michael hill

INTERNATIONAL LIMITED

HALF YEAR REPORT TO 31 DECEMBER 2011

Contents

Our overall strategic goal is to grow shareholder wealth over time through our philosophy of controlled profitable growth.

Company profile: Michael Hill International owns the brand "Michael Hill" and operates a retail jewellery chain in Australia, New Zealand, Canada and United States.

The company had its origins in 1979 when Michael and Christine Hill opened their first store in the New Zealand town of Whangarei, some 160 kilometres north of Auckland.

A unique retail jewellery formula that included dramatically different store designs, a product range devoted exclusively to jewellery and high impact advertising elevated the company to national prominence. The company listed on the New Zealand Stock Exchange in 1987, the same year it expanded into Australia.

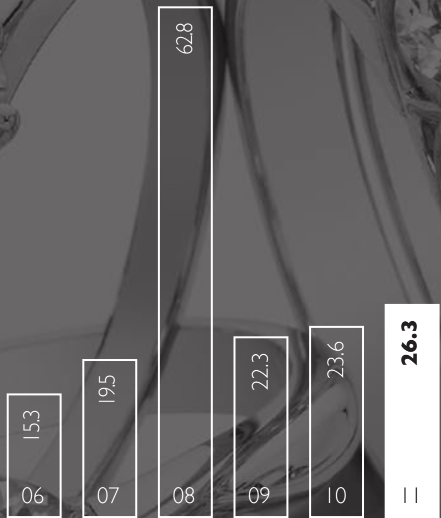
In 2002, the company expanded into Canada, opening its first stores in Vancouver. We now have a presence in British Columbia, Alberta, Manitoba, Saskatchewan and Ontario.

In September 2008, the company entered the United States market.

Today the Group has 52 stores in New Zealand, 149 in Australia, 35 in Canada and 9 stores in Chicago, USA. It employs over 2,000 permanent employees who are involved in retail sales, manufacturing and administration. It has approximately 3,400 shareholders and is proud of its consistently high returns to shareholders.

Highlights of the half year

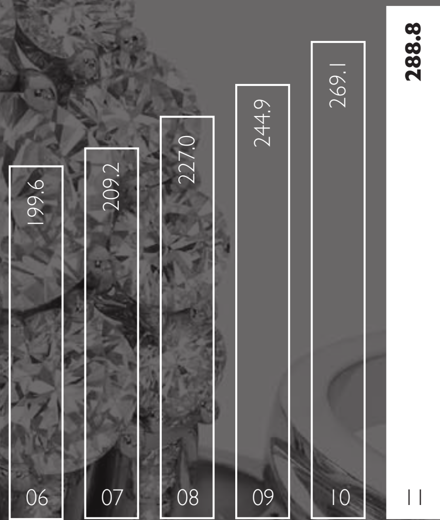
- Operating revenue of $288.846m up 7.3% on same period last year
- Same store sales were 1.7% up on same period last year
- EBIT of $34.775m up 9.2% on same period last year
- Net profit before tax of $32.337m up 12.7% on last year
- Net profit after tax of $26.297m up 11.5% on last year
- Revenue collected from Professional Care Plans of $14.411m for the period
- Net debt of $10.728m at 31 December 2011 down from $49.163m last year
- Operating cash inflow of $46.800m up from $21.040m last year
- Seven new stores opened and one closed during the period
- Total of 245 stores open at 31 December 2011
- Interim dividend of 2.0 cents up 33% on last year
- Equity ratio of 56.2% at 31 December 2011



Net profit after tax up 11.5%

$ millions to 31 December

*Note that the 2008 Group profit after tax contained a deferred tax credit of NZ$50.197m



Group revenue up 7.3%

$ millions to 31 December

Key Facts for the six months ended 31 December 2011

	31 Dec 11	31 Dec 10	±%
Trading results ($000's)			
Group revenue	**288,846**	269,086	7.3%
Earnings before interest and tax	**34,775**	31,850	9.2%
Group profit after tax	**26,297**	23,583	11.5%
Net cash from operating activities	**46,800**	21,040	122.4%
Financial position at year end ($000's)			
Contributed equity 382,775,586 ordinary shares	**4,083**	3,983	2.5%
Total equity	**194,745**	175,694	10.8%
Total assets	**346,357**	324,532	6.7%
Net debt	**10,728**	49,163	-78.2%
Number of stores 31 December			
New Zealand	**52**	54	
Australia	**149**	144	
Canada	**35**	30	
United States	**9**	9	
Total	**245**	237	
Distribution to shareholders			
Interim dividend per ordinary share (¢)	**2.0**	1.5	
Key measures			
Share price 31 December	**$0.88**	$0.88	
Basic earnings per share (¢)	**6.87**	6.16	
Interest expense cover (times)	**14.3**	10.1	
Equity ratio	**56.2%**	54.1%	
Current ratio	**2.8:0**	3.1:0	

Financial Calendar

Dividends Payable:
Interim - April,
Final - October
Financial Results Announced:
Half Year - February,
Annual - August

Directors' report

Profit Announcement

Michael Hill International Limited today announced an after tax profit of $26.297m for the six months ended 31 December 2011, up 11.5% on the corresponding period last year.

New Zealand Retail Operations

The New Zealand retail segment revenue increased by 8.5% to $60.908m for the six months, with an operating surplus of $12.192m, an increase of 12.7% on the corresponding period last year.

Same store sales during the twelve months increased by 9.2% (6.2% last year).

The operating surplus as a percentage of revenue increased to 20% (19.3% last year). There were 52 stores open as at 31 December 2011.

Australian Retail Operations

The Australian retail segment increased its revenue by 4.4% to AU$147.091m for the six months with an operating surplus of AU$24.382m, compared to AU$25.079m for the previous corresponding period, a decrease of 2.8%.

Same store sales in local currency decreased by 1.5% for the six months (5.7% increase last year).

The operating surplus as a percentage of revenue was 16.6% (17.8% last year).

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

- Doncaster, Victoria
- Chatswood, New South Wales
- Marrickville, New South Wales
- Burleigh, New South Wales
- Warrnambool, Victoria

One store was closed in New South Wales during the period, giving a total of 149 stores operating in Australia as at 31 December 2011.

Canadian Retail Operations

The Canadian retail segment increased its revenue by 20.9% to CA$24.257m for the six months, with an operating surplus of CA$1.184m, compared to CA$0.391m for the previous corresponding period, an increase of 202.8%.

Same stores sales in local currency increased 5.2% for the six months (15.1% increase last year). Two new stores were opened during the period:

- Polo Park, Manitoba
- Market Mall, Alberta

There were 35 stores open as at 31 December 2011.

US Retail Operations

The US retail segment achieved revenue of US$5.272m for the six months and there was an operating loss of US$1.431m for the same period (US$2.121m last year). Same stores sales in local currency increased 22.3% for the six months.

The board is pleased with the progress of the US operation over the past six months but acknowledges there is still a long way to go before the business is proven up in the US market. Focus remains on improving both the top line sales and the margins in order to grow the bottom line of the nine stores over the coming twelve months.

There were nine stores open as at 31 December 2011.

Professional Care Plan (PCP)

PCP sales continue to grow and have significantly improved cash flow of the company. Although it is too early to accurately predict the margins and therefore profitability of the PCP business, the company is confident that the PCP's will contribute positively to the margins and profits of the overall business.

PCP sales during the first six months were $14,411,408. An amount of $1,466,312 has been included as revenue in the segment figures stated above from the current and prior periods.

PCP sales are carried on the balance sheet as deferred revenue and then brought to income over the life of the plans (3 year and lifetime) in proportion to the expected cost of meeting commitments under the PCP's. It is assumed that the liability for accounting purposes of the lifetime plans will expire within ten years from date of sale. The estimate of expected commitments under the relevant PCP is based on a combination of our own experience and overseas research. These estimates will be updated as the company gathers actual data over the coming years. The costs of meeting the liability under the respective PCP's is brought to account in the period incurred.

Directors' report cont.

The following table summarises the revenue treatment of the PCP business.

	Last Year First Half*	Last Year Second Half	This Year First Half
PCP sales collected for the half year	$2,937,882	$8,734,389	$14,411,408
PCP revenue brought to income for the half year	$0	$559,779	$1,466,312
Deferred revenue carried forward on balance sheet	$2,986,080	$11,069,275	$24,337,672

*PCP's have been sold since October 2010

Outstanding Tax Issues from Group Restructuring in 2008

In the 2011 full year report, the company provided an update on the two outstanding tax matters relating to the 2008 Group restructure. Below is a further update on the respective matters.

The company's discussions with the Inland Revenue (IR) in New Zealand referred to in the June 2011 directors' report in relation to the way the Group financed the sale of Intellectual Property from one of our New Zealand companies to one of our Australian companies have continued. Tax returns have been filed with the IR for the 2008-09 and 2009-10 financial years. The IR issued a binding ruling confirming some aspects of the tax treatment of the financing structure but commenced a limited scope review of some outstanding concerns in relation to the 2009 tax return. The 2009 tax return issues are now being considered by IR under the disputes resolution process. In turn, the company initiated the disputes resolution process in respect of the 2010 return in order to expedite finalisation of the issues. Discussions with IR in relation to the 2009 and 2010 tax returns are continuing.

The company's discussions with the Australian Taxation Office (ATO) relate to the value at which the intellectual property was transferred between the respective companies. Discussions are likewise continuing with the ATO in respect to this matter at the time of this announcement.

The board does not consider that either of the above ongoing tax matters requires a provision or contingency in the Group's financial statements for the 2011 half year. This will be kept under review.

Dividend

The Directors are pleased to announce an interim dividend of 2.0¢ per share (2010 – 1.5¢), with no imputation credits attached for New Zealand shareholders and full franking credits for Australian shareholders. The dividend will be paid on Monday, 2nd April 2012 with the record date being Friday, 23rd March 2012.

Due to the internal restructuring of the Group in December 2008, the company is unlikely to be in a position to impute dividends for the foreseeable future, however this will depend on the performance of each segment in the coming years and also on the level of dividend to be paid in future periods.

Whilst the 2011-12 interim dividend is fully franked to Australian resident shareholders, it is likely that future dividends will only be partially franked due to the level of dividend payout exceeding the level of tax liability in Australia. However, this position can change over time depending on a number of variables and the company will keep the market informed each time a dividend is declared.

Cash Flows / Balance Sheets

The Group has reported net operating cash inflows of $46.800m for the six months, compared to $21.040m for the previous year and net debt has fallen to $10.728m from $49.163m at the same time last year.

The surplus from operations is a result of:

Profit excluding non cash items	$31.802 m
Increase in trade and other receivables	($8.192)m
Increase in inventory levels	($12.246)m
Increase in trade and other payables	$17.664 m
Increase in deferred revenues from Professional Care Plans	$12.925 m
Other miscellaneous items	$4.847 m
Net cash inflow from operations for Half Year	$46.800 m

The Group's balance sheet continues to be sound with an equity ratio of 56.2% as at 31 December 2011 (54.1% in 2010) and a working capital ratio of 2.8:1 (3.2:1 in 2010).

On behalf of all directors,

Michael Hill.

Sir Michael Hill, Chairman
15/02/2012

Ernst & Young

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Review report to the Shareholders of Michael Hill International Limited

We have reviewed the interim financial statements on pages 13 to 23. The interim financial statements provide information about the past financial performance of the Group and its financial position as at 31 December 2011. This information is stated in accordance with the accounting policies set out in the Group's annual financial statements dated 18 August 2011.

This report is made solely to the company's shareholders, as a body, in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our review work, for this report, or for our findings.

Directors' responsibilities

The directors are responsible for the preparation of interim financial statements which comply with generally accepted accounting practice in New Zealand as it relates to interim financial statements and which present fairly the financial position of the Group as at 31 December 2011 and the results of its operations and cash flows for the six month period ended on that date.

Reviewer's responsibilities

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

Basis of statement

A review is limited primarily to enquiries of Group personnel and analytical review procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We have reviewed the interim financial statements of the Group for the six months ended 31 December 2011 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. These standards require that we plan and perform the review to obtain moderate assurance as to whether the statements are free of material misstatement whether caused by fraud or error. We also evaluated the overall adequacy of the presentation of information in the interim financial statements.

Other than in our capacity as auditor and consultants in other assurance services we have no relationship with, or interest in the Group.

Statement of review findings

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 13 to 23, do not fairly present the financial position of the Group as at 31 December 2011 and its financial performance and cash flows for the six month period ended on that date in accordance with generally accepted accounting practice in New Zealand as it relates to interim financial statements.

Our review was completed on 15 February 2012 and our findings are expressed as at that date.

Ernst + Young

Ernst & Young
Chartered Accountants
Brisbane

Condensed Statement of Comprehensive Income

For the six months ended 31 December 2011

	31 Dec 11 **$000**	31 Dec 10 $000
Revenue from continuing operations	**288,846**	269,086
Other income	**197**	159
Cost of goods sold	**(109,483)**	(100,307)
Employee benefits expense	**(67,060)**	(63,529)
Occupancy costs	**(23,257)**	(20,921)
Depreciation and amortisation expense	**(6,093)**	(5,497)
Loss on disposal of property, plant and equipment	**(423)**	(77)
Other expenses	**(47,896)**	(47,022)
Finance costs	**(2,494)**	(3,210)
Profit before income tax	**32,337**	28,682
Income tax expense	**(6,040)**	(5,099)
Profit for the half-year	**26,297**	23,583
Other comprehensive income		
Currency translation differences arising during the half-year	**1,257**	2,725
Total comprehensive income for the half-year	**27,554**	26,308
Total comprehensive income for the half-year is attributable to:		
Equity holders of Michael Hill International Limited	**27,554**	26,308
Earnings per share attributable to the ordinary equity holders of the company during the half-year attributable to continuing operations:		
Basic earnings per share	**6.87¢**	6.16¢
Diluted earnings per share	**6.85¢**	6.15¢

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

Condensed Statement of Financial Position

As at 31 December 2011

		Notes	31 Dec 11 $000	31 Dec 10 $000	30 June 11 $000
ASSETS	**Current assets**				
	Cash and cash equivalents		**32,545**	24,573	8,540
	Trade and other receivables		**16,988**	13,108	8,551
	Inventories		**188,083**	182,739	173,055
	Total current assets		**237,616**	220,420	190,146
	Non-current assets				
	Property, plant and equipment	3	**45,535**	43,968	42,211
	Deferred tax assets		**63,100**	59,926	60,599
	Intangible assets		**106**	218	152
	Total non-current assets		**108,741**	104,112	102,962
Total assets			**346,357**	324,532	293,108
LIABILITIES	**Current liabilities**				
	Trade and other payables		**69,725**	63,050	51,401
	Current tax liabilities		**6,856**	3,096	893
	Provisions		**3,631**	2,950	2,697
	Deferred revenue		**5,200**	787	2,201
	Total current liabilities		**85,412**	69,883	57,192
	Non-current liabilities				
	Borrowings		**43,273**	73,736	45,413
	Provisions		**1,952**	1,425	1,443
	Deferred revenue		**20,975**	3,794	10,684
	Total non-current liabilities		**66,200**	78,955	57,540
Total liabilities			**151,612**	148,838	114,732
Net assets			**194,745**	175,694	178,376
EQUITY	Contributed equity	4	**4,083**	3,983	3,983
	Reserves		**4,737**	5,776	3,282
	Retained profits		**185,925**	165,935	171,111
Total equity			**194,745**	175,694	178,376

The above condensed statement of financial position should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity

For the six months ended 31 December 2011

	Notes	Contributed equity	Reserves	Retained profits	Total equity
		Attributable to equity holders of Michael Hill International Limited			
		$000	$000	$000	$000
Balance at 1 July 2010		3,850	2,775	151,919	158,544
Total comprehensive income		-	2,725	23,583	26,308
		3,850	5,500	175,502	184,852
Transactions with owners in their capacity as owners:					
Employee share issued	4	133	-	-	133
Option expense through share based payments reserve	4	-	276	-	276
Dividends paid	5	-	-	(9,567)	(9,567)
Balance at 31 December 2010		3,983	5,776	165,935	175,694
Balance at 1 July 2011		3,983	3,282	171,111	178,376
Total comprehensive income		-	1,257	26,297	27,554
		3,983	4,539	197,408	205,930
Transactions with owners in their capacity as owners:					
Employee shares issued	4	100	-	-	100
Option expense through share based payments reserve	4	-	198	-	198
Dividends paid	5	-	-	(11,483)	(11,483)
Balance at 31 December 2011		4,083	4,737	185,925	194,745

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

Condensed Statement of Cash Flows

For the six months ended 31 December 2011

	Notes	31 Dec 11 $000	31 Dec 10 $000
Cash flows from operating activities			
Receipts from customers (incl. of goods and services tax)		**325,731**	291,133
Payments to suppliers and employees (incl. of goods and services tax)		**(262,519)**	(259,716)
		63,212	31,417
Interest received		**55**	42
Other revenue		**197**	159
Interest paid		**(2,501)**	(2,987)
Income tax (paid) / received		**(1,049)**	1,094
Net goods and services tax paid		**(13,114)**	(8,685)
Net cash inflow from operating activities	9	**46,800**	21,040
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**145**	73
Payments for property, plant and equipment		**(9,108)**	(9,009)
Net cash (outflow) from investing activities		**(8,963)**	(8,936)
Cash flows from financing activities			
Proceeds from borrowings		**30,744**	72,402
Repayment of borrowings		**(33,306)**	(56,850)
Proceeds from sale of treasury stock		**90**	119
Dividends paid to company's shareholders	5	**(11,483)**	(9,567)
Net cash (outflow) / inflow from financing activities		**(13,955)**	6,104
Net increase in cash and cash equivalents		**23,882**	18,208
Cash and cash equivalents at the beginning of the half-year		**8,540**	6,270
Effects of exchange rate changes on cash and cash equivalents		**123**	95
Cash and cash equivalents at end of the half-year		**32,545**	24,573

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

Notes to the Financial Statements

1. Summary of significant accounting policies

The interim financial statements for the half-year ended 31 December 2011 have been prepared in accordance with NZ IAS 34 interim financial reporting and IAS 34 interim financial reporting.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Statutory base

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

The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993. The interim financial statements of the Group are for the economic entity comprising Michael Hill International Limited and its subsidiaries.

The reporting currency used in the preparation of these consolidated interim financial statements is New Zealand dollars, rounded to the nearest thousand.

Changes in accounting policies

During the previous financial period the Group changed the accounting policy relating to display material. Display material was previously classified as inventory and measured based on the unit cost and consumption pattern of the display item. During the year ended 30 June 2011, the Group considered it appropriate to classify display material as property, plant and equipment. This resulted in a change in accounting policy and a restatement of 31 December 2010 comparative information relating to the measurement of the display material. The Group considers the change in classification of accounting for display material to property, plant and equipment, as a more appropriate method of accounting for display material in the financial statements.

The change in accounting policy has been accounted for retrospectively. It had the effect of increasing property, plant and equipment $4,403,000, decreasing inventory ($6,819,000) and decreasing opening retained earnings by ($1,379,000) for the half year ended 31 December 2010. The change in accounting policy also had the effect of increasing depreciation expense $446,000, decreasing profit before tax ($446,000) and decreasing profit after tax ($313,000) for the year ended 31 December 2010.

Basic earnings per share decreased from 6.24 cents at December 2010 to 6.16 cents and diluted earnings per share decreased from 6.23 cents to 6.15 cents at December 2010.

Notes to the Financial Statements cont.

2. Segment note

	MHJ NEW ZEALAND			MHJ AUSTRALIA			MHJ CANADA		
	2011	2010		**2011**	2010		**2011**	2010	
	$000	$000	± %	**$000**	$000	± %	**$000**	$000	± %
Operating revenue									
Sales to customers	**60,908**	56,133	8.5%	**189,550**	180,547	5.0%	**30,354**	26,137	16.1%
Unallocated revenue									
Total operating revenue									
Segment results									
Operating surplus / (loss)	**12,192**	10,834	12.5%	**31,587**	32,365	(2.4%)	**1,524**	533	185.9%
Unallocated revenue less unallocated expenses									
Profit before income tax									
Income tax (expense)									
Profit for the half year									
Segment assets	**52,016**	49,292	5.5%	**129,386**	122,091	6.0%	**39,335**	34,992	12.4%
Unallocated									
Total									
Segment liabilities	**15,647**	9,492	64.8%	**50,196**	35,611	41.0%	**9,481**	4,823	96.6%
Unallocated									
Total									
Segment acquisitions of property, plant & equipment and intangibles	**1,525**	1,134	34.5%	**5,676**	3,922	44.7%	**1,068**	1,006	6.2%
Unallocated									
Total									
Segment depreciation & amortisation expense	**931**	877	6.2%	**3,201**	2,771	15.5%	**817**	699	16.9%
Unallocated									
Total									

MHJ USA 2011 $000	MHJ USA 2010 $000	± %	GROUP 2011 $000	GROUP 2010 $000	± %
6,634	5,614	18.2%	**287,446**	268,431	7.1%
			1,400	655	113.7%
			288,846	269,086	7.3%
(1,781)	(2,843)	37.4%	**43,522**	40,889	6.4%
			(11,185)	(12,207)	8.4%
			32,337	28,682	12.7%
			(6,040)	(5,099)	(18.5%)
			26,297	23,583	11.5%
13,995	14,021	(0.2%)	**234,732**	220,395	6.5%
			111,625	104,137	7.2%
			346,357	324,532	6.7%
2,542	1,931	31.7%	**77,866**	51,856	50.2%
			73,746	96,982	(24.0%)
			151,612	148,838	1.9%
134	1,968	(93.2%)	**8,403**	8,030	4.6%
			705	979	(28.0%)
			9,108	9,009	1.1%
260	153	69.9%	**5,209**	4,500	15.8%
			884	997	(11.3%)
			6,093	5,497	10.8%

Notes:

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

Notes to the Financial Statements cont.

3. Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2011, the Group acquired assets with a total cost of $9,108,000 (31 December 2010 - $9,009,000). Assets with a net book value of $568,000 were disposed of during the six months ended 31 December 2011 (31 December 2010 - $150,000), resulting in a net loss on disposal of $423,000 (31 December 2010 - $77,000 loss).

4. Contributed equity

	31 Dec 11 Shares	31 Dec 10 Shares	30 June 11 Shares	**31 Dec 11 $000**	31 Dec 10 $000	30 June 11 $000
Share capital						
Ordinary shares						
Fully paid	**383,053,190**	383,053,190	383,053,190	**4,221**	4,177	4,177
Treasury stock held for employee share scheme	**(277,604)**	(388,717)	(388,717))	**(138)**	(194)	(194)
	382,775,586	382,664,473	382,664,473	**4,083**	3,983	3,983
Opening balance of ordinary shares issued	**383,053,190**	383,053,190	383,053,190	**4,177**	4,141	4,141
Issues of ordinary shares during the year						
Employee share scheme issue	**111,113**	195,573	195,573	**100**	133	133
Treasury from treasury stock	**(111,113)**	(195,573)	(195,573)	**(56)**	(97)	(97)
Closing balance of ordinary shares issued	**383,053,190**	383,053,190	383,053,190	**4,221**	4,177	4,177

(a) Employee share scheme

During the half-year, 111,113 shares were issued to the Michael Hill Employee Share Ownership Plan at an average price of $0.81. The shares will be held by a Trustee for a one year period during which time any dividends derived will be paid to the employee.

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

(b) Options

The board resolved to issue 150,000 share options on 8 July 2011, to subscribe for ordinary shares in the company to a senior executive. The options have an exercise price of $1.15, which is 30% above the volume weighted average market price of the company's ordinary shares in the 20 business days prior to 27 April 2011.

The board resolved to issue 750,000 share options (including 400,000 share options to Mike Parsell in his capacity as CEO) on 20 August 2011, to subscribe for ordinary shares in the company to senior executives. The options have an exercise price of $1.16, which was 30% above the volume weighted average market price of the company's ordinary shares in the 20 business days following the announcement to the New Zealand Stock Exchange on 19 August 2011 of the company's results for the year to 30 June 2011.

Notes to the Financial Statements cont.

5. Dividends

	31 Dec 11 $000	31 Dec 10 $000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2011 of 3.0 cents (2010 - 2.5 cents) per fully paid share paid on 10 October 2011 (2010 - 11 October 2010)	**11,483**	9,567
(b) Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the directors have recommended the payment of an interim dividend of 2.0 cents per fully paid ordinary share (2010 - 1.5 cents). The aggregate amount of the proposed dividend expected to be paid on 2 April 2012 out of retained profits at 31 December 2011, but not recognised as a liability at the end of the half-year, is	**7,655**	5,740

The dividends paid during the current financial period and corresponding previous financial period are not imputed out of existing imputation credits or out of imputation credits arising from the payment of income tax.

6. Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2011 in respect of guarantees to bankers and other financial institutions of subsidiary companies' overdraft facilities and fixed assets at 31 December 2011 of $438,000 (31 December 2010 - $438,000).

No material losses are anticipated in respect of any of the above contingent liabilities. The Group has no other material contingent liabilities as at balance date.

(b) Contingent assets

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

7. Related party transactions

There were no loans to directors by the company or associated persons at 31 December 2011.

The gross remuneration of the directors and key management personnel during the period was $1,990,000 (31 December 2010 - $2,284,000).

8. Events occurring after the reporting period

There were no significant events ocurring after 31 December 2011.

9. Reconciliation of profit after income tax to net cash inflow from operating activities

	31 Dec 11	31 Dec 10
	$000	$000
Profit for the half-year	**26,297**	23,583
Depreciation and amortisation	**6,093**	5,497
Non-cash employee benefits expense - share based payments	**208**	276
Other non-cash expenses	**219**	(60)
Net loss on sale of non-current assets	**423**	77
Net exchange differences	**(1,438)**	1,561
(Increase) in trade and other receivables	**(8,192)**	(7,055)
(Increase) in inventories	**(12,246)**	(22,697)
(Increase) in deferred tax asset	**(2,413)**	(1,577)
Increase in trade and other payables	**17,664**	13,755
Increase in current tax liabilities	**5,869**	2,591
Increase in provisions	**1,391**	541
Increase in deferred revenue	**12,925**	4,548
Net cash inflow from operating activities	**46,800**	21,040

Corporate Directory

DIRECTORS
Sir Michael Hill, K.N.Z.N. (Chairman)
E.J. Hill B.Com., M.B.A. (Deputy Chairman)
M.R. Parsell (Chief Executive Officer)
G.J. Gwynne
L.W. Peters M.B.A.,FFin.
M.R. Doyle
Lady Christine Hill Dip F.A.
D.W. McGeoch (Colvin) B.A.

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

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