
- Responded to increased criminal activity across the North Island of New Zealand by improving pack down procedures at end of trade, installing fog cannons and pendant alarms into nine 'hot spot' stores, and improved training on requirements and expectations regarding safety and security

EMPOWERING WOMEN WITH DRESS FOR SUCCESS

Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous, and sustainable world. There has been progress over the last decades: more girls are going to school, fewer girls are forced into early marriage, more women are serving in parliament and positions of leadership, and laws are being reformed to advance gender equality. Despite these gains, many global challenges remain.

With over 85% of the people working at Michael Hill identifying as female, and the majority of our customer base identifying as women, Michael Hill's philanthropic efforts are aimed at improving the lives of women, through enabling opportunities. By 2030 we aim to deliver initiatives and programs focused on empowering and supporting over 100,000 women.

This year, Michael Hill was again proud to support Dress for Success in empowering women. Dress for Success is a global not-for-profit organisation that empowers women to achieve economic independence and improve their lives; by providing a network of support, professional attire, and the development tools to thrive in work and in life, and operate in our three markets, Australia, New Zealand and Canada.

Coinciding with International Women's Day in March, Michael Hill launched a new campaign to raise funds for Dress for Success with various activations:

> "Michael Hill's philanthropic efforts are aimed at improving the lives of women, through enabling opportunities."

DRESS FOR SUCCESS SUPPORT OFFICE VOLUNTEERING PROGRAM:

Michael Hill launched its first ever paid volunteering program with Dress for Success where head office team members were given the opportunity to volunteer at a "working bee" at Dress for Success in Brisbane. This trial volunteering program saw team members unpack donated items, clean displays, and sort clothes racks to assist Dress for Success in their daily operations.

- With over 140 team members taking up the trial opportunity, Michael Hill successfully donated over 420 hours, worth $19,131 of paid volunteering hours to assist Dress for Success Brisbane
- Due to the success of our volunteering trial in FY22, we are looking to permanently introduce volunteering for our head office team members
- One day of paid community service leave per calendar year is planned to be available to eligible Australian retail store-based team members.

DRESS FOR SUCCESS EARRINGS SALES:

In March – June we asked customers to help us support Dress for Success in their mission to empower women, by purchasing a pair of beautiful 6mm button cultured freshwater pearl earrings in sterling silver for $25. For every purchase Michael Hill donated $15 to Dress for Success raising over $155,000 to be split across Australian, New Zealand and Canadian Dress for Success sites. We supported this initiative across our entire store network, as well as promoting Dress for Success and earrings sales at Business Chicks events across Australia.

VIDEO CONTENT FOR THE DRESS FOR SUCCESS LEARNING PORTAL:

The importance of empowering women in their continued education to re-enter the workforce is vital in growing their confidence and competence to support their career pathways. Michael Hill has worked with Dress for Success to create instructional videos for job seekers on the following topics, which support women to gain confidence and knowledge in forging their next career move:

- Searching for Jobs on the Internet
- How to Shine When Applying for Casual Work in Retail
- Preparing for Your Job Interview
- Understanding Your Contract of Employment
- Getting Ready for Your New Job
- Tips for Networking.

AUCTION FOR ACTION:

At times through our business operations, products can become impaired or damaged, unable to be sold to customers. We saw this as an opportunity to raise further funds for Dress for Success with these impaired products being repaired by our manufacturing team and auctioned to head office team members, with all funds over the reserve price donated to Dress for Success. This initiative saw over $7,000 donated this financial year.

ASSISTING OUR LOCAL COMMUNITY WITH RECOVERY

March 2022 saw some of the worst floods in Australia across South East Queensland and Northern New South Wales. Whilst supporting our team who reside and work in the impacted areas, Michael Hill wanted to support the local communities in which we live and operate to get back on their feet. To assist in community recovery Michael Hill donated $100,000 across four local charities, based on the groundwork each were completing to support their local communities to recover. Charities who received a portion of the total donation amount include:

- St Vincent de Paul's QLD Flood appeal
- St Vincent de Paul's NSW Flood appeal
- Salvation Army NSW & QLD Flood Crisis appeal
- Lifeline – Lismore / Northern Rivers Flood Appeal.

"At Dress for Success, we economically empower women across the globe. The past two years have been immensely challenging for our organisation, and the women we serve. But by standing together with partners like Michael Hill, we are continuing to help women break the cycle of poverty and obtain safer and better futures. Our vision is a world where women do not live in poverty; are treated with dignity and respect; and are strengthening their families and shaping their communities. Thank you Michael Hill, for your commitment to making this vision a reality. Your support is helping to change the lives of women throughout Australia, New Zealand, and Canada – and we could not be more grateful"

- WENDY LONGWOOD, COO, DRESS FOR SUCCESS WORLDWIDE

SUPPORTING WOMEN

michael hill

DRESS FOR® SUCCESS

GLOBALLY

RESPONSIBLE SUPPLIERS

Michael Hill is working closely with our key suppliers across our sourcing and procurement ecosystems to ensure our suppliers' manufacturing and operations comply with our responsible sourcing practices.

Our vision is by 2030, 100% of our suppliers will meet our expectations on their social and environmental impacts. To achieve this, several initiatives have commenced to enhance awareness on product sourcing and expectations of doing business with Michael Hill. Our roadmap from our Modern Slavery Statement outlines the timeframes and detail.

01. FOUNDATION

FY20 – FY21

- Established Supplier Transparency Platform
- Identified key suppliers to engage on supplier transparency platform
- Developed Ethical Supply Chain Assessment
- All Tier 1 jewellery and packaging suppliers onboarded onto Supplier Transparency Platform and completed the Ethical Supply Chain Assessment (accounts for 60% of total supplier spend)
- Updated Code of Ethics and Code of Conduct for Suppliers
- Review and update of key supplier contracts and supply terms and conditions
- Covid-19 response plan and crisis management
- 2021 Group team engagement survey
- Updated team member Code of Conduct
- Health, safety and wellbeing focus
- Appointment of senior leader responsible for sustainability
- Alignment of modern slavery questionnaire to RJC
- Issued our first Modern Slavery Statement

02. ENHANCE

FY22 – FY24

- Establish a process for undertaking due diligence for Tier 2 and 3 suppliers
- Review of new supplier onboarding process, including simplifying the assessment process to include pre-screening questions
- Establish an Ethical Supply Chain Assessment tailored to non-jewellery industry suppliers
- Onboarding more suppliers onto the supplier transparency program. The focus will be on cleaning, security, and repair suppliers initially with an aim for all suppliers to be monitored through the supplier transparency platform
- Restarting, when possible, the regularity of supplier visits to high risk production facilities
- Assess high risk suppliers for audits to be completed and developing remediation plans with supplier or cease supplier engagement
- RJC recertification – includes improving compliance with COP 6 Human Rights in line with UN Guiding Principles on Business and Human RIghts
- Establish formal committee for ongoing responsible sourcing practices
- Modern Slavery Training for Michael Hill Board and Executive Team and relevant senior leaders
- Review of current grievance mechanisms
- Sustainability objectives and achievements being publicly shared – holding us to account
- Issuing our second Modern Slavery Statement
- Sustainability – core pillar of our strategy
- 80% of all key jewellery suppliers being RJC accredited

03. OPTIMISE

FY25+

- Complete Modern Slavery effectiveness review
- Annual Modern Slavery awareness training for all staff
- Extend Ethical Supply Chain Assessment to all suppliers
- Revise the process for selection of new suppliers to include completion of a tailored questionnaire per industry type, visits to the facilities to understand working conditions and appropriate revisions to the supplier code of conduct if required
- Working with our third-party independent verification and audit partner on high risk suppliers
- Undertake due diligence for Tier 2 and 3 suppliers
- Consideration of corporate structure and alignment to business strategy (e.g. B Corp certification)
- Sustainability – core pillar of our brand proposition
- 100% of key jewellery suppliers being RJC accredited

Supporting this is our responsible supplier platform, providing us greater visibility and understanding of our supply chain across both jewellery and non-jewellery suppliers, including:

- Details of our suppliers' top suppliers
- Supplier RJC membership status and products included in their certification
- Other certifications and memberships held to confirm supplier commitment to social and environmental performance
- Type of jewellery product supplied with tailored questionnaires based on product risk
- Site operations, including understanding product or material supplied by site
- Further transparency over internal modern slavery practices (e.g. training, protocols, resources responsible for sustainable procurement).

Any non-conformances from suppliers are taken seriously and we will work with these suppliers to remediate in the first instance and terminate relationships should they not mature their practices in line with our expectations.

The platform has the capability to capture ESG information and is intended to be utilised for gaining transparency into suppliers' ESG commitments as part of delivering our ESG strategy.

CRAFTING AT HOME

Craftsmanship is one of the founding pillars, and deep in the heritage of our business. Michael Hill first established an in-house workshop in the 1980s, and we are one of the only Australian jewellers to maintain a retail-led workshop to this day, with a dedicated team of master craftsmen, diamond specialists and quality control professionals.

MADE IN AUSTRALIA

Where possible, we believe it is important for our business model and local communities to keep manufacturing industries alive in the markets we operate, to support local jobs and protect our supply chain from disruption. Having our in-house workshop located alongside our head office and Australian distribution centre ensures our manufacturing team are a central, focal point of our organisation as we continue to increase our focus on, and delivery of, quality product from this area.

Michael Hill has a team of over 25 jewellery craftspeople, working locally in Brisbane, Australia who hand make and bring our beautiful Made in Australia pieces to life.

- 73% of all solitaire engagement rings were Made in Australia
- Made in Australia product made up 17% of Michael Hill's international sales
- 45,425 individual products were made in our Australian manufacturing facility
- 27 full time team members in our Australian manufacturing team

MADE IN NEW ZEALAND

Several of our chain necklaces and bracelets, as well as our most-loved round and oval solid bangles, are crafted for quality and beauty by our New Zealand supplier, Morris and Watson. Morris and Watson are a fourth-generation family business, dedicated to providing beautiful jewellery with quality and finesse. Morris and Watson are also in the process of becoming a certified member of the RJC.

PRODUCT

Progress towards more sustainable product offerings and business operations is evident globally, with many aspirational retailers leading the way. Michael Hill is also actively evolving the product ranges we create and provide our customers.

Traceability and transparency and proving product origin is a known and complex systemic challenge across the jewellery industry, due to the varying layers of the supply chain, from mine, to refiner, to producer, retailer and end consumer. For businesses to create transparency and trust, organisations are seeking to adopt a higher level of certification and due diligence over their suppliers, to provide customers and suppliers assurance around how their products and materials have been sourced, traced, and processed through the supply chain. To create such a level of transparency is a time consuming process and requires buy in across the supplier network in the supply chain.

Rapid and comprehensive industry change is required for us to achieve some of the product goals outlined in our 2030 strategic direction; however, we will advocate for this through all of our supplier channels, setting the expectation high for the quality product we wish to provide to our customers. We also have confidence in the RJC, SCS Global and other industry bodies to provide assurance systems so our products are responsibly sourced and meet best practice standards.

Our 2030 strategic direction outlines a clear focus in our Product pillar, with the aim that **100% of our products will be sustainable, responsible, or circular.** To achieve this goal, three key areas of focus are pivotal – Product Transparency, Metal Stewardship, and Innovation.

PRODUCT TRANSPARENCY

Our aim is to have **100% use of certified sustainable or responsibly sourced natural diamonds, coloured gemstones and cultured pearls by 2030.** Underpinning the rollout of this pillar includes some form of industry change particularly within the coloured gemstones and pearls industry, including responsible sourcing practices.

NATURAL DIAMONDS

Michael Hill is committed to offering only conflict-free diamonds in our jewellery. We purchase our natural diamonds from legitimate sources in accordance with the Kimberley Process Certification Scheme (KPCS) as supported by the World Diamond Council System of Warranties. As part of our business practices and supply agreements, we require diamond suppliers to warrant that the diamonds are conflict-free.

We are keeping up to date with any path of provenance improvements to purchasing mass natural diamonds in the market, noting the SCS global standards for sustainable natural/mined diamonds has been developed. Challenges of proving provenance for bulk diamonds parcels are still relevant. In response to providing greater assurances to our customers on diamond provenance we are proud of our ongoing partnership with De Beers on their *Code of Origin* range, our first foray into natural diamond provenance for our customers.

- **De Beers Code of Origin:** Partnering with De Beers, Michael Hill was proud to be one of the first global retailers to carry a range of diamonds from the *De Beers Code of Origin Trusted Source Program*. De Beers is a renowned world-leader in diamonds, and the *Code of Origin* program reflects their deep commitment to social and environmental responsibility. Diamonds with the *Code of Origin* make a significant contribution to the people and places where they are found, helping provide jobs, healthcare and education, and helping protect the environment through wildlife conservation and De Beers' commitment to be carbon neutral by 2030.

  At Michael Hill, responsibility and ethical sourcing are an important focus. We are dedicated to offering our customers the best range of diamonds and jewellery, to reflect their preferences and personal values. Diamonds with the Code of Origin offer customers extra peace of mind, knowing that their diamond has had a positive impact on people and the planet.

  The De Beers Code of Origin program provides assurance that the diamond:

  1. Is a natural diamond, discovered by De Beers
  2. Was discovered in Botswana, Canada, Namibia or South Africa, where it has helped provide jobs, healthcare and education, with a particular focus on programs supporting women and girls
  3. Is conflict-free and meets *De Beers Code of Origin*'s industry-leading ethical standards
  4. Has helped protect the planet through wildlife conservation and De Beers' commitment to be carbon neutral by 2030.

  This program of diamonds was rolled out to all Michael Hill stores in June 2022, and contributes to 3% of solitaire engagement ring sales, with a view to expand and grow this figure in FY23. As part of our pending RJC recertification, Michael Hill has made a provenance claim relating to the *De Beers Code of Origin* range.

COLOURED GEMSTONES & PEARLS

There is limited guidance and inherent risk over sourcing practices in the coloured gemstones and pearl industries comparative to the diamond and precious metal industry. In response to limited available guidance, Michael Hill has taken the initiative to develop a risk matrix which risk assesses all coloured stones and pearls based on country of origin in accordance with the Global Slavery Index, providing intelligence to our sourcing teams about product and sourcing locations to avoid.

We are reliant on prevailing standards of due diligence, such as the RJC's Code of Practices to help us carry out the necessary due diligence on our supply chain. We recognise that the systemic challenges cannot be solved overnight. However using the risk-based approach, together with the inclusion of specific questions relating to labour standards on the supplier transparency platform, we hope to better-understand at a supplier level the type of products supplied, and their countries of origin. With this information we will be a better position to assess which suppliers might be considered higher-risk if they disclose countries which are high-risk based on our risk matrix.

“We recognise there is opportunity to lead the jewellery industry through offering innovative product and service solutions aligning to a sustainable future.”

METAL STEWARDSHIP

Michael Hill is committed to jewellery manufacturing using conflict-free and responsibly sourced metals. Currently 87% of our jewellery suppliers are RJC certified, meaning our suppliers comply with the RJC standards for responsible ethical, human rights, social and environmental practices throughout the diamond, gold and platinum group metals jewellery supply chain. We plan to have **100% of Michael Hill's silver and gold products made from certified recycled, responsibly sourced, local or artisanal sources,** however, will also be working to develop a deeper understanding of all our precious metal types.

RESPONSIBLE GOLD & SILVER

We are currently working with our suppliers to understand more sustainable gold and silver options available and aim to shift our product mix in the coming years. 95% of our international sales are products made from gold and sterling silver, therefore are our main metals of focus.

The introduction of new product and changes in product mix sourced (e.g., recycled or locally sourced), creates additional complexity and the need for further transparency of our suppliers supply chains and sourcing practices. As a result, we will continue to uphold our standards and expectations of our suppliers regarding understanding the scope of our suppliers' product certifications and ensuring appropriate evidence exists to satisfy the RJC provenance claim requirements we endeavour to make.

For recycled gold or silver suppliers, this includes ensuring suppliers:

- Meet the RJC Chain of Custody certification or are on the journey to Chain of Custody certification; or
- Hold an alternative certification including SCS recycled content certification. Noting this is a member voluntary standard and the standard includes Chain of Custody requirements of its suppliers.

Similarly, locally mined or refined sourced product follows a similar path regarding chain of custody requirements.

We have several gold suppliers who are on the journey of RJC Chain of Custody certification for these metal types, and we are committed to working with these suppliers to bring certified options into our supply chain, and in turn provide our customers with more sustainable gold and silver product options,

CHAMPIONING PRODUCT INNOVATION

At Michael Hill, we recognise there is opportunity to lead the jewellery industry through offering innovative product and service solutions aligning to a sustainable future. By 2024 Michael Hill **will pioneer an innovation hub to champion and integrate jewellery circularity, product innovation and laboratory created diamonds.** We already work closely with our suppliers on the innovation pipeline and are proud be the first major retailer in the southern hemisphere to launch the DeBeers Code of Origin program as well SCS Certified Sustainable and Climate Neutral laboratory created diamonds.

SUSTAINABLE & CLIMATE NEUTRAL LABORATORY CREATED DIAMONDS

Michael Hill this year was proud to be the first major jewellery retailer in Australia and New Zealand to become an Accredited Retailer for *Certified Sustainability Rated Laboratory Created Diamonds.*

Setting a new standard of excellence, a Certified Sustainability Rated Diamond has been independently evaluated in accordance with the SCS-007 Sustainability Rated Diamonds Standard and certified against five pillars of sustainability achievement provided by SCS global. Our entire range of laboratory created diamonds are certified sustainable, meaning they have achieved:

- Verified origin traceability: Sustainability Rated Diamonds are tracked through a verified origin traceability process that provides 99.9% accuracy of the origin of each diamond through its entire chain of custody, from producer to point of sale
- Ethical stewardship: each diamond is certified to adhere to twelve core ethical principles aligned to the strictest internationally recognized norms of business integrity
- Verified climate neutral: Sustainability Rated Diamonds are certified on their journey toward achieving full Climate Neutrality – produced in a manner that mitigates both current annual and past ("legacy") greenhouse gas emissions still affecting the climate
- Sustainable production practices: Sustainability Rated Diamond producers are committed to the principle of doing no harm to humans or environment, and are actively working to avoid, eliminate or offset any impacts that might be associated with the production process
- Sustainability investments: Sustainability Rated Diamond producers engage in sustainability investments that help uplift artisanal and small-scale miners (ASM) and other vulnerable communities, clean the air, protect the climate and protect endangered watersheds and ecosystems.

Each certified diamond is accompanied by a detailed certificate which is provided to the customer at the point of purchase. The certificate explains their diamond's sustainability rating was earned, including origin traceability, conformance with rigorous ethical and environmental requirements, progress in reaching climate neutrality and zeroing out other production-related impacts, and sustainability investments.

PLANET

Currently at Michael Hill we do not measure, offset, or strategically approach our carbon, waste or energy approaches from a sustainability perspective, however as set out in our 2030 strategic direction we aim to drastically change this.

United Nations Net Zero Coalition outlines emissions need to be reduced by 45% by 2030 and reach net zero by 2050 for the planet to stay below a 1.5°C increase in global warming. At Michael Hill, we recognise we need to move beyond the finite energy buried in the Earth towards the infinite energy that surrounds us – with our first step to get our own house in order and establish greenhouse gas emission reduction targets in line with climate science to decouple any energy use from our growth.

Alongside global warming companies are being challenged more and more with reducing waste, managing resources, and diverting them from landfill. We are committed to the well-known principles of the waste hierarchy and searching for better ways to operate so that we minimise natural resource consumption in our operations and find innovative ways to reduce the amount of residual waste.

Our 2030 strategic direction shows our focus in our planet pillar with the aim that **we will nurture nature and reduce our negative impacts to net zero.** To achieve this goal, three key areas of focus are pivotal – Zero Carbon Operations, Nature Positive and Eliminate Waste.

ZERO CARBON OPERATIONS

We are committed to consistently searching for better ways to operate, to benefit and reduce our impact on the environment. Having just relocated to a new head office in Brisbane, we now occupy a building that is more efficient and considerate of the environment. The building features solar panels and water tanks to capture rainwater to be used in the buildings facilities systems for all landscaping, and as the specifying tenant of the new building, we have driven the systems and technologies used on site to reduce energy use. Our landlord is seeking official accreditation for its green operating status in due course. Across our store real estate, in the past year 50 stores switched over to using LED lighting, and with an emphasis on store refresh next year, this programme of change will continue at a wider scale. Another aim is that our corporate headoffice and any sites where we are in control of the electricity tariff will switch to a certified renewable energy tariff.

A key aspect of our zero-carbon operations commitment is that we are yet to have started measuring our direct and indirect carbon emissions. Without this data we are not in a position to make short-term or longer-term plans or targets to reduce our emissions towards zero. An immediate priority is therefore to map our Scope 1 and 2 carbon emissions. Once we have collected the data on our Scope 1 and 2 emissions, we will also then map out our Scope 3 value chain emissions

and seek to engage our supply chain partners about their plans to reduce their emissions. Net Zero emissions road maps will provide a time-based programme of work, including the possibility of offsetting residual emissions. Our aim regarding Net Zero target-setting is to collate the data and then set science-based targets that ultimately align this to the Science-Based Targets Initiative.

Key initiatives aimed at reducing consumption we have rolled out this financial year include:

- Michael Hill is moving its Head office location to a new office in Brisbane. A part of the brief for this development was to be environmentally considerate and have installed a 99KW solar panel system in accordance with Australian Standard AS5033 by Clean Energy Council to assist in our journey to offset our energy usage
- Installed four EVlink smart wallbox charging stations for the charging of electric cars with 22KW configuration
- LED lights introduced to 50 existing stores (over 1,000 light fittings) reducing electricity consumption of halogen lights; and a commitment to deliver LED lights to our entire store network by 2025

NATURE POSITIVE

It is widely recognised; the quality and quantity of the world's natural habitats are in decline. We accept that our business operations, along with many other organisations are indirectly connected to the deterioration of the natural environment through the extraction and processing of raw materials upstream, the use of other finite resources and consumption of goods and services.

Michael Hill recognizes the impact mining in particular (the core source of the majority of our product) has on the planet and ecosystems around it. As a wider part of our ESG strategy we wish to proactively contribute towards protecting and restoring a part of our vulnerable environment by partnering with organisations that help to protect and restore nature.

As outlined in our 2030 strategic direction, we are committed to contributing to the restoration and conservation of the natural environment in our key markets. As a new area of focus for Michael Hill, we will investigate partners in ocean conservation – a vital part of resisting global climate change, and one of the most pressing modern environmental concerns.

ELIMINATE WASTE

Our aim is to **send zero waste to landfill** by first minimising, then diverting waste from our operations and educating our colleagues on reusing and recycling. We will also **eliminate single use plastics from our packaging by 2027.** We will develop an internal mindset for reducing waste using the waste hierarchy – waste prevention, as the preferred option, followed by reuse, recycling, recovery including energy recovery and as a last option, safe disposal for all our manufacturing and store operations.

Michael Hill will prioritise the development of a waste and resource management system as part of a broader environmental management system (EMS) to assist in achieving our goals. Our retail operations have a diverse range of waste management solutions depending on their location and who is responsible for managing the building or facilities. This will present a challenge in terms of collating and then managing daily waste streams, so a first part of this journey is to carry out a waste audit to help us understand our store operations more clearly.

As previously reported, we have started on the journey of resource efficiency by reducing our catalogue printing, shifting to FSC recycled paper and introducing bio-degradable plastic bags for the transportation of our jewellery pieces, however we are committed to consistently searching for better ways to operate, to benefit and reduce our impact on the environment.

> "We are committed to contributing to the restoration and conservation of the natural environment in our key markets."

PRODUCT END OF LIFE

Unlike many other consumers goods, jewellery product at the end of life can be recycled and repurposed due to its inherent nature and value. At Michael Hill we hold rigorous process around product waste with any returned product, faulty items, scrap metal or manufacturing waste scrapped and refined with roughly 75% of the product value recovered. This financial year saw Michael Hill scrap and refine 34kg of gold and 160kg of sterling silver.

We take pride in the quality product we sell, as well as the relationship we have with our customers, however over time jewellery wear and tear is inevitable. We provide a quality jewellery repair offering in store for all Michael Hill product and work with global repair partners to repair and restore jewellery back to life.   This financial year Michael Hill repaired over 340,000 pieces of jewellery for our customers, preventing waste and extending each product's lifespan.

EXECUTIVE LEADERSHIP TEAM

L-R Andrew Lowe, Amy Sznicer, Daniel Bracken, Matt Keays, Joanne Matthews, Jo Feeney, Keith Louie

DANIEL BRACKEN

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Daniel has more than 25 years' experience managing some of the world's most iconic brands. He has an extensive background in retailing, fashion, and brand development in Australia and international markets, as a Chief Executive Officer and in senior executive positions across strategy, marketing, merchandise, product design and digital and customer engagement strategies.

Prior to joining Michael Hill as CEO in November 2018, Daniel was CEO at Specialty Fashion Group and previously held positions as the Group Vice President, Strategy for Burberry London, as Deputy CEO and Chief Merchandise & Customer Officer of Myer, and as CEO of The Apparel Group.

During his time at Speciality Fashion Group, Daniel led the company's corporate restructure and the successful divestment of a number of brands, returning the company to profitability. At Myer, he oversaw merchandise buying, design, sourcing, and manufacturing, and led the Myer brand and customer experience strategy. During his tenure, the Apparel Group owned leading fashion brands Sportscraft, Saba, Willow, and JAG.

His international experience includes more than 15 years at Burberry London in the United Kingdom, where he was a key member of the leadership team involved in their turnaround into an iconic global brand. He performed a range of roles at Burberry including Vice President – Strategy (Group), Head of Merchandising & Production (Ready to Wear), and Commercial & Operations Director (Menswear).

ANDREW LOWE

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Andrew joined Michael Hill in December 2017 as Chief Financial Officer, and later assumed the role of Company Secretary. He holds a Bachelor of Commerce, a Bachelor of Laws and a Masters of Applied Finance, and is a qualified Chartered Accountant and a Chartered Taxation Adviser of the Taxation Institute of Australia.

Andrew has extensive experience in finance and leadership roles across a range of listed corporate groups with Australian and offshore operations. This includes as Head of Tax, Shared Services and Finance Partnering at Australia's largest rail-based freight operator and ASX100 firm, Aurizon. Previously, he was Deputy CFO and Head of Tax at Cleanaway Waste Management, and spent a decade with global mining company, Anglo American.

JOANNE MATTHEWS

CHIEF PEOPLE OFFICER

Joanne joined Michael Hill in January 2019 with extensive experience in change leadership, and talent management and development. This experience was gained across 14 years in senior human resource leadership roles, including as Divisional Human Resources Manager (Leisure) for Super Retail Group.

Joanne has also worked as the Executive General Manager, Human Resources for MAX Solutions Pty Ltd, a national organisation that delivers health, training and humanitarian solutions for Federal and State Governments, and prior to this she worked in retail operations with Woolworths. With a large workforce across Australia, New Zealand and Canada, Joanne's experience is well aligned to deliver on the Company's core talent priorities of team engagement and attracting, developing, rewarding and retaining top quality people at Michael Hill. Joanne holds an MBA and Bachelor of Business in Human Resources and Marketing.

AMY SZNICER

CHIEF RETAIL OFFICER

Amy has 24 years' leadership experience, across retail and beauty industries, having worked with prominent retail brands such as Witchery, GAP, Bras n Things, Guess Jeans and Aldo. She has led the roll out of over 200 new retail stores in Australia, New Zealand and Singapore and was named 2006 Australian Young Business Woman of the Year at the Telstra Business Women's Awards.

Prior to joining Michael Hill as Chief Retail Officer in January 2021, Amy owned and operated a New Zealand blow dry bar/tea house salon business 'Dry & Tea' since 2014. During Amy's leadership the business expanded to Australia and continued its status as a multi-award winning category leader. Amy's extensive career in specialty fashion retailing along with her experience as a business owner has built a broad skill set that goes beyond store operations.

Amy is extremely passionate about dynamic leadership, a strong company culture, deep retail foundations and driving high performance in an ever-changing retail landscape. These qualities enable her to consistently deliver the highest standard of customer service and ultimately, strong business performance.

MATT KEAYS

CHIEF INFORMATION OFFICER

Matt joined Michael Hill in June 2015, bringing with him extensive international IT experience in the retail space. Prior to joining the company, Matt led the global IT strategy for Forever New as their General Manager Information Technology, and prior to that worked as Chief Information Officer for Super Amart where his final project was successfully leading a full-scale disaster recovery process after the Queensland floods in 2011. He also worked for leading national footwear and apparel company, Colorado Group after enjoying his long retail apprenticeship with 11 years at Country Road, where he worked initially as a Finance Accountant, and also gained solid shop floor experience during his tenure.

Matt has strong technical skills and a track record of developing an effective team focused on business alignment. Matt's career has seen him lead significant technology and infrastructure programs, covering Microsoft Dynamics, Infor, Oracle and JDE. He has helped retail businesses implement and embrace data warehousing with his first Microsoft based implementation as far back as 2004. The Michael Hill advanced data warehouse went live in 2016 and his team continually evolve our data platforms to align with the strategic shifts across the business.

KEITH LOUIE

CHIEF DIGITAL OFFICER

Keith joined Michael Hill in August 2021, as our first Chief Digital Officer. He brings more than 30 years' experience in consumer goods production, wholesale, retail and advisory across Europe and Australasia, and deep experience of eCommerce leadership and digital transformation over the last 15 years.

Keith led online shopping for Coles Supermarkets for six years during its transformation under the Wesfarmers group, rebuilding the customer experience and operating model. Subsequently, he led online retail for Target and advised other Wesfarmers brands on eCommerce, before becoming CEO of the national Aussie Farmers Group, a privately-owned fresh food production, wholesale, online retail, and logistics group.

More recently, Keith has advised various listed, private and Government entities on eCommerce and digital transformation, building on his earlier experience as a Director and Associate Partner of management consulting firm PwC, and with IBM's Global Business Solutions team. Keith is known for innovative ideas, thinking strategically, applying a rigorous commercial lens, and taking action to transform businesses digitally. In doing so, he inspires the teams he leads to deliver change and improve customer experiences.

JO FEENEY

CHIEF MARKETING OFFICER

Jo joined Michael Hill in March 2021 as Chief Marketing Officer to lead the revitalisation and growth of the Company's brand, delivering end to end marketing strategies in an omni-channel environment.

Jo is responsible for shaping the Company's messaging, delivering an outstanding experience to the Michael Hill customer across both digital and traditional marketing channels and leading the vision for a world class loyalty program.

Jo brings with her over 20 years' experience in both local and global organisations (including Woolworths, Telstra, Foxtel and McDonald's), specialising in strategic brand building, end to end marketing communications and driving key customer growth strategies across channels. In her most recent role as Director of Marketing at McDonald's Australia, she was responsible for marketing, brand and media strategies and driving commercial growth through innovation and re- imagination of the brand. Jo is also a recognised leader in creativity – winning multiple awards both locally and internationally. She brings a fresh approach to driving the future growth of the brand through a lens of commercial creativity.

"A key highlight was our ability to grow profit faster than sales, underpinned by continued gross margin expansion."

DIRECTORS' REPORT

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 year ended 26 June 2022.

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 year.

DIVIDENDS

Dividends paid to members during the financial year were as follows:

DIVIDENDS	2022 $'000	2021 $'000
Final dividend for the year ended 27 June 2021 of 3.0 cents per fully paid share paid on 24 September 2021 (2020: no final dividend)	11,649	–
Interim dividend for the year ended 26 June 2022 of 3.5 cents (2021: 1.5 cents) per fully paid share paid on 25 March 2022 (2021: 26 March 2021)	13,590	5,820
The Directors have declared the payment of a final dividend of 4.0 cents per fully paid ordinary share (2021: 3.0 cents). The final dividend will be unfranked for Australian shareholders and fully imputed for New Zealand shareholders. The aggregate amount of the proposed dividend expected to be paid on 23 September 2022 out of retained earnings, but not recognised as a liability at year end, is:	15,531	11,649

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 Strategic Update sections of this report.

REVIEW OF OPERATIONS

The Group achieved the following key outcomes for the 2022 financial year:

KEY FINANCIAL RESULTS

- Group operating revenue increased by 7.0% to $595.2m (2021: $556.5m), with ~10,000 lost store trading days in each of FY22 and FY21
- Comparable EBIT* increased by 11.1% to $62.9m (2021: $56.6m)
- Statutory net profit after tax increased by 13.9% to $46.7m (2021: $41.0m (Restated[1]))
- Group gross margin increased by 200 bps to 64.7% (2021: 62.7%), underpinned by our strategic initiatives
- Healthy inventory levels to support elevated sales at $181.5m (2021: $171.2m)
- Balance sheet benefited from strong operating cashflows and sale of the Canadian credit book, resulting in a closing cash position of $95.8m (2021: $72.4m)
- Final dividend of 4.0 cents per share declared, delivering total dividends for the year of 7.5 cents per share
- Board announces that it will implement an on-market share buy-back of up to 5% of the Company's issued capital.

OPERATIONAL PERFORMANCE

- Group same store sales were up 8.0% for the year, with Canada +11.3%, New Zealand +8.9%, and Australia +4.2%
- Digital sales increased by 23.4% to a record $42.0m, representing 7.1% of total sales, up from 6.3% last year
- New pure play brand *Medley* delivered over $1m in sales for its first full year of trade
- Loyalty strategy continues to deliver with 76% of sales from members – *Brilliance by Michael Hill* now over 1.4 million members (2021: ~800,000 members)
- Extensive H1 temporary store closures in NSW, VIC and Auckland, culminated in 10,020 lost trading days for the year (2021: 10,447)
- One new store opened and six under-performing stores were closed during the year, giving a network total of 280 stores at year-end (2021: 285 stores).

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

**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.*

FY22 – GROUP BUSINESS PERFORMANCE

The Group has reported operating revenue of $595.2m (2021: $556.5m) for the 2022 financial year, producing a net profit after tax (NPAT) of $46.7m (2021: $41.0m (Restated[1])). The Group reported Comparable EBIT* of $62.9m for the year ended 26 June 2022 (2021: $56.6m) an increase of $6.3m year on year, driven by a combination of strong sales growth and margin expansion.

For the year, the Group delivered same store sales growth of 8.0% and gross margin increased by 200 bps to 64.7%. Since FY19Q3, the Group has achieved twelve quarters of same store sales growth. These continued strong results demonstrate the success of the Group's strategic transformation and the increasing strength of the brand during more than two years of significant global disruption.

During the year, the Michael Hill global store network suffered 10,020 lost store trading days (2021: 10,447) due to a combination of government mandated lockdowns and COVID impacting store teams. Despite these disruptions to trading conditions and the global store network, total revenue grew by 7.0% to $595.2m (2021: $556.5m) as the Group continues to elevate and modernise the brand, and transform the customer journey.

The Group's digital businesses delivered another record year with sales of $42.0m, now representing 7.1% of total sales. During the year, the Group successfully launched "click & collect" in all three markets, and rolled out "ship from store" across our global network, further enhancing the Group's omni-channel ecosystem. The Group's marketplace strategy has progressed in all its existing markets, with activation in Australia (The Iconic, Westfield Direct), New Zealand (The Iconic) and Canada (The Bay).

Prior to the key Christmas trading period, the business opened its Canadian 3PL distribution centre in Ontario, creating a cost-efficient flow of inventory from vendors, improving speed of delivery to customers and ensuring reliable continuity of supply and optimal stock levels.

During the year, the product range continued to evolve in line with the elevated brand journey including the successful relaunch of the Group's premium bridal offering – *Sir Michael Hill Designer Bridal* collection. Demonstrating the increased focus on ESG, the Group expanded its distribution of laboratory created diamonds to all stores globally, providing customers with a certified Sustainable and Climate Neutral choice. Additionally, the Group also launched its *De Beers Code of Origin Diamonds* collection to all stores, demonstrating a deep commitment to social and environmental responsibility.

Supporting the Group's ongoing growth agenda, our strategic increase in ATV and elevated product offerings, the Group made considered investments in core inventory, which saw year-end stock holdings of $181.5m (2021: $172.2m).

The Group's balance sheet has benefited from strong operating cashflows, delivering a year-end cash position of $95.8m (2021: $72.4m) and nil debt. During the year, the Group successfully sold its in-house Canadian credit book delivering cash proceeds of $14.2m, while also launching a long-term partnership with Flexiti Financial Inc, to provide a new enhanced consumer credit proposition.

During the year, the Group opened one new store in Australia and closed six under-performing stores across the network (AU: 4, NZ: 1, CA: 1), resulting 280 stores at year-end (2021: 285 stores).

SEGMENT RESULTS

FY22 was another year of COVID disruption for our retail network, with significant first half store closures in both Australia and New Zealand, and the impacts of Omicron across all countries in the second half. Despite these disruptions, all markets delivered strong results. The results below are expressed in local currency and for comparative purposes exclude the Emma & Roe discontinued operations in all years.

AUSTRALIAN RETAIL PERFORMANCE

Operating Results (AU $'000)	2022	2021	2020	2019	2018
Revenue	303,358	312,206	265,915	309,066	325,707
Gross profit	196,609	193,908	160,579	191,895	206,301
Gross margin	64.8%	62.1%	60.4%	62.1%	63.3%
Comparable EBIT	51,750	54,347	27,641	32,626	48,621
Comparable EBIT as a % of revenue	17.1%	17.4%	10.4%	10.6%	14.9%
Number of stores	147	150	155	167	171

Same store sales increased by 4.2%, however significant temporary store closures and the closure of four under-performing stores led to a decline in retail segment revenue by 2.8% to $303.4m for the year. This result is a testament to the resilience of the Australian team, new leadership and the Group's strategic initiatives. The government mandated store closures across Victoria, South Australia, Australian Capital Territory and New South Wales, resulted in 7,551 lost store trading days (2021: 3,458 days) during the year.

As well as a strong sales performance, the segment also delivered expanded gross margin for the year to 64.8% (2021: 62.1%), the country's highest margin in the last five years.

During the year, one new store opened, and four under-performing stores closed, resulting in 147 stores at year-end (2021: 150 stores).

NEW ZEALAND RETAIL PERFORMANCE

Operating Results (NZ $'000)	2022	2021	2020	2019	2018
Revenue	125,090	127,067	106,696	120,064	125,239
Gross profit	79,288	78,771	63,641	73,011	77,673
Gross margin	63.4%	62.0%	59.6%	60.8%	62.0%
Comparable EBIT	30,130	35,119	21,067	24,125	27,800
Comparable EBIT as a % of revenue	24.1%	27.6%	19.7%	20.1%	22.2%
Number of stores	48	49	49	52	52

Same store sales increased by 8.9%, which was a particularly strong result, but temporary store closures through the year did see a decline in retail segment revenue of 1.6% to NZ$125.1m for the year. This result was underpinned by strong retail metrics, omni-channel initiatives, and the Group's strategic agenda. The government mandated store closures, predominantly in the Auckland region, resulted in 2,241 lost store trading days (2021: 464 days) during the year.

Gross margin for the year was 63.4% (2021: 62.0%), a strong year on year performance, and significant improvement on both FY19 and FY20.

During the year one store closed, resulting in 48 stores at year-end (2021: 49 stores).

CANADIAN RETAIL PERFORMANCE

Operating Results (CA $'000)	**2022**	**2021**	**2020**	**2019**	**2018**
Revenue	159,661	118,445	110,799	133,146	130,762
Gross profit	103,623	72,643	63,991	80,726	81,576
Gross margin	64.9%	61.3%	57.8%	60.6%	62.4%
Comparable EBIT	28,785	12,320	(2,412)	9,797	14,605
Comparable EBIT as a % of revenue	18.0%	10.4%	(2.2)%	7.4%	11.2%
Number of stores	85	86	86	86	83

Same store sales increased by 11.3%, and retail segment revenue increased by an impressive 34.8% to CA$159.7m for the year. This is a record result for Canada, supported by a number of strategic initiatives, along with a reinvigorated leadership driving a significant lift in productivity and team engagement. There was minimal temporary store disruption during the year with only 228 lost store trading days (2021: 6,525 days).

In addition to a record sales result, the segment also achieved a record gross margin for the year of 64.9% (2021: 61.3%), underpinned by an absolute focus on retail fundamentals and productivity metrics.

During the year, one under-performing store was closed, resulting in 85 stores at year end (2021: 86 stores).

CASH FLOW

Net operating cash inflow was $111.6m (2021: $134.5m (Restated[1])). Excluding the sale of the in-house Canadian credit program ($14.2m), this was the result of the Group's solid trading and cost initiatives implemented in the last three years coming to fruition.

Through further disciplined inventory and working capital management, the Group remains in a resilient financial position with $95.8m in net cash (2021: $72.4m) available to continue to invest in improvements to its systems, infrastructure, and capabilities.

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

CAPITAL MANAGEMENT

DIVIDENDS, SHARE BUY-BACK AND INVESTMENT UPDATE

Taking into consideration the Group's performance and strength of balance sheet, the Board has decided to declare a final dividend of 4.0 cents per share unfranked, fully imputed with conduit foreign income. This delivers a total dividend for the year of 7.5 cents per share, representing ~67% of adjusted annual NPAT, and at the higher end of the Group's recently revised Dividend Distribution Policy target range of 50% to 75%.

Subject to the Group's ongoing trading performance and growth plans, the Board's intention is for dividends to remain at the higher end of the target range.

Furthermore, the Board is also pleased to announce that it will implement an on-market share buy-back of up to 5% of the Company's issued capital, funded from existing cash reserves. The buy-back is expected to commence in September 2022. The total number of shares to be purchased under the pipeline will be dependent on business and market conditions.

In addition to the above, the Group still retains sufficient balance sheet strength and cash reserves for deployment into new earnings accretive organic growth initiatives and to also pursue acquisition opportunities in the jewellery sector, which meet our strict strategic and investment criteria.

STRATEGIC UPDATE

WITH AN INCREASED FOCUS ON SUSTAINABILITY

Much of the Group's strong performance can be attributed to the strategic transformation and elevation of the brand, along with overarching emphasis on sales and margin growth. The strategic framework underpins the future growth of the business, is customer-led and continually evolving, which is best demonstrated with the introduction of a new pillar dedicated to "Sustainability".

1. Brand & Loyalty

The strategy to elevate and modernise the Michael Hill brand underpins the overarching vision for the business. Highly engaging and emotive marketing campaigns with an emphasis on product, quality and craft, are leading the transition away from price and promotion, towards emotional long-term customer relationships. Simultaneously, the *Brilliance by Michael Hill* loyalty program is proving to be a key lever for growth and customer engagement. The program has increased by more than 600,000 members in the year, and provides the business with essential data to drive more frequent and more profitable customers. Both brand and loyalty are key to driving medium to long term sustainable growth in both sales and margin for the Group.

2. Digital & Omni-channel

Michael Hill's digital transformation continues to gather pace delivering another record year in FY22. Strong performances on the Group's direct to consumer websites were driven by improved customer experience, higher traffic and increased conversion rates, and now represent over 7% of total Group sales. The successful deployment of "click & collect" and "ship-from-store", now available in all stores globally, enhanced our omni-channel capabilities as the Group continues its customer-led digital transformation journey.

3. Retail Fundamentals

Bricks and mortar retail is at the core of the Michael Hill business, driving more than 90% of the Group's sales. Elevating the in-store experience across visual presentation and customer engagement have delivered considerable increases in gross margins, conversion rates and ATV. An unwavering focus on people and performance, operational excellence, and effective labour management underpin our retail productivity which has seen significant lifts in all markets. A new senior leadership structure is now firmly in place across all markets and delivering strong results.

4. Product Evolution

Product evolution is at the centre of a customer-led retail strategy, and is critical to achieve sales and margin growth. Laboratory created diamonds are gaining momentum in the business, delivering increased quality and higher margins while providing customers with a certified Sustainable and Climate Neutral choice. Elevated quality and craftmanship are essential to our aspirational brand journey, and this will be delivered through the evolution of our supply chain, and further investment in the artisanal capabilities of our Australian manufacturing facility. During the year, the business commenced a phased deployment of a new comprehensive merchandise planning platform to improve buying processes, margin optimisation, product ranging and inventory management. The Group's ongoing focus on product mix continues to be a key enabler for sustained margin expansion. Product newness is critical to achieve higher inventory turn and frequency of purchase.

5. New Territories & Services

As the Group pivots from transformation to growth, the opportunity to stretch the brand into new territories and services is a key focus. Through the course of the year, the Group has executed its marketplace strategy across its three core segments, partnering with The Iconic in Australia and New Zealand, and The Bay in Canada. Additionally, the Group is now focused on extending its Canadian website to the currently untapped Quebec market, and in the near future launching international shipping to all countries from our websites. The business is also well underway in developing a digital eco-system with a number of new revenue driving service offerings across bespoke design, sustainability, and financial services.

6. Cost Conscious Culture

The Group made great progress with its global supply chain strategy, with the successful delivery of a new Canadian 3PL distribution centre – lowering input costs and duties while significantly the improving customer experience and delivery times. Additionally, in-market New Zealand warehouse capability was activated during the second half. The Group's credit strategy was further enhanced with the sale of the in-house Canadian credit book and partnering with a specialist third party consumer credit provider across all Canadian stores, and in a first for the Group, an online long-term credit offering. Importantly, the Group's embedded cost conscious culture maintains an absolute focus on cost discipline, inventory and working capital management.

7. Sustainability

Michael Hill is elevating its strategic focus on ESG, launching our 2030 vision centred around People, Product and Planet. Underpinned with detailed goals and milestones, the Michael Hill 2030 ESG vision aims to transform; how we source and manufacture our products; how we impact our planet; and how we improve peoples' lives across our entire value chain. We are committed to bringing change in how we operate in order to drive forward sustainable practices that benefit our customers, our planet and future generations and aim to move our business and influence the broader jewellery industry toward a more sustainable, innovative and responsible future.

RISK MANAGEMENT

The Board believes that a strong Corporate Governance framework will underpin the Group's growth and success. The Group regularly reviews its risk management framework and has identified the following at risk areas and mitigating strategies:

DIVIDENDS	
Ongoing challenges from COVID continue longer than expected impacting customers, suppliers and staff	The Group has a COVID Crisis Management Team focused on monitoring the status in key countries where it operates and has supply chain impacts. Where possible, we seek to leverage government financial assistance for our staff, and the Group has implemented processes to manage outbreaks to reduce the impact to customers and staff. Furthermore, we work closely with suppliers to manage impacts to our supply chain, including the establishment of a Canadian warehouse to reduce delivery times within Canada but also offer alternative sourcing strategies.
Costs of raw materials impacted by global sanctions and scarcity of material	The Group has a dedicated team focused on ensuring the continued supply of raw materials for our production facilities and finished products. There are several sourcing options that are employed, including forward planning and securing core ranges to curb the impact of rising prices of raw materials and to ensure financial exposures are well managed.
Increase in cyber attacks disrupting operations	The Group has tasked the IT Steering Committee to oversee its response to cyber and the maturing of our cyber resilience. The Group continues to invest in new technologies and remove vulnerable points of attack throughout its digital network. External partners have been engaged to uplift our capabilities, including both proactive and reactive responses to cyber attacks. Penetration testing and disaster recovery planning are built into our operating rhythm to further prepare and respond to attacks.
Theft appeal of our product increases during periods of financial hardship and uncertainty	Our focus is on the safety and security of our staff and we are investing in initiatives and processes that improve the overall security of our stores, and contribute to the safety of our staff. We work with local law enforcement bodies and other external parties to better the overall retail environment for our staff and customers. With the ongoing escalation of violence in New Zealand, the Group has established an executive led taskforce responding to these challenges and implementing appropriate actions.
Supply chain transparency and modern slavery	The Group is working closely with our key suppliers across our sourcing and procurement ecosystems to ensure our suppliers' manufacturing and operations comply with our responsible sourcing practices. Further, the Group has developed a modern slavery roadmap to minimise the risk of modern slavery occurring in our business and supply chains. The Group has also outlined its goals in the Sustainability Strategy of having all suppliers meeting our expectations on their social and environmental impacts by 2030.
Talent acquisition and retention	The Group has talent management strategies and processes to ensure the business is well equipped to manage peak trading periods and fulfilment of specialised roles critical to our business. These include succession planning, reviewing pipeline of external recruits and mentoring and coaching of staff to promote internally. Emphasis has been focused on ensuring our workforce engagement scores are above industry benchmarks, and also ongoing commitment to diversity and inclusion through educating our teams, sharing experiences and reporting on key metrics.
Breach of regulation or law in one of our jurisdictions in an increasingly complex legal compliance environment	The Group has an in-house legal team who are focused on compliance in our three markets and utilise external legal firms for specialised legal advice when required. Any new legislative requirements or rectification initiatives have dedicated teams focused on ensuring our compliance.

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 items.

COMPARABLE EBIT

COMPARABLE EBIT HAS BEEN CALCULATED AS FOLLOWS:	**2022** $'000	**2021** $'000 RESTATED[1]
Statutory EBIT	73,236	66,672
Add back costs relating to:		
In-house Canadian credit book revaluation	-	2,986
Less items relating to:		
Government grants received (AU, NZ, CA)	(2,864)	(14,593)
Impact of AASB16 *Leases*	(13,489)	(4,197)
Impact of IFRIC SaaS-related guidance	5,986	5,724
Comparable EBIT	62,869	56,592

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

ENVIRONMENTAL REGULATIONS

The Group has determined that no particular or significant environmental regulations apply to it.

From left: Gary Smith, Jacqueline Naylor, Sir Michael Hill, Robert Fyfe, Emma Hill and Daniel Bracken

INFORMATION ON DIRECTORS

ROBERT FYFE

B.Eng, F.E.N.Z. C.N.Z.M.

Rob was appointed a Director of the Company on 9 June 2016 and has served as Director of Michael Hill's listed entity since 6 January 2014. He was appointed Chair of the Board in June 2021. Rob served as CEO of Air New Zealand between 2005 and 2012, a period that saw a resurgence in Air New Zealand to become one of the most recognised and awarded airlines in the world and one of the best performers in a tough industry. Prior to and subsequent to his time at Air New Zealand, Rob has gained extensive general management experience in various retail businesses operating in New Zealand, Australia and Great Britain, across sectors including retail banking, telecommunications, pay television and outdoor apparel. On New Year's Eve 2020, Rob was appointed as a Companion of the New Zealand Order of Merit for services to business and tourism.

Rob is also a Director of Air Canada and has not had any former directorships of listed entities in the last three years.

SPECIAL RESPONSIBILITIES

- Chair
- Non-Executive and Independent Director
- Member of ARMC
- Member of PDRC

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

2,293,640 Ordinary Shares

SIR RICHARD (MICHAEL) HILL

K.N.Z.M.

Sir Michael is the founder of Michael Hill and was appointed a Director of the Company on 9 June 2016, having served as Director of Michael Hill's listed entity since its initial listing in 1990. He led the Group as Chairman from 1987 until 2015. Sir Michael had 23 years of jewellery retailing experience before establishing Michael Hill in 1979, which then listed on the New Zealand Stock Exchange in 1987. Sir Michael's visionary leadership has been the foundation for the Company's successful international expansion. In 2008 he was recognised as Ernst & Young's 'Entrepreneur of the Year' and in 2011 was appointed a Knight Companion of the New Zealand Order of Merit for services to business and the arts. Sir Michael was appointed Founder President of the New Zealand listed entity in 2015 in recognition of his special connection with Michael Hill for over 35 years.

Sir Michael is not a Director of any other listed entities and has not had any former directorships of listed entities in the last three years.

SPECIAL RESPONSIBILITIES

- Non-Executive Director

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

148,330,600 Ordinary Shares

EMMA HILL

B.Com, M.B.A

Emma was appointed a Director of the Company on 9 June 2016 and has served as Director of Michael Hill's listed entity since 22 February 2007. She served as Deputy Chair of the Group from 2011 until 2015 when she was appointed Chair. Emma stepped down from the Chair role in June 2021. Emma has over 30 years' experience with subsidiaries of the Company commencing on the shop floor in Whangarei, New Zealand. She held a number of management positions in the Australian company before successfully leading the expansion of the Group into Canada as Retail General Manager in 2002. Emma holds a Bachelor of Commerce degree and an MBA from Bond University.

Emma is not a Director of any other listed entities and has not had any former directorships of listed entities in the last three years.

SPECIAL RESPONSIBILITIES

- Non-Executive Director
- Chair of PDRC

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

167,487,526 Ordinary Shares

GARY SMITH

B.Com, F.C.A., F.A.I.C.D.

Gary was appointed a Director of the Company upon incorporation on 24 February 2016 and has served as Director of Michael Hill's listed entity since 2 November 2012. Gary has had extensive Director experience. He is Chairman of Flight Centre Travel Group Ltd, one of Australia's top 100 public companies and is a member of their Audit and Remuneration sub-committee. He is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors.

Gary is a Director of Flight Centre Travel Group Limited and has not had any former directorships of listed entities in the last three years.

SPECIAL RESPONSIBILITIES

- Non-Executive and Independent Director
- Chair of ARMC
- Member of PDRC

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

80,000 Ordinary Shares

JACQUELINE NAYLOR

M.A.I.C.D.

Jacqueline was appointed a Director of the Company on 15 July 2020. Jacqueline is a highly regarded Australian retail leader with over thirty years' executive and board experience in retail, fashion and eCommerce. She is currently an Independent Non-Executive Director of Myer and was previously a Director of PAS Group, Macpac and the Virgin Australia Melbourne Fashion Festival. This follows an extensive career as a retail executive (and later an Executive Director) at the Just Group, where Jacqueline oversaw merchandising, marketing and brand strategies across a portfolio of 800 stores.

Jacqueline is a Director of Myer Holdings Limited and has not had any former directorships of listed entities in the last three years.

SPECIAL RESPONSIBILITIES

- Non-Executive and Independent Director
- Member of ARMC

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

160,000 Ordinary Shares

DANIEL BRACKEN

Daniel joined Michael Hill International as the CEO in November 2018. He has more than 25 years' experience managing some of the world's most iconic brands. He has an extensive background in corporate strategy, brand development, product design, customer engagement, digital expansion and has been instrumental in executing turnaround initiatives across many retail businesses.

Daniel is not a Director of any other listed entities and has not had any former directorships of listed entities in the last three years.

SPECIAL RESPONSIBILITIES

- Managing Director
- Chief Executive Officer

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

201,869 Ordinary Shares
2,944,296 Share Rights

COMPANY SECRETARIES

The Company has appointed two company secretaries, Andrew Lowe and Emily Bird.

Andrew Lowe, who is also the Chief Financial Officer of the Group, was appointed to the position of Company Secretary on 1 March 2019, having held that position previously (15 December 2017 to 22 January 2018). Andrew holds a Bachelor of Commerce, a Bachelor of Laws (Hons) and a Masters of Applied Finance, and is a qualified Chartered Accountant and a Chartered Taxation Adviser of the Taxation Institute of Australia. Andrew has extensive experience in finance and leadership roles across a range of listed corporate groups with Australian and offshore operations.

Emily Bird, who is also the General Counsel of the Group, was appointed to the position of Company Secretary on 31 July 2020. Emily joined Michael Hill in September 2019 as Senior Legal Counsel, and was appointed General Counsel & Company Secretary in July 2020. She holds a Bachelor of Laws, Bachelor of Arts (Psychology), Graduate Diploma in Legal Practice, Graduate Diploma in Applied Corporate Governance and Risk, and has completed the Company Directors Course at the Australian Institute of Company Directors. Emily has broad legal experience with in-house roles at Lactalis Australia (formerly Parmalat Australia), Virgin Blue (now Virgin Australia) and a secondment at Tarong Energy (now Stanwell Corporation), having started her legal career at top-tier firm Clayton Utz.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 26 June 2022, and the numbers of meetings attended by each Director were:

	FULL MEETINGS OF DIRECTORS		MEETING OF COMMITTEES			
			AUDIT AND RISK MANAGEMENT		PEOPLE DEVELOPMENT AND REMUNERATION	
	A	B	A	B	A	B
R I Fyfe	12	12	3	3	5	5
Sir R M Hill	12	12	-	-	-	-
E J Hill	12	12	-	-	5	5
G W Smith	11	12	3	3	5	5
J E Naylor	12	12	3	3	-	-
D Bracken	12	12	-	-	-	-

A = Number of meetings attended
B = Number of meetings held during the time the Director held office or was a member of the committee during the year

COMMITTEE MEMBERSHIP

As at the date of this report, Michael Hill International Limited has an Audit and Risk Management Committee and a People Development and Remuneration Committee.

AUDIT AND RISK MANAGEMENT COMMITTEE

Gary Smith (Chair)

Robert Fyfe

Jacqueline Naylor

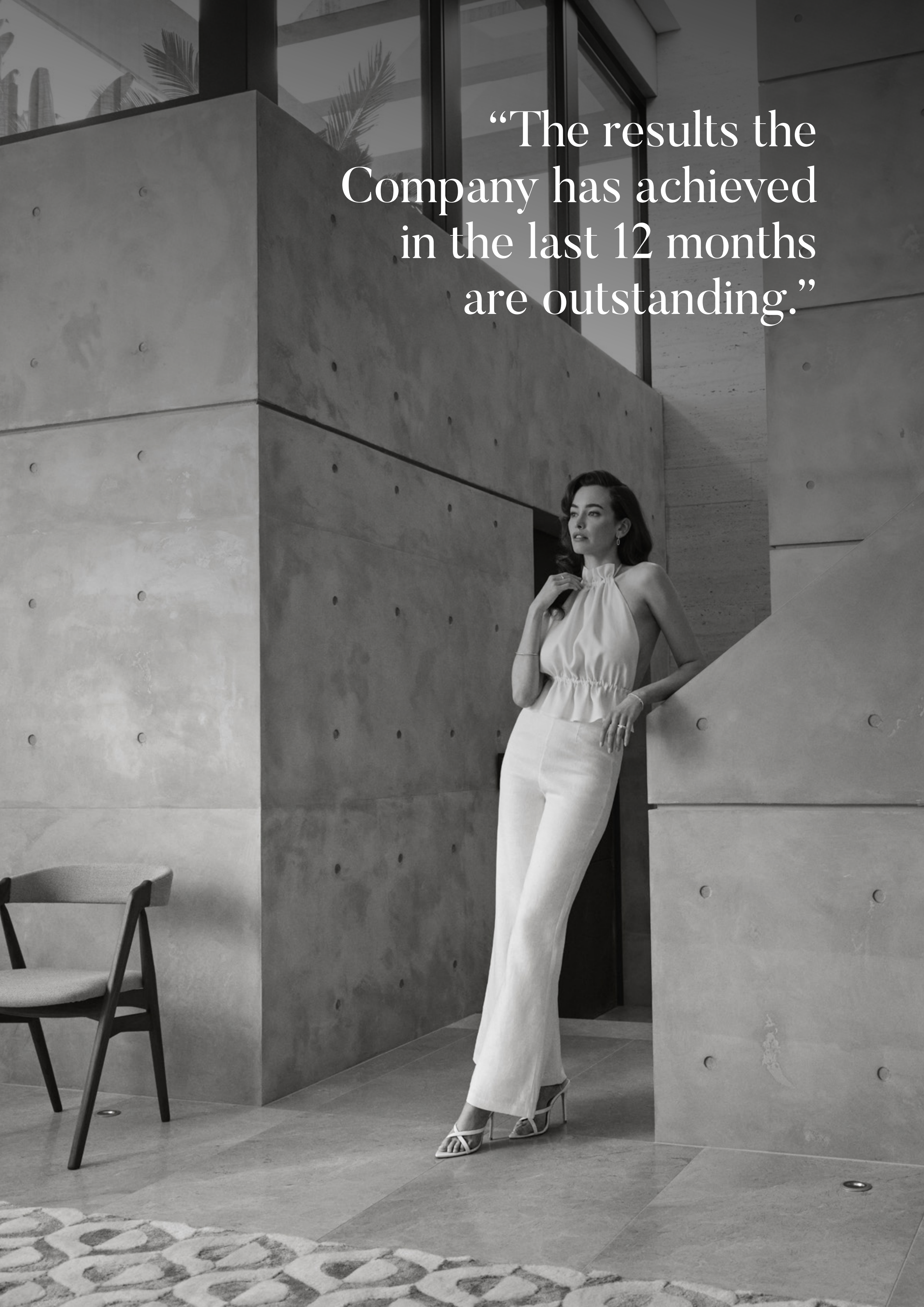
PEOPLE DEVELOPMENT AND REMUNERATION COMMITTEE

Emma Hill (Chair)

Robert Fyfe

Gary Smith

"The results the Company has achieved in the last 12 months are outstanding."



AUDITED REMUNERATION REPORT

The Directors present the 2022 Michael Hill International Limited remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded during FY22. The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

LETTER FROM THE CHAIR OF THE PEOPLE DEVELOPMENT AND REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of Michael Hill Group, I am pleased to present the FY22 remuneration report. The report outlines the Group's remuneration strategy and framework and details how the Board has approached remuneration to retain and incentivise key management personal (KMP) while aligning reward with shareholder value creation.

Over the past three years Michael Hill Group has achieved significant growth and transformation on the journey to become a high performing, modern, differentiated, omni-channel jewellery group. The success of the transformation agenda has seen growth in sales, margin and profit, translating into earnings per share (EPS) and dividends per share (DPS) of 12.0 cents and 7.5 cents respectively.

Highlights from FY22 include:

- Total Group revenue of $595.2m (2021: $556.5m) – an increase of 7.0%
- EBIT* of $73.2m (2021: $66.7m (Restated[1])) – an increase of 9.8%
- Comparable EBIT of $62.9m (2021: $56.6m) – an increase of 11.1%
- EPS of 12.03 cents (2021: 10.57 cents (Restated[1])) – an increase of 13.8%

**EBIT and Comparable EBIT are non-IFRS information and are unaudited. Please refer to non-IFRS information section in the Directors' Report for an explanation of non-IFRS information and a reconciliation of EBIT and Comparable EBIT*

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

FY22 Remuneration

The structure of compensation is designed with a mix of market competitive fixed remuneration, short term incentives (STI) to reward annual performance and long term incentives (LTI) to align long term financial performance and shareholder value creation.

Compensation awarded over the year reflected results delivered. In accordance with our policy Executive KMP salaries were adjusted by the Consumer Price Index (CPI) of 3.8%. STI awarded was 100% of on target STI and 100% of outperformance STI. The outperformance component of our STI is awarded in share rights, deferred for 12 months. The move to outperformance being awarded in share rights is a change from FY21 and is intended to enhance Management's focus on long term performance. The outperformance component allows Executives to earn double the target STI value for outstanding performance and the award is self-funded through profit generation in excess of target.

LTI awarded over the year was 52.5% of fixed remuneration for CEO and 32.5% for CFO. No awards to the CEO or CFO vested in the year.

Non-Executive Director (NED) fees were increased by the CPI of 3.8%. There were no other changes to the structure of NED fees.

Continuous Improvement in our Remuneration Practices is Important to us

It is the Company's policy to conduct Executive remuneration benchmarking every three years and to consider outcomes in line with Company policy. During the year we reviewed our remuneration practices to ensure the structure and level of award was reflective of modern compensation packages. PricewaterhouseCoopers conducted benchmarking of KMP and the broader Executive Team using a consumer discretionary peer group of companies 50% to 200% of our market cap as reference data (no remuneration recommendations were made). This exercise commenced in FY22 and continued early into FY23. The insights from this review are being finalised to ensure continued retention of our high performing Executive while more closely aligning compensation mix with long term value creation.

Our remuneration report this year provides increased detail and transparency on the link of reward to performance through detailing STI targets and outcomes. Our aim is to demonstrate the effectiveness of our incentive program in driving performance outcomes and to give shareholders increased confidence in our remuneration practices.

In conclusion, the Board believes the remuneration changes and outcomes for FY22 reflect an appropriate alignment between pay and performance during the year and are also fair in terms of the operating environment in which decisions have been made. We are confident that shareholders will recognise this as a continuation of our long held approach to prior years. The results the Company has achieved in the last 12 months are outstanding and the Executive remuneration set out in this report is considered by the Board to be reflective of this performance.

Regards,

Emma Hill
Chair of the People Development and Remuneration Committee

REMUNERATION OVERVIEW

This report sets out the remuneration arrangements for Michael Hill International's key management personnel (KMP). KMP have the authority and responsibility for planning, directing and controlling the activities of the entity. All KMP listed below have held their positions for the entire reporting period unless indicated otherwise.

NAME	POSITION	COMMENCEMENT AS KMP
Non-Executive Directors		
Robert Fyfe	Chair and Non-Executive Director	2016
Sir Richard Michael Hill	Founder and Non-Executive Director	2016
Emma Hill	Non-Executive Director	2016
Gary Smith	Non-Executive Director	2016
Jacqueline Naylor	Non-Executive Director	2020
Former Non-Executive Director		
Janine Allis	Non-Executive Director	9 June 2016 until 27 October 2020
Managing Director and CEO		
Daniel Bracken	Managing Director and Chief Executive Officer	2019
Executive		
Andrew Lowe	Chief Financial Officer and Company Secretary	2017
Former Executives		
Vanessa Brennan	Chief Brand and Strategy Officer	11 August 2020 until 13 December 2020
Andrea Slingsby	Chief Operating Officer	9 January 2019 until 22 January 2021

PEOPLE DEVELOPMENT AND REMUNERATION COMMITTEE

The primary objective of the People Development and Remuneration Committee (PDRC) is to assist the Board fulfil its corporate governance and oversight responsibilities in relation to the Company's people strategy including remuneration components, performance measurements and accountability frameworks, recruitment, engagement, retention, talent management and succession planning.

The following Non-Executive Directors are members of the PDRC for the 2022 reporting period:

- **Emma Hill** – Chair of the PDRC
- **Robert Fyfe** – Chair of the Board of Directors
- **Gary Smith** – Independent Non-Executive Director

USE OF REMUNERATION CONSULTANTS

The PDRC obtains independent advice every three years on the appropriateness of remuneration practices of the Group given trends in comparative companies and the objectives of the Group's remuneration strategy. In FY22, the PDRC engaged Pricewaterhouse Coopers to perform Executive remuneration benchmarking on our KMP and the broader Michael Hill Executive Team. In selecting a suitable consultant, the committee considered conflicts of interest and independence from KMP. The work performed does not amount to a remuneration recommendation. Its purpose was to inform the PDRC on the remuneration position of each Executive compared with industry peers and comparable roles.

REMUNERATION FRAMEWORK

Our remuneration philosophy is guided by our vision to be a modern, differentiated, omni-channel jewellery group. The structure of compensation is designed with a mix of market competitive fixed remuneration, short term incentives to reward annual performance and long term incentives to align financial performance and shareholder value creation.

OUR VALUES

We Care	We are professional	We are inclusive and diverse	We create outstanding experiences

OUR REMUNERATION PHILOSOPHY

01. Attract, motivate & retain talent

02. Reward the achievement of strategic objectives

03. Align to shareholder value creation

OUR REMUNERATION FRAMEWORK

	FIXED REMUNERATION	SHORT TERM INCENTIVE	LONG TERM INCENTIVE
How is it set?	Fixed remuneration is set with reference to market competitive rates in comparative companies for similar positions, adjusted to account for the experience, ability and effectiveness of the individual Executive.	Executive KMP participate in the Group's STI program which is directed to achieving Board approved on target and outperformance targets.	The Company has established an LTI plan as deferred compensation.
How is it delivered?	Base salary plus any fixed elements including superannuation and leave entitlements.	Cash for on target performance and for outperformance, in share rights, deferred for 12 months.	An issue of share rights is made to Executive KMP. The rights vest at the end of the performance period if certain performance hurdles and vesting conditions are met.
What is the objective?	Attract and retain key Executive talent.	Drive annual profit growth and align Executive reward with achievement of performance targets that underpin strategy.	Reward Executive KMP for sustainable long term growth aligned to shareholders' interests.

RELATIONSHIP OF REMUNERATION TO GROUP PERFORMANCE

The remuneration framework operates to create a clear link between Executive remuneration and the Group's performance. Increased incentive remuneration outcomes for KMP reflect increased revenue, NPAT and dividends. The overall level of remuneration takes into consideration the performance of the Group over several years. The performance of the Group over the past five years is summarised below:

GROUP PERFORMANCE

	2022	2021 RESTATED[1]	2020	2019	2018
Revenue ($'000)	595,210	556,486	492,060	569,500	604,319
EBIT* ($'000)	73,236	66,672	14,079	21,115	8,854
Profit for the year attributable to owners of the Company^ ($'000)	46,712	41,015	3,059	16,498	1,557
Earnings per share (cents)	12.03c	10.57c	0.79c	4.26c	0.40c
Dividends paid during the financial year[2] ($'000)	25,239	11,636	5,817	19,365	19,371
Market capitalisation ($'000)	361,105	322,158	131,841	209,385	375,815
Share price at year end ($)	0.93	0.83	0.34	0.54	0.97
Return on average total assets[3]	9.3%	9.0%	0.7%	4.3%	8.2%

**EBIT and Comparable EBIT are Non-IFRS Information and are unaudited. Please refer to Non-IFRS Information in the Directors Report for an explanation of Non-IFRS information and a reconciliation of EBIT and Comparable EBIT.*

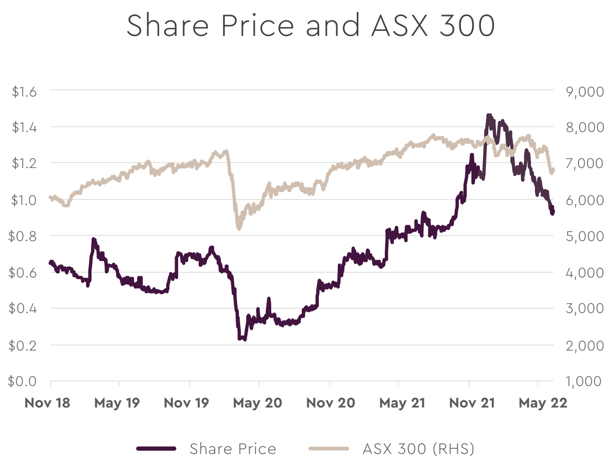
[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

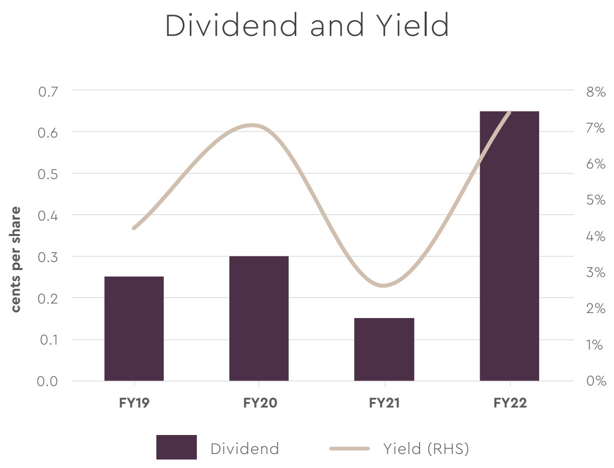
[2]The dividends paid in FY21 are the postponed interim dividend for FY20 and the interim dividend for FY21. No final dividend was declared for FY20.

[3]For 2021 – Return on average total assets is not restated as the required adjustment to total assets for 2020 has not been calculated.

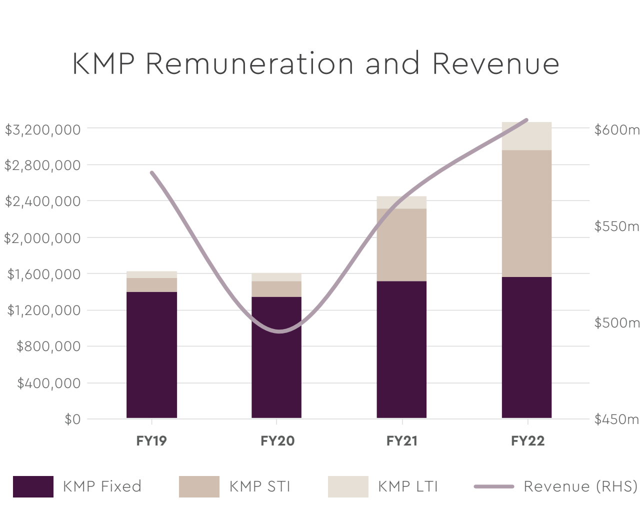
^Profit amounts for 2018 to 2022 years have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This also complies with IFRS as issued by the International Accounting Standards Board.

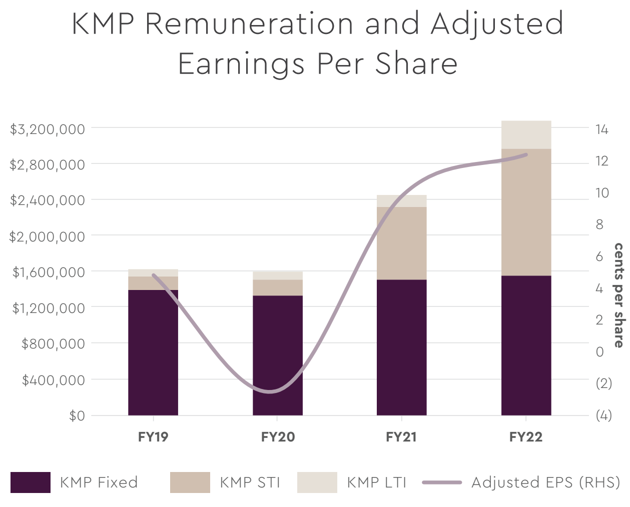
The first graph below shows the share price growth and movement compared to the ASX300 whilst the second graph shows the dividend paid and yield per financial year.





The graphs below show the relationship of KMP remuneration[4] to revenue and Adjusted Earnings Per Share[5] for the last four financial years.





[4]Note that KMP remuneration is based on constant KMPs (Daniel Bracken and Andrew Lowe) and where Daniel Bracken started mid-way through the year, this has been extrapolated on a straight line basis. KMP STI for FY22 includes share rights deferred for 12 months for outperformance.

[5]Adjusted Earnings Per Share is calculated similarly to statutory Earnings Per Share except EBIT is adjusted to Comparable EBIT as set out in the Directors' Report.

FY22 EXECUTIVE KMP REMUNERATION

REMUNERATION MIX

The total remuneration for Executive KMPs comprises both fixed remuneration and at risk components in the form of on target STI, outperformance STI and LTI. The remuneration mix is designed to compensate KMP in a way that strongly correlates to Group performance. The outperformance STI gives the Executive KMPs the ability to earn the on target STI value in the form of share rights, deferred for 12 months.

KMP	FIXED REMUNERATION	MAXIMUM STI	LTI	TOTAL
Daniel Bracken – CEO	39.0%	41.0%	20.0%	100.0%
Andrew Lowe – CFO	51.0%	33.0%	16.0%	100.0%

FIXED REMUNERATION

Fixed remuneration is reviewed annually, and our policy in this review is to consider the consumer price index (CPI) and increases to any applicable superannuation concessional contributions cap. Remuneration is set with reference to market competitive rates in comparable companies for similar positions adjusted for the experience, ability and effectiveness of the individual Executive KMP. Fixed remuneration includes base salary and superannuation contributions at the rate of the concessional contributions cap.

At the commencement of the reporting period, base salaries were increased by CPI, 3.8%, and superannuation was increased by the value in the increased concessional contributions cap.

SHORT TERM INCENTIVE SCHEME

The Group's STI program is designed to reward delivery of annual profit targets and ensure achievement of strategic and operational objectives. The STI is detailed in performance scorecards that are set by the PDRC. The scorecards detail the performance goals, targets and weightings for each Executive across the key performance areas of financial, strategy, customer and people. The CEO's scorecard is comprised of core objectives from each Executive's scorecard.

The program is supported by a performance management system giving visibility and transparency of progress by each Executive. Performance against key performance indicators (KPIs) is formally measured on a biannual basis and informally in regular meetings.

The STI program in FY22 for KMP was structured as follows:

Performance period	Annual award for Financial KPIs Six monthly award for Strategy, Customer and People KPIs
Opportunity	**CEO** – 105% of fixed remuneration comprised of 52.5% for on target performance, and 52.5% for outperformance **CFO** – 65% of fixed remuneration comprised of 32.5% for on target performance, and 32.5% for outperformance
How the STI is paid?	In cash for on target performance In share rights for outperformance, deferred for 12 months
On target performance measures	Financial KPIs 60% weighting Strategy, Customer and People KPIs 40% weighting
Performance measure for outperformance component	Starting at $1.5m above FY21 EBIT and increasing progressively
How is STI assessed?	The PDRC reviews the CEO's performance against the performance targets and objectives set for that year. The CEO assesses the performance of the CFO, with the CEO having oversight of his direct reports and the day-to-day functions of the Company. The PDRC reviews the assessed performance for Board endorsement.

STI OUTCOMES

The following tables detail the FY22 STI scorecard KPIs and assessment applied to the CEO.

KPI	2022 PERFORMANCE ASSESSMENT
Financial (60% weighting) EBIT Sales, Margin, Costs	Outperformance target achieved for EBIT On target performance achieved for Sales, Margin and Costs
Strategy (15% weighting) Click and collect, Canadian credit, Marketplace model, New channel growth strategy, ESG strategy , New support office, Capital allocation	On target performance achieved for all objectives
Customer (15% weighting) Store refresh program, Canadian performance and productivity, Brand health tracking, Customer segmentation strategy, *Brilliance by Michael Hill* loyalty program	On target performance achieved for all objectives
People (10% weighting) Culture and engagement, Talent and retention	On target performance achieved for all objectives

The CEO and CFO earned 100% of their on target STI. This STI was awarded due to the achievement in full of the KPIs related to the financial, strategy, customer and people performance measures.

An outperformance STI in the form of deferred share rights was awarded to both KMP due to the achievement of the EBIT outperformance measure. An overall payment of 100% of total maximum STI potential was achieved.

ANALYSIS OF BONUSES INCLUDED IN REMUNERATION

	INCENTIVE			REMUNERATION			
KMP's short-term incentive cash bonuses	**On target achieved** %	**Out-performance achieved** %	**Total potential available** $	**Cash STI component** $	**Deferred share rights component** $	**Total STI included** $	**Amount forfeited** $
Daniel Bracken	100	100	1,071,088	535,544	535,544	1,071,088	–
Andrew Lowe	100	100	338,357	169,178	169,179	338,357	–

LONG TERM INCENTIVE SCHEME

The FY22 LTI program for KMP was structured as follows:

Performance period	3 years
Opportunity	**CEO** – 52.5% of fixed remuneration **CFO** – 32.5% of fixed remuneration
Instrument	Share rights
Performance metric	Total Shareholder Return (TSR) compound annual growth rate (CAGR) over 3 years
Vesting condition	Subject to remaining an employee of the Group at the performance hurdle assessment date (10 days following the release of the FY24 results), and satisfaction of the TSR target metric, share rights will vest in accordance with a sliding vesting schedule. The absolute TSR sliding vesting schedule is as follows: • No rights vest if TSR is equal to or less than 10% CAGR • 10% of share rights vest for each 1% increase in CAGR performance between 10% CAGR to 20% CAGR • 100% of share rights vest if TSR is equal to or above 20% CAGR Awards are subject to a service condition requiring the Executive KMP to remain employed by the Group until the performance hurdle assessment date
Rationale for the performance metric and condition	The absolute TSR metric has been deemed by the PDRC to be a suitable market based measure to create alignment between the interests of Executive KMP and the interests of shareholders
What happens when a KMP ceases employment?	If the KMP's employment is terminated for cause, or due to resignation, all unvested share rights will lapse, unless the Board determines otherwise
Dividends and voting rights	Share rights do not confer on the holder any entitlement to any dividends or other distributions by the Group or any right to attend or vote at any general meeting of the Group

FY22 LTI OUTCOMES

Both Executive KMP were eligible to participate in the FY22 LTI in accordance with the LTI program detailed in the preceding table. For the CEO, the grant of share rights under the FY22 LTI plan was approved by shareholders at the FY22 Annual General Meeting. Further details of the number of share rights granted to the CEO and CFO in relation to the FY22 LTI can be found later in this report under the heading 'Share Rights'.

Daniel Bracken, CEO, commenced with the Company in FY19 and participated in that year's LTI, which has three vesting dates over consecutive years, commencing in FY23. No share rights vested for the CEO in FY22.

Andrew Lowe, CFO, commenced with the Company in FY18 and participated in that year's LTI, which has three vesting dates over consecutive years. Andrew's first tranche of that scheme, 4,325 share rights vested and were exercised in August 2021. No other share rights vested for the CFO in FY22.

OTHER BENEFITS

Executive KMP do not receive additional benefits, such as non-cash benefits, other than superannuation, as part of the terms and conditions of their appointment. Loans are not provided.

SERVICE CONTRACTS

It is the Group's policy that service contracts for KMP are unlimited in term but capable of termination on three months' notice (six months in the case of the CEO) and that the Group retains the right to terminate the contract immediately, by making payment equal to three months' pay in lieu of notice (or six months in the case of the CEO). KMP are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

FY22 NON-EXECUTIVE DIRECTOR REMUNERATION

Total compensation for all Non-Executive Directors, last voted upon by shareholders on 29 June 2016, is not to exceed $840,000 per annum. Directors' base fees for FY22 were $104,235 per annum. The Board Chair receives twice the base fee. Additional fees are paid where a Director is Chair of a committee.

Committee Chair fees	$
People Development and Remuneration	21,535
Audit and Risk	32,303

It is the Company's policy to consider CPI in determining any increase to Directors' fees annually. In FY22, CPI was 3.8% and Non-Executive Director fees increased by this percentage.

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter sumarises the Board policies and terms, including remuneration, relevant to the office of Director. Non-Executive Directors do not receive performance-related compensation. Directors' fees cover all main Board activities and membership of committees. Non-Executive Directors are not provided with retirement benefits apart from statutory superannuation.

DIRECTOR AND EXECUTIVE REMUNERATION OUTCOMES FOR FY22

Details of the nature and amount of each major element of remuneration of each Director of the Company and other KMP of the consolidated entity are:

	SHORT-TERM				LONG-TERM	POST-EMPLOYMENT		SHARE-BASED PAYMENTS			
Name	Salary & fees* $	STI cash bonus $	Non-monetary benefits (deferred share rights) $	Total $	Long service leave $	Super-annuation benefits $	Termination benefits $	Share rights $	Total $	Proportion remuneration performance related $	Value of rights as proportion of remuneration $
Non-Executive Directors											
Emma Jane Hill											
2022	121,907	-	-	121,907	-	-	-	-	121,907	-	-
2021	194,736	-	-	194,736	-	-	-	-	194,736	-	-
Sir Richard Michael Hill											
2022	101,034	-	-	101,034	-	-	-	-	101,034	-	-
2021	97,368	-	-	97,368	-	-	-	-	97,368	-	-
Gary Warwick Smith											
2022	124,125	-	-	124,125	-	12,413	-	-	136,538	-	-
2021	120,127	-	-	120,127	-	11,412	-	-	131,539	-	-
Robert Ian Fyfe											
2022	202,068	-	-	202,068	-	-	-	-	202,068	-	-
2021	117,485	-	-	117,485	-	-	-	-	117,485	-	-
Jacqueline Elizabeth Naylor											
2022	94,759	-	-	94,759	-	9,476	-	-	104,235	-	-
2021	88,180	-	-	88,180	-	8,377	-	-	96,557	-	-
Janine Suzanne Allis (retired 27 October 2020)											
2022	-	-	-	-	-	-	-	-	-	-	-
2021	30,485	-	-	30,485	-	2,896	-	-	33,381	-	-
Total Director Remuneration											
2022	643,893	-	-	643,893	-	21,889	-	-	665,782	-	-
2021	648,381	-	-	648,381	-	22,685	-	-	671,066	-	-

	SHORT-TERM				LONG-TERM	POST-EMPLOYMENT		SHARE-BASED PAYMENTS			
Name	Salary & fees* $	STI cash bonus $	Non-monetary benefits (deferred share rights) $	Total $	Long service leave $	Super-annuation benefits $	Termination benefits $	Share rights $	Total $	Proportion remuneration performance related $	Value of rights as proportion of remuneration $
KMP											
Daniel Bracken, CEO											
2022	1,050,052	535,544	535,543	2,121,139	35,231	27,500	-	156,176	2,340,046	45.77%	6.67%
2021	1,025,532	620,487	–	1,646,019	16,962	25,000	–	33,716	1,721,697	36.04%	1.96%
Andrew Lowe, CFO											
2022	502,689	169,179	169,179	841,047	15,673	27,500	–	47,161	931,381	36.33%	5.06%
2021	483,848	184,526	–	668,374	12,930	25,000	–	19,684	725,988	25.42%	2.71%
Andrea Slingsby, COO (ceased 22 January 2021)											
2022	-	–	–	–	–	–	–	–	–	-	-
2021	293,388	70,000	–	363,388	–	14,904	–	19,909	398,201	17.58%	5.00%
Vanessa Brennan, CBSO (commenced 11 August 2020 and ceased 13 December 2020)											
2022	-	–	–	–	–	–	–	–	–	-	-
2021	136,657	–	–	136,657	–	8,654	–	13,489	158,800	-	8.49%
Total KMP Remuneration											
2022	1,552,741	704,723	704,722	2,962,186	50,904	55,000	–	203,337	3,271,427	43.08%	6.22%
2021	1,939,425	875,013	–	2,814,438	29,892	73,558	–	86,798	3,004,686	29.12%	2.89%
Total Director and KMP Remuneration											
2022	2,196,634	704,723	704,722	3,606,079	50,904	76,889	–	203,337	3,937,209	35.80%	5.16%
2021	2,587,806	875,013	–	3,462,819	29,892	96,243	–	86,798	3,675,752	23.80%	2.36%

ADDITIONAL STATUTORY INFORMATION

EQUITY INSTRUMENTS

All options or rights refer to options or rights over ordinary shares of Michael Hill International Limited, which are exercisable on a one-for-one basis under the Executive incentive plan.

MODIFICATION OF TERMS OF EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a KMP) have been altered or modified by the issuing entity during the reporting period or the prior period. Upon exercise of any option previously granted with a NZ$ exercise price, the exercise price will be converted to AU$ with reference to the Reserve Bank of Australian foreign exchange rate on that date. The exercise price of any future option grants will be set by using the same method, with reference to the Australian Securities Exchange ('ASX').

UNISSUED SHARES

As at the date of this report, there were 1,000,000 unissued ordinary shares under options. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

ANALYSIS OF OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

No options were granted to KMP as compensation for the financial year.

SHARE RIGHTS

The number of share rights issued to KMP and senior management during FY22 was 2,106,647 share rights. Of these, share rights issued to KMP are set out below. Refer to note D3 of the accompanying financial report for further details.

SHARE RIGHTS

KMP	Issued during the year Number	Fair value per share right $
Daniel Bracken	634,081	0.29
Andrew Lowe	200,307	0.29

RECONCILIATION OF OPTIONS AND SHARE RIGHTS HELD BY KMP

No options are held by KMP. The number of rights over ordinary shares held during the financial year by KMP, including the number issued, vested, exercised and forfeited is set out below:

	BALANCE AT START OF THE YEAR						BALANCE AT END OF THE YEAR		
KMP's short-term incentive cash bonuses	**Vested and exercisable**	**Unvested**	**Issued**	**Forfeited**	**Vested**	**Exercised**	**Vested and exercisable**	**Unvested**	**Value of rights issued during the year**
Daniel Bracken*	-	2,310,215	634,081	-	-	-	-	2,944,296	183,883
Andrew Lowe	-	679,575	200,307	-	-	(4,325)	-	875,557	58,089
Total	**-**	**2,989,790**	**834,388**	**-**	**-**	**(4,325)**	**-**	**3,819,853**	**241,973**

**Share rights granted to Daniel Bracken during the reporting period were approved by shareholders at the Company's 2021 AGM as required by ASX Listing Rule 10.14.*

Share rights relating to FY23 LTI plan are anticipated to be granted in late 2022.

SHAREHOLDINGS

The number of ordinary shares held during the financial year by KMP is set out below:

NAME	BALANCE AT START OF THE YEAR	RECEIVED ON EXERCISE OF RIGHTS	OTHER CHANGES	BALANCE AT END OF THE YEAR
Non-Executive Directors				
Emma Hill*	167,487,526	-	-	167,487,526
Sir Richard (Michael) Hill*	148,330,600	-	-	148,330,600
Gary Smith	80,000	-	-	80,000
Robert Fyfe	2,693,640	-	(400,000)	2,293,640
Jacqueline Naylor	160,000	-	-	160,000
KMP				
Daniel Bracken	201,869	-	-	201,869
Andrew Lowe	-	4,325	-	4,325

**Includes common shareholding due to a related party.*

VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING

The Company received 99.3% of "For" votes on its remuneration report for FY21. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

INSURANCE OF OFFICERS AND INDEMNITIES

The Company's Constitution provides that it may indemnify any person who is, or has been, an officer of the Group, including the Directors, the Secretaries and other officers, against liabilities incurred whilst acting as such officers to the extent permitted by law. The Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's Directors, Company Secretaries and certain other officers. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

The Company has paid a premium for insurance for officers of the Group. This insurance is against a liability for costs and expenses incurred by officers in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young (Australia). The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young (Australia) received or are due to receive the following amounts for the provision of non-audit services:

ERNST & YOUNG (AUSTRALIA)	2022 $	2021 $
Advisory fees	3,682	3,682
Total remuneration for non-audit services	**3,682**	**3,682**

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, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made on 26 August 2022 in accordance with a resolution of Directors as required by section 298 of the Corporations Act 2001.

Rob Fyfe

R I Fyfe

Chair
Brisbane
26 August 2022

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MICHAEL HILL INTERNATIONAL LIMITED

As lead auditor for the audit of the financial report of Michael Hill International Limited for the financial year ended 26 June 2022, 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 audit;

(b) No contraventions of any applicable code of professional conduct in relation to the audit; and

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

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

Ernst & Young

Ernst & Young

KMcKenzie

Kellie McKenzie
Partner

26 August 2022

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The Directors present the consolidated financial statements of Michael Hill International Limited for the year ended 26 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

PROFIT OR LOSS

	Notes	2022 $'000	2021 $'000 RESTATED[1]
Revenue from contracts with customers	A2	595,210	556,486
Other income	A3	8,913	17,969
Cost of goods sold		(210,384)	(207,570)
Employee benefits expense	D1	(155,332)	(149,653)
Occupancy costs		(9,446)	(15,135)
Marketing expenses		(41,174)	(28,325)
Selling expenses		(17,674)	(17,959)
Impairment of property, plant and equipment	F5	(521)	(1,883)
Impairment of other assets		(3,253)	(3,513)
Depreciation and amortisation expense	F1	(51,944)	(48,061)
Loss on disposal of property, plant and equipment		(231)	(448)
Other expenses		(40,912)	(35,232)
Finance expenses	F1	(7,549)	(7,595)
Profit before income tax		**65,703**	**59,081**
Income tax expense	F9	(18,991)	(18,066)
Profit for the year		**46,712**	**41,015**

OTHER COMPREHENSIVE INCOME

	Notes	2022 $'000	2021 $'000 RESTATED[1]
Item that may be reclassified subsequently to profit or loss:			
Gains/(losses) on cash flow hedges		-	34
Currency translation differences arising during the year		(977)	(177)
Other comprehensive income for the year, net of tax		**(977)**	**(143)**
Total comprehensive income for the year		**45,735**	**40,872**
Total comprehensive income for the year is attributable to: Owners of Michael Hill International Limited		**45,735**	**40,872**

EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY

	Notes	2022 cents	2021 cents RESTATED[1]
Basic earnings per share	F2	12.03	10.57
Diluted earnings per share	F2	11.86	10.53

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.
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

ASSETS	Notes	2022 $'000	2021 $'000 RESTATED[1]
Current assets			
Cash and cash equivalents	B1	95,844	72,361
Trade and other receivables	F3	7,541	8,352
Inventories	A4	181,539	171,246
Assets held for sale	F4	-	14,397
Current tax receivables		944	732
Contract assets	A2	845	406
Other current assets		5,419	3,576
Total current assets		**292,132**	**271,070**
Non-current assets			
Trade and other receivables	F3	227	-
Right-of-use assets	A5	107,385	105,882
Property, plant and equipment	F5	41,012	36,453
Intangible assets	F6	10,989	6,013
Deferred tax assets	F9	58,552	68,329
Contract assets	A2	488	739
Other non-current assets		394	537
Total non-current assets		**219,047**	**217,953**
Total assets		**511,179**	**489,023**

LIABILITIES			
Current liabilities			
Trade and other payables	F7	78,397	73,961
Lease liabilities	A5	38,183	34,304
Contract liabilities	A2	24,818	24,157
Provisions	F8	14,306	14,854
Liabilities directly associated with assets held for sale	F4	-	1,607
Current tax liabilities		2,093	1,886
Deferred revenue		799	753
Total current liabilities		**158,596**	**151,522**
Non-current liabilities			
Lease liabilities	A5	91,386	99,382
Contract liabilities	A2	58,605	56,393
Provisions	F8	7,497	7,413
Total non-current liabilities		**157,488**	**163,188**
Total liabilities		**316,084**	**314,710**
Net assets		**195,095**	**174,313**

EQUITY			
Contributed equity	F11	11,388	11,285
Reserves		3,369	4,216
Retained profits		180,338	158,812
Total equity		**195,095**	**174,313**

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.
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 29 June 2020		**11,016**	**697**	**3,757**	**(34)**	**138,370**	**153,806**
Accounting policy change – SaaS implementation costs	I1(R)	-	-	(1)	-	(14,770)	(14,771)
Restated total equity at the beginning of the financial year		**11,016**	**697**	**3,756**	**(34)**	**123,600**	**139,035**
Profit for the year[1]		-	-	-	-	41,015	41,015
Currency translation differences		-	-	(177)	-	-	(177)
Derivative fair value changes		-	-	-	34	-	34
Total comprehensive income for the year[1]		**-**	**-**	**(177)**	**34**	**41,015**	**40,872**
Transactions with members in their capacity as owners:							
Dividends paid	B2	-	-	-	-	(5,820)	(5,820)
Issue of share capital on exercise of share rights	F11	269	(269)	-	-	-	-
Transfer option reserve on forfeiture of vested options	D3	-	(17)	-	-	17	-
Share-based payments expense	D3	-	226	-	-	-	226
Balance at 27 June 2021[1]		**11,285**	**637**	**3,579**	**-**	**158,812**	**174,313**
Profit for the year		-	-	-	-	46,712	46,712
Currency translation differences		-	-	(977)	-	-	(977)
Total comprehensive income for the year		**-**	**-**	**(977)**	**-**	**46,712**	**45,735**
Transactions with members in their capacity as owners:							
Dividends paid	B2	-	-	-	-	(25,239)	(25,239)
Issue of share capital on exercise of share rights	F11	103	(103)	-	-	-	-
Transfer option reserve on forfeiture of vested options	D3	-	(53)	-	-	53	-
Share-based payments expense	D3	-	286	-	-	-	286
		103	**130**	**-**	**-**	**(25,186)**	**(24,953)**
Balance at 26 June 2022		**11,388**	**767**	**2,602**	**-**	**180,338**	**195,095**

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2022 $'000	2021 $'000 RESTATED[1]
Cash flows from operating activities			
Receipts from customers (inclusive of GST and sales taxes)		686,575	657,320
Payments to suppliers and employees (inclusive of GST and sales taxes)		(541,509)	(492,976)
		145,066	**164,344**
Proceeds from sale of in-house Canadian customer finance debtors	F4	14,209	-
Interest received		16	4
Other revenue received		4,477	14,442
Interest paid		(795)	(1,036)
Leasing interest paid	A5	(6,682)	(6,653)
Income tax paid		(8,280)	(4,082)
Net GST and sales taxes paid		(36,437)	(32,522)
Net cash inflow from operating activities	**B1**	**111,574**	**134,497**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		36	73
Payments for property, plant and equipment	F5	(15,611)	(6,430)
Payments for intangible assets	F6	(6,860)	(3,642)
Net cash (outflow) from investing activities		**(22,435)**	**(9,999)**
Cash flows from financing activities			
Proceeds from borrowings		-	2,000
Repayment of borrowings		-	(12,682)
Principal portion of lease payments	A5	(40,464)	(40,997)
Dividends paid to Company's shareholders		(25,239)	(11,636)
Net cash (outflow) from financing activities		**(65,703)**	**(63,315)**
Net increase in cash and cash equivalents		**23,435**	**61,183**
Cash and cash equivalents at the beginning of the financial year		72,361	11,204
Effects of exchange rate changes on cash and cash equivalents		48	(26)
Cash and cash equivalents at the end of the financial year	**B1**	**95,844**	**72,361**

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

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

"I am particularly proud of our people and the culture that we continue to build at Michael Hill - a high performance team across all levels, with an energy and passion that underpins our growth agenda."

DANIEL BRACKEN, MANAGING DIRECTOR & CEO

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CORPORATE INFORMATION

The consolidated financial statements of Michael Hill International Limited and its subsidiaries (collectively, the Group) for the year ended 26 June 2022 were authorised for issue in accordance with a resolution of the Directors on 26 August 2022. Michael Hill International Limited (the Company or Parent) is a for profit company limited by shares incorporated in Australia. The Company is listed on the Australian Securities Exchange ('ASX') as its primary listing, and maintains a secondary listing on the New Zealand Stock Exchange ('NZX').

A FINANCIAL OVERVIEW

A1 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

YEAR ENDED 26 JUNE 2022

	Australia $'000	New Zealand $'000	Canada $'000	Corporate & other $'000	Group pre-adjustments $'000	Adjustments $'000	Group $'000
Operating revenue	303,409	117,594	174,030	177	595,210	-	595,210
Gross profit	196,936	74,716	112,947	227	384,826	-	384,826
Gross margin	64.9%	63.5%	64.9%		64.7%		64.7%
EBITDA	58,826	30,765	39,648	(46,114)	83,125	42,055	125,180
Depreciation and amortisation	(7,021)	(2,356)	(5,455)	(2,560)	(17,392)	(34,552)	(51,944)
Segment EBIT	**51,805**	**28,409**	**34,193**	**(48,674)**	**65,733**	**7,503**	**73,236**
EBIT as a % of revenue	17.1%	24.2%	19.6%		11.0%		12.3%
Interest income	-	-	-	16	16	-	16
Finance costs	(50)	(2)	-	(815)	(867)	(6,682)	(7,549)
Net profit before tax	**51,755**	**28,407**	**34,193**	**(49,473)**	**64,882**	**821**	**65,703**
Income tax expense							(18,991)
Net profit after tax							**46,712**

YEAR ENDED 27 JUNE 2021

	Australia $'000	New Zealand $'000	Canada $'000	Corporate & other $'000	Group pre-adjustments $'000	Adjustments $'000 Restated[1]	Group $'000 Restated[1]
Operating revenue	312,264	118,663	123,930	1,629	556,486	-	556,486
Gross profit	194,148	73,554	76,017	5,197	348,916	-	348,916
Gross margin	62.2%	62.0%	61.3%		62.7%		62.7%
EBITDA	69,250	35,117	20,935	(40,411)	84,891	29,842	114,733
Depreciation and amortisation	(6,361)	(1,996)	(5,100)	(3,233)	(16,690)	(31,371)	(48,061)
Segment EBIT	**62,889**	**33,121**	**15,835**	**(43,644)**	**68,201**	**(1,529)**	**66,672**
EBIT as a % of revenue	20.1%	27.9%	12.8%		12.3%		12.0%
Interest income	-	-	-	4	4	-	4
Finance costs	(68)	(7)	-	(867)	(942)	(6,653)	(7,595)
Net profit before tax	**62,821**	**33,114**	**15,835**	**(44,507)**	**67,263**	**(8,182)**	**59,081**
Income tax expense							(18,066)
Net profit after tax							**41,015**

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 11(R) for details.

NOTES TO THE FINANCIAL STATEMENTS CONT.

A2 REVENUE

	2022 $'000	2021 $'000
Revenue from sale of goods and repair services	561,293	525,781
Revenue from Professional Care Plans (PCP)	30,742	27,310
Interest and other revenue from in-house customer finance program	2,437	2,792
Revenue from Lifetime Diamond Warranty (LTDW)	738	603
Total revenue from contracts with customers	**595,210**	**556,486**

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:

2022

Timing of revenue recognition	Australia $'000	New Zealand $'000	Canada $'000	Corporate & other $'000	Total $'000
At a point in time	286,687	111,885	162,665	56	561,293
Over time	16,722	5,708	11,365	122	33,917
	303,409	**117,593**	**174,030**	**178**	**595,210**

2021

Timing of revenue recognition	Australia $'000	New Zealand $'000	Canada $'000	Corporate & other $'000	Total $'000
At a point in time	296,723	113,547	114,099	1,412	525,781
Over time	15,541	5,116	9,831	217	30,705
	312,264	**118,663**	**123,930**	**1,629**	**556,486**

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

	2022 $'000	2021 $'000
Right of return assets	577	58
Deferred PCP bonuses	756	1,087
Total contract assets	**1,333**	**1,145**
Deferred service revenue – PCP	77,148	76,581
Deferred service revenue – Lifetime Diamond Warranty	4,808	3,821
Right of return liabilities	1,467	148
Total contract liabilities	**83,423**	**80,550**

REVENUE RECOGNISED IN RELATION TO CONTRACT LIABILITIES

The following table shows how much of the revenue recognised in the current reporting year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied or partially satisfied in a prior year:

	2022 $'000	2021 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	24,896	22,243
Impact on revenue recognised relating to performance obligations satisfied in previous years	-	(1,305)

Revenue recognition patterns are regularly reassessed based on new and historical trends resulting in remeasurement of revenue recognised in previous years.

ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(i) Sale of goods

Sales of goods are recognised when a Group entity delivers a product to the customer. Retail sales are usually by cash, payment and instalment plans or debit and credit cards. The recorded revenue is the gross amount of sale (excluding taxes), including any fees payable for the transaction and net amounts deferred under AASB15 *Revenue from Contracts with Customers* such as significant financing components and potential customer returns.

(ii) Repair services

Sales of services for repair work performed is recognised in the accounting period in which the services are performed.

(iii) Deferred service revenue and expenses

The Group offers a PCP product which is considered deferred revenue until such time that service has been provided. A PCP is a plan under which the Group offers future services, such as cleaning, repairs and resizing, to customers based on the type of plan purchased. The Group subsequently recognises the income in revenue in the statement of comprehensive income once these services are performed. An estimate based on the timing and quantum of expected services under the plans is used as a basis to establish the amount of service revenue to recognise in the Consolidated Statement of Profit or Loss and Comprehensive Income.

Direct and incremental sales staff bonuses associated with the sale of PCPs are capitalised in contract assets and amortised in proportion to the PCP revenue recognised.

(iv) Deferred interest revenue

Interest revenue is deferred on the in-house customer finance program when the sale of the good or service occurs. It is calculated as the difference between the nominal cash and cash equivalents received from customers and the discounted cashflows, on both interest and non-interest bearing products. Interest revenue is brought to account over the term of the finance agreement, and the rate used for non-interest bearing products is in line with current, comparable market rates.

(v) Right of return assets and liabilities

Rights of return recognises the estimated returned sales under the Group's return policy, being 30 days for all countries.

Management estimates the returned sales based on historical sale return information and any recent trends that may suggest future claims could differ from historical amounts. For sales that are expected to be returned, the Group recognises a right of return liability. The associated inventory value for sales that are expected to be returned is recognised as a right of return asset.

(vi) Lifetime Diamond Warranty

LTDW is a warranty provided to customers with the purchase of jewellery items set with a diamond (excluding watches). This has been deemed a service-type warranty and is calculated with reference to the estimated value of service provided to customers and the stand-alone value of customers obtaining the service independently. Income in relation to the LTDW is recognised in line with the estimated pattern of customers utilising this service-type warranty.

A3 OTHER INCOME

	2022 $'000	2021 $'000
Net foreign exchange gains	169	2,367
Government grants	2,864	14,593
Other items	5,880	1,009
	8,913	**17,969**

The Group received grants in relation to COVID-19 wage subsidies in all three markets. These grants were accounted for as income upon recognition of the corresponding employee benefit expense as satisfactory pre-requisites of the grant were met. Further information regarding wage subsidies is disclosed in note I2.

A4 INVENTORIES

	2022 $'000	2021 $'000
Raw materials	13,033	12,435
Finished goods	162,138	156,199
Packaging and other consumables	6,368	2,612
	181,539	**171,246**

Finished goods are held at the lower of cost or net realisable value (NRV). During the year, finished goods incurred a write-down of $2,565,000 (2021: $2,327,000) to be carried at NRV. This is recognised in cost of goods sold.

A5 LEASES

RIGHT-OF-USE ASSETS	2022 $'000	2021 $'000
Right-of-use assets	221,894	179,524
Less: Accumulated depreciation	(113,863)	(72,925)
Less: Accumulated impairment	(646)	(717)
	107,385	**105,882**

RECONCILIATION OF RIGHT-OF-USE ASSETS	Notes	2022 $'000	2021 $'000
Opening carrying value		105,882	123,911
Additional right-of-use assets relating to leases entered into during the year		34,395	13,311
Lease modifications agreed during the year		6,514	7,581
Depreciation expense	F1	(39,257)	(35,357)
Reduction in right-of-use assets as a consequence of COVID-19 on rent concessions		(1,106)	(3,902)
Foreign currency translation		957	338
Closing carrying value		**107,385**	**105,882**

LEASE LIABILITIES

	2022 $'000	2021 $'000
Current	38,183	34,304
Non-current	91,386	99,382
	129,569	**133,686**

RECONCILIATION OF LEASE LIABILITIES

	Notes	2022 $'000	2021 $'000
Opening carrying value		133,686	158,012
Additional lease liabilities entered into during the year		35,173	13,177
Lease modifications agreed during the year		1,108	7,517
Net reduction in future lease payments as a consequence of COVID-19 on rent concessions		(1,106)	(3,902)
Interest expense	F1	6,682	6,653
Lease repayments		(47,146)	(47,650)
Foreign currency translation		1,172	(121)
Closing carrying value		**129,569**	**133,686**

The incremental borrowing rate used in determining the lease liability ranged between 1.44% and 9.30% (2021: 1.47% and 7.12%).

Expenses relating to short-term leases during the period of $1,478,000 (2021: $6,444,000) were included in occupancy costs.

ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets which are recognised in the profit or loss. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to AASB16 *Leases*. The amendments provide relief to lessees from applying AASB16 *Leases* guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under AASB16 *Leases*, if the change were not a lease modification. The Group has applied this practical expedient in the consolidated financial statements for all COVID-19 impacted leases. Where the practical expedient has been applied, the Group has remeasured its lease liabilities, using the remeasured consideration (e.g., reflecting the lease payment reduction or lease payment deferral provided by the lessor), with a corresponding adjustment to the right-of-use asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note I1(F).

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payment (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group has several lease contracts that include extension options. These options are negotiated by Management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (refer to note I2).

Set out below are the undiscounted potential future rental payments relating to the period following the exercise date of extension options that are not included in the lease term:

	Within five years $'000	**More than five years** $'000	**2022 Total** $'000	**Within five years** $'000	**More than five years** $'000	**2021 Total** $'000
Extension options expected not to be exercised	163	202	**365**	277	55	**332**

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS CONT.

B CASH MANAGEMENT

B1 CASH AND CASH EQUIVALENTS

	2022 $'000	2021 $'000
Cash at bank and on hand	95,844	72,361

RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	Notes	2022 $'000	2021 $'000 Restated[1]
Profit for the year		**46,712**	**41,015**
Adjustment for:			
Depreciation of property, plant and equipment	F5	10,954	11,746
Depreciation of right-of-use assets	A5	39,257	35,357
Amortisation of intangible assets	F6	1,733	958
Impairment of property, plant and equipment	F5	521	1,883
Impairment of other assets		3,253	3,513
Non-cash employee benefits expense – share-based payments	D3	286	226
Make good interest		109	(57)
Net loss on sale of non-current assets		231	448
Net exchange differences		335	2,999
Other non-cash movements		(5,338)	-
Change in operating assets and liabilities			
(Increase)/decrease in trade and other receivables		14,037	13,163
(Increase)/decrease in inventories		(10,812)	7,663
(Increase)/decrease in deferred tax assets		9,778	14,708
(Increase)/decrease in other non-current assets		393	451
(Increase)/decrease in other current assets		(904)	(1,192)
(Decrease)/increase in trade and other payables		187	6,637
(Decrease)/increase in current tax liabilities		(6)	2,896
(Decrease)/increase in provisions		855	(11,114)
(Decrease)/increase in contract liabilities		(7)	3,197
Net cash inflow from operating activities		**111,574**	**134,497**

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

B2 DIVIDENDS

ORDINARY SHARES	2022 $'000	2021 $'000
Final dividend for the year ended 27 June 2021 of 3.0 cents per fully paid share paid on 24 September 2021 (2020: no final dividend)	11,649	-
Interim dividend for the year ended 26 June 2022 of 3.5 cents (2021: 1.5 cents) per fully paid share paid on 25 March 2022 (2021: 26 March 2021)	13,590	5,820
	25,239	**5,820**

DIVIDENDS NOT RECOGNISED AT THE END OF THE REPORTING PERIOD	2022 $'000	2021 $'000
Since year-end, the Directors have recommended a 4.0 cents (2021: 3.0 cents) per fully paid share final dividend	15,531	11,644

FRANKING AND IMPUTATION CREDITS	2022 $'000	2021 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2021: 30.0%)	2,679	2,552
Imputation credits (NZ$) available for subsequent reporting periods based on New Zealand tax rate of 28.0% (2021: 28.0%)	12,116	18,072

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

The franking credit amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment and refund of income tax payable.

The above imputation credit amounts represent the balance of the imputation account as at the end of the financial year, adjusted for imputation credits that will arise from the payment and refund of income tax payable.

As the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be unfranked there will be no reduction in the franking account.

The impact on the imputation credit account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, is estimated to be a reduction in the imputation credit account of NZ$6,734,292 (2021: NZ$4,736,175). The amount of imputation credits is dependent on the NZD exchange rate at the time of the dividend.

NOTES TO THE FINANCIAL STATEMENTS CONT.

C FINANCIAL RISK MANAGEMENT

C1 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group seeks to use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures as required. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk			
Foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Cash flow forecasting and sensitivity analysis	Forward exchange contracts (FEC)
Interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
Input prices	Components of finished goods	Sensitivity analysis	End product pricing flexibility
Credit risk	Cash and cash equivalents and trade receivables	Ageing analysis	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's overall risk management program includes a focus on financial risk including the unpredictability of financial markets and foreign exchange risk.

The policies are implemented by the central finance function that undertakes regular reviews to enable prompt identification of financial risks so that appropriate actions may be taken.

MARKET RISK

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Where it is considered appropriate, the Group enters into forward foreign exchange contracts to buy specified amounts of various foreign currencies in the future at a pre-determined exchange rate.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in transactional currency, was as follows:

	26 JUNE 2022				27 JUNE 2021			
	USD $'000	NZD $'000	CAD $'000	EUR $'000	USD $'000	NZD $'000	CAD $'000	EUR $'000
Cash and cash equivalents	10,348	-	-	117	1,633	7	4	-
Trade receivables	318	3	9	15	839	-	8	-
Trade payables	(11,302)	(108)	(59)	(793)	(15,723)	(36)	(42)	-
Forward exchange contracts:								
Buy foreign currency	-	-	-	-	7,780	-	-	-
Sell foreign currency	-	-	-	-	-	(5,000)	(5,000)	-
Net foreign currency exposure	**(636)**	**(105)**	**(50)**	**(661)**	**(5,471)**	**(5,029)**	**(5,030)**	**-**

Sensitivity

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign currency risk. The foreign exchange sensitivities are based on the Group's exposure existing at balance date. Sensitivity figures are pre-tax.

	IMPACT ON PRE-TAX PROFIT		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
AUD increases 10%	190	1,574	-	-
AUD decreases 10%	(232)	(1,924)	-	-

NOTES TO THE FINANCIAL STATEMENTS CONT.

INTEREST RATE RISK

The Group had no borrowings and a cash surplus at the end of the reporting period. The Group is exposed to interest rate risk on its cash holdings.

Sensitivity

As the Group has a cash surplus with no borrowings, profit or loss is sensitive to higher/lower interest revenue from cash and cash equivalents as a result of changes in interest rates. All other non-derivative and non-lease financial liabilities have a contractual maturity of less than six months.

	IMPACT ON PRE-TAX PROFIT		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2022 $'000	**2021** $'000	**2022** $'000	**2021** $'000
Interest rates – increase by 100 basis points	958	724	-	-
Interest rates – decrease by 100 basis points*	(958)	-	-	-

**Deposit rates in prior period were close to nil. Negative interest rates were not modelled due to the low probability of this occurring within the geographical segments in which the Group trades.*

CREDIT RISK

Credit risk is managed on a Group basis and refers to the risk of a counterparty failing to discharge an obligation. In the normal course of business, the Group incurs credit risk from trade receivables and transactions with financial institutions. The Group places its cash and short term deposits with only high credit quality financial institutions. Sales to retail customers are required to be settled via cash, major credit cards or passed onto various credit providers in each country.

At the reporting date, no material credit risk exposure existed in relation to potential counterparty failure on financial instruments. Other than the loss allowance recognised in trade and other receivables in note F3, no financial assets were impaired or past due. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets disclosed in note F3.

LIQUIDITY RISK

The Group maintains prudent liquidity risk management with sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Financing arrangements

The Group's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and execute the Group's operational and strategic plans. The Group continually assesses its capital structure and makes adjustments to it with reference to changes in economic conditions and risk characteristics associated with its underlying assets.

The Group had access to the following undrawn borrowing facilities at the end of the reporting year:

FLOATING RATE	2022 $'000	2021 $'000
Expiring beyond one year (bank overdrafts)	1,909	1,932
Expiring beyond one year (bank loans)	70,000	70,000
	71,909	**71,932**

The termination date of the financing facilities provided to the Group by both Australia and New Zealand Banking Group Limited and The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch is 29 February 2024.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

At 26 June 2022	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flow $'000
Non-derivatives						
Lease liabilities	21,730	19,806	32,499	51,798	20,146	145,979
Trade payables	78,397	-	-	-	-	78,397
Total non-derivatives	**100,127**	**19,806**	**32,499**	**51,798**	**20,146**	**224,376**

The Group did not hold any derivatives at financial year end.

At 27 June 2021	Less than 6 months $'000	6–12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flow $'000
Non-derivatives						
Lease liabilities	19,831	18,300	30,378	51,179	34,661	154,349
Trade payables	73,961	-	-	-	-	73,961
Total non-derivatives	**93,792**	**18,300**	**30,378**	**51,179**	**34,661**	**228,310**
Derivatives						
Gross settled (FECs)	232	-	-	-	-	232

C2 DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk.

The Group's risk management strategy and how it is applied to manage risk are explained below.

ACCOUNTING POLICY

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below.

Fair value hedge

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income (OCI) in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as interest rate swaps for its exposure to volatility in interest rates. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to interest rate swaps is recognised in other operating income or expenses.

When forward contracts are used to hedge forecast transactions, the group designates the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the cash flow hedge reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting year.

Derivatives not designated as hedging instruments

The Group uses foreign currency-denominated borrowings and foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to six months.

Hedging reserves

In the current period the Group did not have any hedging in place that impacted the hedging reserves disclosed in the statement of changes in equity (2021: $34,000 loss was reclassified from the cashflow hedge reserve to profit or loss).

Amounts recognised in profit or loss

In addition to the amounts disclosed in the reconciliation of hedging reserves above, the following amounts were recognised in profit or loss in relation to derivatives:

	2022 $'000	**2021** $'000
Net foreign exchange gain included in other income	-	232

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

C3 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated and reported to the banks quarterly on a pre-AASB16 Leases basis. The principal covenants relating to capital management are the EBIT fixed cover charge ratio, consolidated debt to EBITDA, consolidated debt to capitalisation, and consolidated debt to inventory. There have been no breaches of these covenants and the Group continues to collaborate with the external financing partners as required.

NOTES TO THE FINANCIAL STATEMENTS CONT.

D REWARD AND RECOGNITION

D1 EMPLOYEE BENEFITS

EMPLOYEE BENEFITS	2022 $'000	2021 $'000 RESTATED[1]
Employee wages	139,155	135,181
Employee wages on-costs and post-retirement benefits	15,891	14,246
Employee share-based payments expense	286	226
	155,332	**149,653**

[1] *Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.*

D2 KEY MANAGEMENT PERSONNEL

	2022 $	2021 $
Short-term employee benefits	2,962,186	2,814,438
Long-term benefits	50,904	29,892
Post-employment benefits	55,000	73,558
Share-based payments	203,337	86,798
	3,271,427	**3,004,686**

D3 SHARE-BASED PAYMENTS

OPTIONS

Options are granted from time to time at the discretion of Directors to senior Executives within the Group. Motions to issue options to related parties of Michael Hill International Limited are subject to the approval of shareholders at the Annual General Meeting in accordance with the Company's constitution.

Options are granted under the plan for no consideration. Options expire ten years after granted, vest over five years, are exercisable at any time during the final five years and vesting is subject to remaining employed by the Group.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

	2022		2021	
Set out below are summaries of options granted under the plan:	**Average exercise price per option**	**Number of options**	**Average exercise price per option**	**Number of options**
Opening balance NZD options	1.63	1,000,000	1.56	1,100,000
Expired during the year	-	-	0.88	(100,000)
Vested options forfeited during the year	1.46	(300,000)	-	-
Closing balance NZD options	**1.70**	**700,000**	**1.63**	**1,000,000**
Opening balance AUD options	1.56	300,000	1.56	300,000
Closing balance AUD options	**1.56**	**300,000**	**1.56**	**300,000**

Options outstanding at the end of the year have the following expiry dates and exercise prices:

OPTIONS OUTSTANDING AT THE END OF THE YEAR				
Grant date	**Expiry date**	**Exercise price**	**2022**	**2021**
16 November 2011	30 September 2021	NZ$1.16	-	100,000
19 September 2012	30 September 2022	NZ$1.41	-	100,000
18 September 2013	30 September 2023	NZ$1.82	-	100,000
29 November 2013	30 September 2023	NZ$1.82	500,000	500,000
10 November 2014	30 September 2024	NZ$1.63	100,000	100,000
22 January 2016	30 September 2025	NZ$1.14	100,000	100,000
22 September 2016	30 September 2026	AU$2.12	100,000	100,000
5 October 2017	30 September 2027	AU$1.44	100,000	100,000
22 September 2018	30 September 2028	AU$1.11	100,000	100,000
			1,000,000	**1,300,000**

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.8 years (2021: 3.2 years).

The exercise price will be converted to Australian dollars using the Reserve Bank of Australia exchange rate on the day the option is exercised.

SHARE RIGHTS

The Company introduced a deferred compensation plan (LTI) involving the granting of share rights to eligible participants in 2016 and was approved by shareholders at the Company's Annual General Meeting held on 31 October 2016.

Under the plan, a senior Executive may be granted share rights by the Company. Each share right represents a right to receive one ordinary share in the Company, subject to the terms and conditions of the plan.

An allocation of share rights is made to each eligible participant on an annual basis to a value of 65% of their target opportunity. The performance metric used is Total Shareholder Return (TSR) compound annual growth rate (CAGR) over 3 years.

Subject to remaining an employee of the Group for a period of 3 years and satisfaction of TSR target metric, the share rights issued during the year will vest in accordance with the sliding vesting schedule:

- no share rights vest if TSR is equal to or less than 10% CAGR;
- 10% share rights vest for each 1% increase in CAGR performance between 10% CAGR to 20% CAGR;
- 100% share rights vest if TSR is equal to or above 20% CAGR.

During the year, the Board agreed to grant 2,106,647 share rights to eligible participants of the deferred compensation plan, subject to continual employment for a period of three years and an absolute Total Shareholder Return condition for vesting in three years.

	2022		2021	
	Average fair value per share right	**Number of share rights**	**Average fair value per share right**	**Number of share rights**
Opening balance	0.20	4,577,518	0.81	788,798
Granted	0.29	2,106,647	0.15	4,189,622
Exercised	0.86	(143,225)	0.72	(373,044)
Forfeited	0.30	(428,608)	1.41	(27,858)
Closing balance	**0.21**	**6,112,332**	**0.20**	**4,577,518**

The number of share rights in each tranche is based on the prescribed dollar value for each tranche divided by the volume weighted average share price ('VWAP') of Michael Hill International Limited shares over ten trading days following the shares trading subsequent to the final Annual results announcement.

Share rights issued during the current financial year used the Monte Carlo model to determine the fair value of share rights using the following inputs:

	2022	2021
Number of rights*	2,106,647	3,878,533
Share price	$0.85	$0.39
Annualised volatility	40%	45%
Expected dividend yield	7.0%	10.0%
Risk free rate	0.18%	0.27%
Fair value of share right	$0.29	$0.13

**Further to the share rights issued above, in 2021 there were an additional 311,089 share rights issued on 6 October 2020 with a fair value of $0.35 per right.*

	2022 $'000	2021 $'000
Expenses arising from share-based payment transactions	286	226

ACCOUNTING POLICY

Options

The fair value was measured at grant date and is recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date for options issued during prior financial years was independently determined using a Binomial option pricing model, which is an iterative model for options that can be exercised at times prior to expiry. The model takes into account the grant date, exercise price, market performance conditions, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. It also assumes the options will be exercised at the mid-point of the exercise period.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Share rights

Share rights are granted to eligible senior Executives in accordance with the Company's deferred compensation plan ('LTI'). The fair value of rights granted is recognised as an employee benefit expense with a corresponding increase in equity.

The fair value was measured at grant date using the Monte Carlo method and is recognised over the period during which the employees become unconditionally entitled to the rights.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year, the entity revises its estimates of the number of share rights that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Upon the exercise of the share rights, the balance of the share-based payments reserve relating to those rights is transferred to share capital.

E RELATED PARTIES

RELATED PARTY TRANSACTIONS

	2022 $	2021 $
Graphic design services rendered by a related party of board members	16,621	13,559

All transactions with related parties were in the normal course of business and on normal terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS CONT.

F OTHER INFORMATION

F1 EXPENSES

DEPRECIATION AND AMORTISATION	Notes	2022 $'000	2021 $'000 RESTATED[1]
Depreciation on property, plant and equipment	F5	10,954	11,746
Depreciation on right-of-use assets	A5	39,257	35,357
Total depreciation		**50,211**	**47,103**
Amortisation on software	F6	1,733	958
Total amortisation		**1,733**	**958**
Total depreciation and amortisation		**51,944**	**48,061**

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

FINANCE COSTS	Notes	2022 $'000	2021 $'000
Interest on lease liabilities	A5	6,682	6,653
Bank and interest charges		758	999
Interest on make good provision		109	(57)
		7,549	**7,595**

F2 EARNINGS PER SHARE

RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
Basic earnings per share	**2022** $'000	**2021** $'000 RESTATED[1]
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	46,712	41,015
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	46,712	41,015

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR	2022 Number	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	388,268,845	387,924,289
Adjustments for calculation of diluted earnings per share: Share rights	5,668,197	1,771,137
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**393,937,042**	**389,695,426**

Options and share rights granted to employees under the Michael Hill International Limited Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. All options outstanding at financial year end were considered to be non-dilutive. The options and share rights have not been included in the determination of basic earnings per share. Details are set out in note D3.

F3 TRADE AND OTHER RECEIVABLES

	2022			2021		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade receivables	3,795	-	3,795	6,555	-	6,555
Provision for expected credit loss	(657)	-	(657)	(373)	-	(373)
	3,138	**-**	**3,138**	**6,182**	**-**	**6,182**
Canadian in-house customer finance	524	240	764	-	-	-
Provision for expected credit loss	(202)	(13)	(215)	-	-	-
	322	**227**	**549**	**-**	**-**	**-**
Sundry debtors	4,081	-	4,081	2,170	-	2,170
	7,541	**227**	**7,768**	**8,352**	**-**	**8,352**

TRADE RECEIVABLES

Trade receivables from sales made to customers through third party credit providers are non-interest bearing and are generally on 0–30 day terms.

CANADIAN IN-HOUSE CUSTOMER FINANCE

In October 2012, the Group launched an in-house customer finance program in the Canadian and United States markets. The terms available to customers range from an interest-bearing revolving line of credit through to interest free terms of between 6 and 40 months, although 12 to 18 months is the typical financing period.

The receivables from the in-house customer finance program are comprised of a large number of transactions with no one customer representing a significant balance. The finance portfolio consists of contracts of similar characteristics that are evaluated collectively for expected credit losses (ECL).

The Canadian in-house customer finance loan book was previously determined to be an asset held for sale, refer to note F4. The sale was finalised during the period. The balance remaining consists of the unsold loan accounts, and any customer sales made under the program after the completion date of the loan book sale.

SUNDRY DEBTORS

Sundry debtors relates to supplier credits, security deposits and other sundry receivables. Based on the credit history of these debtors, it is expected that these amounts will be received when due and no impairment is recognised.

NOTES TO THE FINANCIAL STATEMENTS CONT.

EFFECTIVE INTEREST RATES

All receivables are non-interest bearing except for a small portion of in-house customer finance receivables. In-house customer finance receivables are recognised net of significant financing components determined in accordance with AASB15 Revenue from Contracts with Customers.

ECL AND RISK EXPOSURE

An ECL analysis is performed at each reporting date. The maximum exposure to credit risk is the carrying value of in-house customer finance program and trade receivables. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to these receivables as low. For further details refer to note C1.

AGEING OF TRADE RECEIVABLES

	2022 $'000	2021 $'000
Current	2,829	5,961
< 30 days past due	254	298
30 – 60 days past due	84	-
60+ days past due	628	296
	3,795	**6,555**

MOVEMENTS IN THE PROVISION FOR ECL OF TRADE RECEIVABLES ARE AS FOLLOWS:

	2022 $'000	2021 $'000
Opening balance	373	340
Additional provisions recognised	614	16
Net amounts written back/(written off)	(329)	17
Exchange differences	(1)	-
Closing balance	**657**	**373**

AGEING OF CANADIAN IN-HOUSE CUSTOMER DEBTOR FINANCE

	2022 $'000	2021 $'000
Current, aged 0 – 30 days	600	-
Past due, aged 31 – 90 days	40	-
Past due, aged more than 90 days	124	-
	764	-

MOVEMENTS IN THE PROVISION FOR ECL OF CANADIAN IN-HOUSE CUSTOMER DEBTOR FINANCE ARE AS FOLLOWS:

	2022 $'000	2021 $'000
Opening balance	-	1,436
Additional provisions recognised	1,382	-
Net amounts written off	(1,149)	(1,488)
Exchange differences	(18)	52
Closing balance	**215**	**-**

F4 ASSETS HELD FOR SALE AND DIRECTLY ASSOCIATED LIABILITIES

	2022 $'000	2021 $'000
Canadian in-house customer finance debtors	-	14,397
Total assets held for sale	**-**	**14,397**

	2022 $'000	2021 $'000
Deferred interest revenue	-	1,607
Total liabilities directly associated with assets held for sale	**-**	**1,607**

During the year, the Group finalised the sale of the Canadian in-house customer finance debtors, alongside the associated liabilities. In the previous financial year these were classified as assets held for sale, and written down to Management's best estimate of net proceeds of the sale and estimated costs of disposal. The sale finalisation resulted in cash inflows of $14,209,000, derecognition of the sold assets and directly associated liabilities, and recognition of accruals for ongoing service fees. An overall expense of $1,080,000 in the period (2021: $2,986,000) was recognised as impairment of other assets. Residual unsold accounts and subsequent customer sales under the program are recorded under trade receivables, refer note F3.

The loss recognised on this asset sale is included in the Canada segment in note A1.

F5 PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT	Plant and equipment $'000	Fixtures and fittings $'000	Motor vehicles $'000	Leasehold improvements $'000	Display materials $'000	Total $'000
At 29 June 2020						
Cost	32,831	34,431	47	78,164	15,197	160,670
Accumulated depreciation and impairment	(24,576)	(26,325)	(31)	(51,279)	(13,054)	(115,265)
Net book amount	**8,255**	**8,106**	**16**	**26,885**	**2,143**	**45,405**
Year ended 27 June 2021						
Opening net book amount	8,255	8,106	16	26,885	2,143	45,405
Exchange difference	(52)	9	(1)	47	43	46
Additions	2,109	792	-	3,279	250	6,430
Disposals	(413)	(38)	(12)	(1,092)	(244)	(1,799)
Depreciation charge	(2,938)	(2,604)	(3)	(5,329)	(872)	(11,746)
Impairment loss	(349)	(126)	-	(1,357)	(51)	(1,883)
Closing net book amount	**6,612**	**6,139**	**-**	**22,433**	**1,269**	**36,453**
At 27 June 2021						
Cost	33,906	34,291	-	78,996	2,184	149,377
Accumulated depreciation and impairment	(27,294)	(28,152)	-	(56,563)	(915)	(112,924)
Net book amount	**6,612**	**6,139**	**-**	**22,433**	**1,269**	**36,453**
Year ended 26 June 2022						
Opening net book amount	6,612	6,139	-	22,433	1,269	36,453
Exchange difference	(36)	12	-	325	27	328
Additions	2,835	2,192	-	6,648	4,297	15,972
Disposals	(77)	(97)	-	(69)	(23)	(266)
Depreciation charge	(2,569)	(2,254)	-	(5,498)	(633)	(10,954)
Impairment loss	(23)	(151)	-	(219)	(128)	(521)
Closing net book amount	**6,742**	**5,841**	**-**	**23,620**	**4,809**	**41,012**
At 26 June 2022						
Cost	36,315	35,733	-	86,673	6,489	165,210
Accumulated depreciation and impairment	(29,573)	(29,892)	-	(63,053)	(1,680)	(124,198)
Net book amount	**6,742**	**5,841**	**-**	**23,620**	**4,809**	**41,012**

IMPAIRMENT LOSS

As per the Group's accounting policies, the Group impairs assets where the recoverable amount is less than the carrying amount. This also includes assets held at stores facing closure. Any assets held at an impaired store that are able to be redeployed throughout the Group are not impaired.

A review of impairment indicators was performed due to the potential impact of COVID-19, which resulted in periodic temporary store closures and reduction in sales, as disclosed in note I2. There were no indicators of impairment identified. The Group treats each store as a separate cash-generating unit for impairment testing of property, plant and equipment and right of use assets.

DEPRECIATION METHODS AND USEFUL LIVES

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Plant and equipment | 4 – 7 years
- Motor vehicles | 3 – 5 years
- Fixtures and fittings | 6 – 10 years
- Leasehold improvements | 6 – 10 years
- Display materials | 6 – 10 years

F6 INTANGIBLE ASSETS

INTANGIBLE ASSETS	Patents, trademarks & other rights $'000	Computer software $'000 RESTATED[1]	Total $'000 RESTATED[1]
At 29 June 2020			
Cost	79	15,320	15,399
Accumulated amortisation and impairment	-	(12,078)	(12,078)
Net book amount	**79**	**3,242**	**3,321**
Year ended 27 June 2021			
Opening net book amount	79	3,242	3,321
Additions	-	3,642	3,642
Disposals	-	8	8
Amortisation charge	-	(958)	(958)
Closing net book amount	**79**	**5,934**	**6,013**
At 27 June 2021			
Cost	79	18,928	19,007
Accumulated amortisation	-	(12,994)	(12,994)
Net book amount	**79**	**5,934**	**6,013**
Year ended 26 June 2022			
Opening net book amount	79	5,934	6,013
Exchange difference	-	(151)	(151)
Additions	-	6,860	6,860
Amortisation charge	-	(1,733)	(1,733)
Closing net book amount	**79**	**10,910**	**10,989**
At 26 June 2022			
Cost	79	25,715	25,794
Accumulated amortisation and impairment	-	(14,805)	(14,805)
Net book amount	**79**	**10,910**	**10,989**

[1] *Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.*

IMPAIRMENT LOSS

A review of intangibles impairment indicators was performed during the period, with no indicators identified.

F7 TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Trade payables	44,558	44,499
Annual leave liability	10,211	9,390
Accrued expenses	4,620	3,453
Other payables	19,008	16,619
	78,397	**73,961**

F8 PROVISIONS

	2022			2021		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Employee benefits	10,617	1,667	12,284	13,074	1,732	14,806
Assurance-type warranties	1,613	120	1,733	1,082	280	1,362
Make good provision	1,876	5,710	7,586	306	5,401	5,707
Restructuring costs	80	-	80	152	-	152
Diamond warranty	120	-	120	240	-	240
	14,306	**7,497**	**21,803**	**14,854**	**7,413**	**22,267**

MOVEMENTS IN PROVISIONS

	Employee benefits $'000	Assurance-type warranties $'000	Make good provision $'000	Restructuring costs $'000	Diamond warranty $'000	Total $'000
Opening carrying amount	14,806	1,362	5,707	152	240	22,267
Changes in provisions recognised	2,678	1,845	2,065	80	-	6,668
Amounts incurred and charged	(5,169)	(1,474)	(124)	(152)	(120)	(7,039)
Exchange differences	(31)	-	(62)	-	-	(93)
Closing carrying amount	**12,284**	**1,733**	**7,586**	**80**	**120**	**21,803**

NOTES TO THE FINANCIAL STATEMENTS CONT.

ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Employee benefits

Employee benefits includes provision for long service leave, revaluation of employee benefits in New Zealand and the provision for remediation. Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year.

In determining the employee remediation provision, Management has applied certain assumptions and judgements including interpretation of relevant legal requirements and expectations regarding final settlement of obligations with the regulator. Any such estimates and assumptions may change as new information becomes available and/or when the remediation program is completed and approved by the regulator.

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Assurance-type warranties

Provision is made for the Group's assurance-type warranties, being 12 month guarantee on the quality of workmanship and the 3 year watch guarantee. In addition, all Michael Hill watches sold before 30 June 2018 included a lifetime battery replacement guarantee. Management estimates the provision based on historical sale return information and any recent trends that may suggest future claims could differ from historical amounts.

Make good provision

The Group has an obligation to restore certain leasehold sites to their original condition upon store closure or relocation. This provision represents the present value of the expected future make good commitment. Amounts charged to the provision represent both the cost of make good costs incurred and the costs incurred which mitigate the final liability prior to the closure or relocation.

Restructuring

A provision has been raised for the estimated staffing exit costs from business structure changes. Restructuring provisions are recognised only when the Group has a constructive obligation, which is when:

- there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and
- the employees affected have been notified of the plan's main features.

F9 TAX

INCOME TAX EXPENSE

	2022 $'000	2021 $'000 RESTATED[1]
Current tax		
Current tax on profits for the year	7,329	4,067
Adjustments for current tax of prior periods	1,618	40
Total current tax expense	**8,947**	**4,107**
Deferred income tax		
(Increase)/Decrease in deferred tax assets	11,833	14,003
Adjustments for deferred tax of prior periods	(1,789)	(44)
Total deferrred tax expense/(benefit)	**10,044**	**13,959**
Income tax expense	**18,991**	**18,066**

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	2022 $'000	2021 $'000 RESTATED[1]
Profit before income tax expense	65,703	59,081
Tax at the Australian tax rate of 30.0% (2021: 30.0%)	19,711	17,724
Non-deductible expenditure	83	355
Sundry items	(11)	(13)
Total current tax expense	**19,783**	**18,066**
Difference in overseas tax rates	(787)	31
Adjustments for current tax of prior periods	1,618	40
Adjustments for deferred tax of prior periods	(1,789)	(44)
Utilisation of tax losses not recognised	(1)	(27)
Change in tax rate on deferred tax balance	167	-
Income tax expense	**18,991**	**18,066**

TAX LOSSES

	2022 $'000	2021 $'000
Unused United States tax losses for which no deferred tax asset has been recognised	35,512	32,369
Potential tax benefit @ 25.0%	8,878	8,092
Unused New Zealand tax losses for which no deferred tax asset has been recognised	2,575	2,639
Potential tax benefit @ 28.0%	721	739

The unused tax losses incurred in the United States and New Zealand are available indefinitely for offsetting against future taxable profits of the countries in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is unknown when the New Zealand losses may be used to offset taxable profits and the United States losses are not expected to be used.

NOTES TO THE FINANCIAL STATEMENTS CONT.

DEFERRED TAX BALANCES

	2022 $'000	2021 $'000 RESTATED[1]
The balance comprises temporary differences attributable to:		
Expected credit loss provision	246	377
Fixed assets and intangibles	10,558	16,280
Intangible assets from intellectual property transfer	23,468	19,705
Deferred expenditure	(213)	(310)
Prepayments	(12)	(7)
Deferred service revenue	1,002	1,379
Right-of-use assets	(30,485)	(31,798)
Lease liabilities	37,349	40,064
Provisions	16,486	20,190
Unrealised foreign exchange losses	43	885
Sundry items	47	(780)
Inventories	63	2,344
Net deferred tax assets	**58,552**	**68,329**

Expected settlement:		
Deferred tax assets expected to be recovered within 12 months	21,082	26,612
Deferred tax assets expected to be recovered after more than 12 months	37,470	41,717
	58,552	**68,329**
Movements:		
Opening balance at 28 June 2021	68,329	82,212
Credited/(charged) to the income statement	(11,833)	(14,003)
Prior year adjustment	1,790	44
Foreign exchange differences	266	76
Closing balance at 26 June 2022	**58,552**	**68,329**

F10 AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Michael Hill International Limited, its related practices and non-related audit firms:

ERNST & YOUNG (AUSTRALIA)	2022 $	2021 $
Fees for auditing the statutory financial report of the Company and its subsidiaries	502,903	554,541
Fees for other services		
Advisory fees	3,682	3,682
	506,585	**554,541**

F11 CONTRIBUTED EQUITY

SHARE CAPITAL	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares – fully paid	388,285,374	388,142,149	11,388	11,285
Total share capital	**388,285,374**	**388,142,149**	**11,388**	**11,285**

MOVEMENTS IN ORDINARY SHARES	Number of shares	Total $'000
Opening balance at 29 June 2020	387,769,105	11,016
Rights converted	373,044	269
Balance at 27 June 2021	388,142,149	11,285
Rights converted	143,225	103
Balance at 26 June 2022	**388,285,374**	**11,388**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Options

Information relating to the Michael Hill International Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note D3.

Rights issue

Information relating to share rights issued under the Company's deferred compensation plan, including details of rights issued, exercised and lapsed during the financial year and rights outstanding at the end of the financial year, is set out in note D3.

F12 RESERVES

NATURE AND PURPOSES OF OTHER RESERVES

Cash flow hedges

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in other comprehensive income, as described in note I1(I). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remunerations. Refer to note D3 for further details of these plans.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note I1(C) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

G FINANCIAL RISK MANAGEMENT

G1 INTERESTS IN OTHER ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note:

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST HELD BY THE GROUP	
		2022 %	2021 %
Michael Hill Jeweller (Australia) Pty Limited	Australia	100	100
Michael Hill Wholesale Pty Limited	Australia	100	100
Michael Hill Manufacturing Pty Limited	Australia	100	100
Michael Hill Franchise Pty Limited	Australia	100	100
Michael Hill Franchise Services Pty Limited	Australia	100	100
Michael Hill Finance (Limited Partnership)	Australia	100	100
Michael Hill Group Services Pty Limited	Australia	100	100
Michael Hill Charms Pty Limited	Australia	100	100
Michael Hill Online Pty Limited	Australia	100	100
Emma & Roe Pty Limited	Australia	100	100
Medley Jewellery Pty Limited	Australia	100	100
Durante Holdings Pty Limited	Australia	100	100
Michael Hill New Zealand Limited	New Zealand	100	100
Michael Hill Jeweller Limited	New Zealand	100	100
Michael Hill Finance (NZ) Limited	New Zealand	100	100
Michael Hill Franchise Holdings Limited	New Zealand	100	100
MHJ (US) Limited	New Zealand	100	100
Emma & Roe NZ Limited	New Zealand	100	100
Michael Hill Online Holdings Limited	New Zealand	100	100
Michael Hill Jeweller (Canada) Pty Limited	Canada	100	100
Michael Hill LLC	United States	100	100

G2 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 2016/785, the Australian wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' report in Australia.

The subsidiaries subject to the deed are: Durante Holdings Pty Ltd, Michael Hill Group Services Pty Ltd, Michael Hill Jeweller (Australia) Pty Ltd, Michael Hill Manufacturing Pty Ltd, Michael Hill Wholesale Pty Ltd, Michael Hill Franchise Services Pty Ltd, Michael Hill Franchise Pty Ltd, Michael Hill New Zealand Ltd, Michael Hill Jeweller Ltd, Michael Hill Franchise Holdings Ltd, Michael Hill Finance (NZ) Ltd, Michael Hill Online Pty Ltd, Michael Hill Charms Pty Ltd, Emma & Roe Pty Ltd, Medley Jewellery Pty Ltd, Michael Hill Online Holdings Ltd and Emma & Roe NZ Ltd.

The Class Order requires the Parent Company and each of the subsidiaries to enter into a Deed of Cross Guarantee. The effect of the deed is that the Company guarantees each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The above companies represent a Closed Group for the purposes of the Class Order and, as there are no other parties to the Deed of Cross Guarantee that are controlled by Michael Hill International Limited, they also represent the Extended Closed Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS, STATEMENT OF COMPREHENSIVE INCOME AND SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 26 June 2022 of the closed group consisting of Michael Hill International Limited and the entities noted above.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	2022 $'000	2021 $'000 RESTATED[1]
Revenue from sales of goods and services	421,019	431,904
Sales to Group companies not in Closed Group	39,354	47,254
Other income	6,063	15,212
Cost of goods sold	(186,589)	(206,747)
Employee benefits expense	(117,851)	(125,329)
Occupancy costs	(6,711)	(10,758)
Marketing expenses	(29,329)	(20,569)
Selling expenses	(11,971)	(14,480)
Depreciation and amortisation expense	(38,850)	(35,008)
Loss in disposal of property, plant and equipment	(231)	(384)
Other expenses	(15,211)	(14,285)
Finance costs	(5,371)	(5,363)
Profit before income tax	**54,322**	**61,447**
Income tax expense	(15,019)	(13,521)
Profit for the year	**39,303**	**47,926**

[1] Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.

OTHER COMPREHENSIVE INCOME

Items that may be reclassified to profit or loss	2022 $'000	2021 $'000 RESTATED[1]
Exchange differences on translation of foreign operations	4,977	104
Other comprehensive income for the period, net of tax	4,977	104
Total comprehensive income for the year	**44,281**	**48,030**

[1] *Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.*

STATEMENT OF CHANGES IN EQUITY

	2022 $'000	2021 $'000 RESTATED[1]
Equity at the beginning of the financial year	453,554	426,106
Change in accounting policy – SaaS implementation costs	-	(14,771)
Total comprehensive income/(loss)	44,281	48,030
Share rights through share-based payments reserve	286	9
Issue of share captial on exercise of share rights	103	-
Dividends paid	(25,239)	(5,820)
Total equity at the end of the financial year	**472,985**	**453,554**

[1] *Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.*

NOTES TO THE FINANCIAL STATEMENTS CONT.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Set out below is a consolidated statement of financial position as at 26 June 2022 of the Closed Group consisting of Michael Hill International Limited and the entities noted above.

	2022 $'000	2021 $'000 RESTATED[1]
Current assets		
Cash and cash equivalents	55,499	17,190
Trade receivables	7,010	7,822
Inventories	137,374	133,096
Current tax receivables	-	580
Loans to related parties	251,706	279,769
Other current assets	5,102	3,455
Total current assets	**456,691**	**441,912**
Non-current assets		
Property, plant and equipment	27,032	21,219
Right-of-use assets	73,601	71,900
Investments in subsidiaries	87,834	87,834
Other non-current assets	767	1,117
Intangible assets	10,989	8,605
Deferred tax assets	48,971	60,552
Total non-current assets	249,194	251,227
Total assets	**705,885**	**693,139**
Current liabilities		
Trade and other payables	58,671	64,922
Lease liabilities	28,351	23,921
Current tax liabilities	2,093	-
Deferred revenue	18,812	18,925
Provisions	14,219	15,172
Total current liabilities	**122,146**	**122,940**
Non-current liabilities		
Lease liabilities	58,295	65,176
Deferred revenue	45,081	44,336
Provisions	7,378	7,133
Total non-current liabilities	110,754	116,645
Total liabilities	**232,900**	**239,585**
Net assets	**472,985**	**453,554**
Equity		
Contributed equity	310,378	310,275
Reserves	(19,525)	(24,789)
Retained profits	182,132	168,068
Total equity	**472,985**	**453,554**

[1] *Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note I1(R) for details.*

G3 PARENT ENTITY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION

The individual financial statements for Michael Hill International Limited (the Parent) show the following aggregate amounts.

STATEMENT OF FINANCIAL POSITION	2022 $'000	2021 $'000
Current assets	198	344
Non-current assets	425,363	452,206
Total assets	**425,561**	**452,550**
Current liabilities	1,398	522
Total liabilities	1,398	522
Net assets	**424,163**	**452,028**
Issued capital	291,531	291,445
Reserves	41,617	41,544
Retained earnings	91,015	119,039
Total equity	**424,163**	**452,028**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2022 $'000	2021 $'000
Profit or loss for the year	(28,024)	(8,268)
Total comprehensive income	**(28,024)**	**(8,268)**

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The Parent has issued the following guarantees in relation to the debts of its subsidiaries:

(i) Pursuant to Class Order 2016/785, Michael Hill International Limited and the subsidiaries listed below entered into a deed of cross guarantee on 30 June 2016. The effect of the deed is that Michael Hill International Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Michael Hill International Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

(ii) The subsidiaries subject to the deed are: Durante Holdings Pty Ltd, Michael Hill Group Services Pty Ltd, Michael Hill Jeweller (Australia) Pty Ltd, Michael Hill Manufacturing Pty Ltd, Michael Hill Wholesale Pty Ltd, Michael Hill Franchise Services Pty Ltd, Michael Hill Franchise Pty Ltd, Michael Hill New Zealand Ltd, Michael Hill Jeweller Ltd, Michael Hill Franchise Holdings Ltd, Michael Hill Finance (NZ) Ltd, Michael Hill Online Pty Ltd, Michael Hill Charms Pty Ltd, Emma & Roe Pty Ltd, Medley Jewellery Pty Ltd, Michael Hill Online Holdings Ltd and Emma & Roe NZ Ltd.

CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent entity had no material contingent liabilities as at balance date.

NOTES TO THE FINANCIAL STATEMENTS CONT.

H UNRECOGNISED ITEMS

H1 CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

From time to time, Companies within the Group are party to various legal actions as well as inquiries from regulators and government bodies that have arisen in the normal course of business. The Directors have given consideration to such matters which are or may be subject to claims or litigation at year end and are of the opinion that that any liabilities arising over and above already provided in the financial statements from such action would not have a material effect on the Group's financial performance.

The Group is not aware of any significant events occurring subsequent to balance date that have not been disclosed.

The Group had no material contingent liabilities as at balance date.

CONTINGENT ASSETS

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

COMMITMENTS

The following sets out the various lease contracts that the Group has entered into and have yet to commence as at 26 June 2022.

	Within one year $'000	One to five years $'000	Greater than five years $'000	Total $'000
Future lease payments for these non-cancellable lease contracts	2,838	12,186	34,342	49,366

H2 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No other matters or circumstances have occurred subsequent to 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.

I SUMMARY OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES AND JUDGEMENTS

I1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments 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 52 week reporting period ended on 26 June 2022.

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(B) PRINCIPLES OF CONSOLIDATION

Subsidiaries are all entities (including special purpose) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the activities of the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Michael Hill International Limited.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset.

(C) FOREIGN CURRENCY TRANSLATION

Functional currency translation

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group financial statements are presented in Australian dollars, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Net foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end of monetary assets and liabilities denominated in foreign currencies are recognised as other income or other expenses, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

(D) TAXES

Current income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation group

Michael Hill International Limited and its wholly-owned Australian controlled entities form a tax consolidation group. As a consequence, one income tax return is completed for the Australian tax group and is treated for income tax purposes as one taxpayer.

The tax balances have been attributed for reporting purposes to each of the entities on the basis of their individual results. Amounts of tax due to and receivable from the Australian Taxation Office are made by Michael Hill International Limited as nominated member of the Australian tax consolidated group. The current tax balance for the Australian tax group has been allocated between the members based on each entity's current tax movement for the period. Where tax losses are incurred by Australian tax group members, these are offset within the group.

(E) GOODS AND SERVICES TAX (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(F) IMPAIRMENT OF ASSETS

At each annual reporting date (or more frequently if events or changes in circumstances indicate that they might be impaired), the Group assesses whether there is any indication that an asset may be impaired. Where such an indication is identified, the Group estimates the recoverable amount of the asset and recognises an impairment loss where the recoverable amount is less than the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Where the recoverable amount exceeds the carrying amount of an asset, an impairment loss is recognised. Right-of-use assets are also incorporated into the calculation. Subsequent to an impairment occurring, if the recoverable amount from assets exceeds the carrying value, the impairment loss is reversed to the extent that it has been recognised.

(G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position when utilised.

(H) INVENTORIES

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Management review stock holdings based on recoverability at a product level and write-down as appropriate.

(I) FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(i) Financial assets

INITIAL RECOGNITION AND MEASUREMENT

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through Other Comprehensive Income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under AASB15 Revenue from Contracts with Customers. Refer to the accounting policies in note A2.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'Solely Payments of Principal and Interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

SUBSEQUENT MEASUREMENT

Whilst there are four categories, two are relevant in the current reporting period for the Group, being:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables included under current and non-current financial assets.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

DERECOGNITION

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE FINANCIAL STATEMENTS CONT.

IMPAIRMENT OF FINANCIAL ASSETS

Further disclosures relating to impairment of financial assets are also provided in note F3.

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

SUBSEQUENT MEASUREMENT

The measurement of financial liabilities depends on their classification, as described below.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB9 Financial Instruments. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB9 Financial Instruments are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

LOANS AND BORROWINGS AT AMORTISED COST

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note C1.

DERECOGNITION

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(J) PROPERTY PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives (note F5).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note I1(F)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(K) INTANGIBLE ASSETS

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available;
- it can be demonstrated how the software will generate probable future economic benefits; and
- the expenditure attributable to the software during its development can be reliably measured.

In respect to cloud computing arrangements, the Group assesses whether the arrangement contains a lease and if not, whether the arrangement provides the Group with a resource that it can control. Costs associated with implementation are then assessed as to whether they can be capitalised in accordance with relevant accounting standards.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding ten years).

(L) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Present obligations arising from onerous contracts are required to be recognised and measured as a provision. An onerous contract is considered to exist where the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Provisions are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(M) EMPLOYEE ENTITLEMENTS

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for employee benefits are measured at the present value of Management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the Milliman G100 discount rates at the end of the reporting period. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS CONT.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting year, regardless of when the actual settlement is expected to occur.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Retirement benefit obligations

The Group provides retirement benefits to employees through a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable.

(N) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Michael Hill International Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Michael Hill International Limited.

(O) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(P) EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note F2).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares (note F2).

(Q) ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating 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.

(R) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IFRIC agenda decision – Net Realisable Values of Inventory

In June 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision in relation to the accounting treatment when determining net realisable value (NRV) of inventories, in particular what costs are necessary to sell inventories under AASB 102 Inventories.

During the year, the Group finalised the analysis of the impact of this agenda decision. The impact was not material and has been incorporated into the Group's net realisable value accounting policy.

IFRIC agenda decision – Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, IFRIC published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

Accounting Policy – Software-as-a Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise SaaS arrangements do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over its useful life.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the amounts provided.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	27 June 2021 As originally presented $'000	Impact of accounting policy $'000	27 June 2021 Restated $'000
Assets			
Intangible assets	32,845	(26,832)	6,013
Deferred tax assets	60,585	7,744	68,329
Total assets	**508,111**	**(19,088)**	**489,023**
Equity			
Reserves	4,221	(5)	4,216
Retained profits	177,895	(19,083)	158,812
Total equity	**193,401**	**(19,088)**	**174,313**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	27 June 2021 As originally presented $'000	Impact of accounting policy $'000	27 June 2021 Restated $'000
Other expenses	(28,308)	(6,924)	(35,232)
Employee benefits expense	(147,619)	(2,034)	(149,653)
Depreciation and amortisation expense	(51,293)	3,232	(48,061)
Profit before income tax	**64,807**	**(5,726)**	**59,081**
Income tax expense	(19,479)	1,413	(18,066)
Profit for the year	**45,328**	**(4,313)**	**41,015**
Total comprehensive income for the year attributable to:			
Owners of Michael Hill International Limited	45,189	(4,317)	40,872

NOTES TO THE FINANCIAL STATEMENTS CONT.

CONSOLIDATED STATEMENT OF CASH FLOWS

	27 June 2021 As originally presented $'000	Impact of accounting policy $'000	27 June 2021 Restated $'000
Payments to suppliers and employees	(484,021)	(8,955)	(492,976)
Net cash inflow from operating activities	**143,452**	**(8,955)**	**134,497**
Payments for intangible assets	(12,597)	8,955	(3,642)
Net cash outflow from investing activities	**(18,954)**	**8,955**	**(9,999)**

EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY

	27 June 2021 As originally presented cents	Impact of accounting policy cents	27 June 2021 Restated cents
Basic earnings per share	11.68	(1.11)	10.57
Diluted earnings per share	11.63	(1.10)	10.53

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	27 June 2021 Restated $'000	27 June 2020 Restated $'000
Opening retained profits as originally presented		
Impact on:	177,895	138,370
Intangible assets	(26,828)	(21,100)
Deferred tax assets	7,745	6,330
Opening retained profits – restated	**158,812**	**123,600**

CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

In the process of applying the above policy, Management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Determining whether cloud computing arrangements contain a software licence intangible asset
  The Group evaluates a cloud computing arrangement to determine if it provides a resource that the Group can control.
  The Group determines that a software licence intangible asset exists in a cloud computing arrangement when both of the following are met at the inception of the arrangement:
  - The Group has the contractual right to take possession of the software during the hosting period without significant penalty.
  - It is feasible for the Group to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.
- Determining whether configuration and customisation costs provide a distinct service to access to the SaaS
  The Group applies judgement in determining whether costs incurred provide a distinct service, aside from access to the SaaS. Where it is determined that no distinct service is identifiable, the related costs are recognised as expenses over the duration of the service contract.

Several other amendments and interpretations apply for the first time in 2022, 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.

I2 SIGNIFICANT ESTIMATES AND JUDGEMENTS

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.

The significant accounting judgements relate to the accounting for COVID-19 related lease concessions (note A5) and the significant accounting estimates were in relation to the consideration recevied for assets held for sale (note F4), the pattern of PCP revenue recognition (note A2), and employee remediation (note F8).

IMPACT OF COVID-19

The uncertainty surrounding the trading environment for the Group has impacted Management's approach to forecasting, modelling cash flows and other accounting estimates.

The Group continues to monitor the situation throughout the geographies in which it operates. Uncertainty remains as to the future impact of COVID-19 and the ability to operate bricks-and-mortar stores during this period. The Group continues to adhere to local and national government guidance in relation to any future impacts which would temporarily close stores.

During the period, the Group received financial support and assistance from its suppliers, landlords, and local governments. A number of landlords and suppliers provided extended payment terms. These agreements have concluded with no material amounts outstanding. Additionally, landlords have provided support in the form of rental abatements. These amounts have been disclosed in note A5. Government grants were received during the period and further information can be found in note A3.

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the financial statements and notes of the Group for the financial year ended 26 June 2022, are in accordance with the Corporations Act 2001, including:

- **(i)** complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- **(ii)** giving a true and fair view of the consolidated entity's financial position as at 26 June 2022 and of its performance for the financial year ended on that date;

(c) as at the date of this declaration, there are reasonable grounds to believe that the members of the extended group identified in note G1 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note G2.

Note I1(A) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Robert Fyfe
Chair

Brisbane
26 August 2022

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICHAEL HILL INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the 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 26 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) Giving a true and fair view of the consolidated financial position of the Group as at 26 June 2022 and of its consolidated financial performance for the year ended on that date; and

(b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

EXISTENCE OF INVENTORIES

Why significant

The existence of inventories is a key audit matter due to the size of the recorded asset being $181,539,000 or 34% of the Group's total assets at 26 June 2022, the nature of the inventory and the geographic spread of locations where items are held.

Inventories are primarily kept in the Group's 280 retail stores located in Australia, New Zealand and Canada, and the distribution and manufacturing centres. Inventories comprise a large number of physically small but high value items which are subject to misappropriation and other loss.

As a result, evidencing the existence of the Group's inventory at 26 June 2022 is a key audit matter.

The Group accounts for inventories in accordance with the policy disclosed in Note I1(H) and further disclosure is included in Note A4 of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Testing the effectiveness of key controls relevant to the conduct of physical stocktakes, the review and investigation of stocktake variances, and the approval of adjustments made to stock quantities.
- In performing our testing, we attended 12 year end stocktakes conducted at retail stores across Australia, New Zealand and Canada.
- In addition to the retail stores, we attended the stocktakes completed at each of the distribution and manufacturing centres in June 2022.
- At these stocktakes at the retail stores, distribution and manufacturing centres, we observed compliance with the stocktake instructions (including the suspension of inventory movements during the stocktake process) and selected a sample of items to recount to establish the accuracy of the counts performed by the Group.
- For each of these locations attended, and for a further representative sample of retail stores, we inspected evidence that stocktakes had been conducted in accordance with Group policies, stock variances identified had been reviewed and approved, and that the adjustments were accurately recorded.
- Where stocktakes were completed prior to the balance sheet date, we performed inventory movement analysis and, on a sample basis, evidenced changes in inventory quantities to evaluate the movement of inventories between the stocktake date and year end date. For retail locations not attended at stocktake, we performed movements analysis on a store-by-store basis and further analysis where the year end balance was outside our set expectations.
- We obtained details of stock-in-transit at year end, as well as movements either side of the year end date and performed procedures to address the risk of incorrect cut-off of inventory quantities at year end.

PROFESSIONAL CARE PLAN (PCP) REVENUE RECOGNITION

Why significant

The recognition of Professional Care Plan (PCP) revenue is a key audit matter due to the significant degree of estimation involved in determining the appropriate revenue recognition pattern for lifetime, 10 year and 3 year plans offered to the Group's customers. Under these plans, revenue is deferred on receipt of the payment from the customer and recognised over time in a manner that reflects the proportion of actual services used by customers relative to the total amount of expected services to be provided under the PCPs.

The balance of the deferred PCP revenue liability at 26 June 2022 was $77,148,000 (2021: $76,581,000), and PCP revenue recognised in the income statement for the year ended 26 June 2022 was $30,742,000 (2021: $27,310,000).

The estimation process for PCP revenue is based on an analysis of actual services (through historical cleaning, repairs and re-sizing service data) performed under these plans since inception in October 2010, with management judgement applied to take account of emerging trends in customer behaviour, industry data and exceptional circumstances such as COVID related store closures.

The result of estimation process is reviewed by the Group on at least an annual basis. As circumstances change over time, the Group updates its measure of progress, and any adjustments are recognised as a cumulative catch up in revenue recognition (or reversal) in the current year results.

The accounting policy for PCP revenue and description of the estimation uncertainty is disclosed in Note A2 of the financial report.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Considered the Group's PCP revenue recognition accounting policies and assessed compliance with the requirements of Australian Accounting Standards.
- Tested the operating effectiveness of controls related to PCP customer transactions to ensure these sales are captured accurately, and the related cash receipts are deferred on receipt.
- Assessed the accuracy of the data used in the PCP revenue estimation calculation and challenged the reasonableness of the key judgements including:
  - Obtained details of the sales of PCP products to customers during the year and tested the cash receipts were appropriately deferred.
  - Obtained details of the actual cleaning, repairs and resizing services in the year and tested a sample of transaction to understand if repairs are accurately tagged to the associated PCP plan date.
  - Performed analysis over the historic repairs data, to determine whether the assumptions made by the Group were supportable, including the length of the lookback period, any adjustments made for the impact of COVID related store closures, and the weighting of recent trends compared to older data.
- Tested the mathematical accuracy of the PCP revenue estimation model and reperformed the Group's calculation supporting the change in estimate relating to PCP revenue recognition.
- Performed sensitivity analysis over the assumptions using reasonable alternative scenarios to determine whether there would be a material impact on revenue recognised in the year.
- Evaluated the adequacy of disclosures in financial statements of PCP revenue recorded and deferred at year-end and the associated estimation uncertainty.

INFORMATION OTHER THAN THE FINANCIAL REPORT AND AUDITOR'S REPORT THEREON

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

OPINION ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the Directors' report for the year ended 26 June 2022.

In our opinion, the Remuneration Report of Michael Hill International Limited for the year ended 26 June 2022, complies with section 300A of the *Corporations Act 2001*.

RESPONSIBILITIES

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Kellie McKenzie
Partner

Brisbane
26 August 2022

ADDITIONAL INFORMATION

AS AT 31 AUGUST 2022

Michael Hill has one class of shares on issue (being ordinary shares). The Company's shares are listed on the Australian Securities Exchange and the New Zealand Stock Exchange.

	Number
Issued Capital	388, 285, 374
Number of shareholders	4,222
Minimum Parcel price	$1.140
Holders with less than a marketable parcel	224

TWENTY LARGEST SHAREHOLDERS

Rank	Name	Fully Paid Ordinary Shares	% of Fully Paid Ordinary Shares
1	HOGLETT HAMLETT LIMITED*	148,330,600	38.20
2	CITICORP NOMINEES PTY LIMITED	26,794,291	6.90
3	SQUEAKIDIN LIMITED*	19,156,926	4.93
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,951,910	4.11
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	14,239,499	3.67
6	CUSTODIAL SERVICES LIMITED	10,110,361	2.60
7	BNP PARIBAS NOMS PTY LTD	9,230,919	2.38
8	NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LTD	9,086,943	2.34
9	NATIONAL NOMINEES LIMITED	7,877,050	2.03
10	MOLE HILL LIMITED*	5,000,000	1.29
11	FORSYTH BARR CUSTODIANS LIMITED	4,805,402	1.24
12	PETER KARL CHRISTOPHER HULJICH + JOHN HAMISH BONSHAW IRVING	3,881,540	1.00
13	CHRISTOPHER PETER HULJICH + CONSTANCE MARIA F HULJICH + PETER KARL CHRISTOPHER HULJICH	3,488,861	0.90
14	BNP PARIBAS NOMS (NZ) LTD	2,876,425	0.74
15	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	2,783,902	0.72
16	HWM (NZ) HOLDINGS LIMITED	2,458,570	0.63
17	FNZ CUSTODIANS LIMITED	2,345,755	0.60
18	VANWARD INVESTMENTS LIMITED	2,036,974	0.52
19	HOBSON WEALTH CUSTODIAN LTD	2,029,508	0.52
20	BNP PARIBAS NOMINEES PTY LTD	1,890,450	0.49
Total		**294,375,886**	**75.81**
Total Remaining Holders Balance		**93,909,488**	**24.19**

**Denotes entities in which a member or members of the Hill family have an interest.*

DISTRIBUTION OF SECURITY HOLDERS

	Number of holders of fully paid ordinary shares	Number of fully paid ordinary shares
1 – 1,000	703	413,708
1,001 – 5,000	1,321	4,049,508
5,001 – 10,000	787	6,447,345
10,001 – 100,000	1,248	39,606,336
Over 100,001	163	337,768,477
Total	**4,222**	**388,285,374**

UNMARKETABLE PARCELS

	Minimum Parcel Size	Holder	Units
Minimum $ 500.00 parcel at $ 1.14 per unit	439	224	35,048

As at 31 August 2022, there are four substantial shareholders that Michael Hill is aware of:

SUBSTANTIAL HOLDERS

Name	Latest Notice Date	Shares
Hoglett Hamlett Limited and others*	13 October 2016	148,330,600
Mark Simon Hill	3 September 2021	163,487,902
Emma Jane Hill	13 October 2016	167,487,526
Spheria Asset Management Pty Ltd	15 April 2021	50,814,123

** Includes: Hoglett Hamlett Limited (New Zealand incorporated company with company number 5994887), Sir Richard Michael Hill, Lady Ann Christine Hill and Veritas Hill Limited (New Zealand incorporated company with company number 2303840).*

The above table sets out the number of securities held by substantial shareholders in Michael Hill as disclosed in their last substantial shareholder's notice. Those shareholders may have acquired or disposed of securities in Michael Hill since the date of that notice. A substantial shareholder is only required to disclose acquisition or disposals where there has been a movement of at least 1% in their shareholding.

SHARE OPTIONS AND RIGHTS

Michael Hill has unlisted share options and rights on issue. As at 31 August 2022 there were 21 holders of options and rights.

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 M.A.I.C.D.
D Bracken (appointed 28 June 2021)

COMPANY SECRETARIES

A Lowe BCom, LLB (Hons), MAppFin, CA, CTA
E Bird LLB (Hons), BA (Psych), GradDipLegalPrac, GradDipAppCorpGov, G.A.I.C.D.

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

EMAIL

online@michaelhill.com.au


michael hill®
INTERNATIONAL LIMITED