

<b>Michael Hill International Limited</b>	
<b>Results for announcement to the market</b>	
Reporting Period	12 months to 30 June 2007
Previous Reporting Period	12 months to 30 June 2006

	Amount \$NZ'000	Percentage Change %
Revenue from ordinary activities	350,184	13.2%
Profit from ordinary activities after tax attributable to members	21,017	33.2%
Net profit for the period attributable to members	21,017	33.2%

	Amount per security	Imputed amount per security
Final dividend for year ended 30 June 2007	16c	7.8806c
Record date	5 October 2007	
Dividend payment date	15 October 2007	

Michael Hill International Limited's accounts have been audited and an unqualified audit opinion was given.

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## REPORT OF THE DIRECTORS

### ***Profit Announcement***

Michael Hill International today announced a record tax paid profit of \$21.017m for the year ended 30 June 2007 compared to \$15.774m for the previous corresponding period. Trading in the first three quarters of the financial year was very strong for the group but the June 2007 quarter proved much more challenging and constrained the "same store" growth to more modest growth than expected. However a focus on margin management during the year has helped to offset this weaker than expected quarter and deliver an excellent result.

### ***Performance Highlights***

- Operating revenue of \$350.184m up 13.2%
- EBIT of \$35.087m up 44.1%
- Net profit after tax of \$21.017m up 33.2%
- Net operating Cashflow of \$41.114m compared to net outflow of \$2.360m last year
- 28.5% return on average shareholder funds
- Eighteen new stores opened and three closures
- 192 stores open at 30 June 2007
- Fully imputed final dividend of 16 cents giving a full year dividend of 26 cents up 13% on previous year
- Earnings per share of 53.9 cents (adjusted for shares held for cancellation)

### **New Zealand Retail Operations**

The New Zealand retail segment increased its revenue by 7.0% to \$97.439m for the twelve months with earnings before interest and tax (EBIT) of \$13.570m an increase of 33.3% on the previous corresponding period.

The operating surplus as a percentage of revenue increased from 11.2% to 13.9%.  
Same store sales for the twelve months increased by 4.6% (last year 2.4% increase).

Two new stores opened in New Zealand during the period and one closed giving a total of 50 stores operating in New Zealand as at 30 June 2007.

### **Australian Retail Operations**

The Australian retail segment increased its revenue by 13.2% to NZ\$225.815m for the twelve months with EBIT of NZ\$20.723m compared to NZ\$15.677m for the previous corresponding period.

The operating surplus as a percentage of revenue increased from 7.9% to 9.2%.  
In Australian dollars, total revenue improved 10.2% with same store sales up 3.4% for the twelve months (last year 1.3% decrease).

Twelve new stores were opened in Australia during the period and two stores were closed giving a total of 126 stores operating in Australia as at 30 June 2007.

### **Canadian Retail Operations**

The Canadian retail segment increased its revenue by 59.5% for the twelve months to NZ\$24.994m. In Canadian dollars total revenue improved 55% and same store sales increased 2.9% for the twelve months (last year 6.9% increase).

There was an operating deficit of NZ\$0.005m for the twelve months compared to a deficit of NZ\$0.957m for the previous corresponding period.

Four new stores were opened during the period:

- Kingsway Gardens, Edmonton, Alberta
- Marlborough Mall, Calgary, Alberta
- Pine Centre, Prince George, British Columbia
- Parkland Mall, Red Deer, Alberta

There were 16 stores open as at 30 June 2007.

### **Share Buy-back**

On the 26th March 2007, the company announced its intention to buy-back up to 1.9million of its shares 'on market' to take advantage of a strong balance sheet and the tax effective nature of returning contributed equity to shareholders of up to \$13.858m. As a result of the buy-back programme, 956,876 shares have been bought back by the company and are held as Treasury stock as at balance sheet date. The intention is to cancel these shares during the next financial year. The buy-back programme remains in place until the 29th March 2008 and the company has the ability to make further purchases of Michael Hill International shares at any time up to that date.

### **Final Dividend**

The Directors are pleased to announce a final dividend of 16 cents per share (2006 – 14 cents), with full imputation credits attached for New Zealand shareholders and full franking credits for Australian shareholders.

Including the payment of a 10 cent per share interim dividend on 2nd April 2007, the total dividend for the year will be 26 cents, an increase of 13% on the previous corresponding period (2006 - 23 cents).

The dividend will be paid on Monday, 15th October 2007 with the record date being Friday, 5th October 2007.

### **Cash Flows / Balance Sheets**

The Group has reported net operating cash inflows of \$41.114m for the twelve months, compared to net cash outflow of \$2.360m for the previous corresponding period.

The Group's balance sheet is very sound with an equity ratio of 47.0% as at 30 June 2007 (42.9% in 2006) and a working capital ratio of 3.7:1 (3.8:1 in 2006).

### **Share Split - 10 for 1**

To enhance liquidity in the trading of Michael Hill International shares, the Directors have approved a 10 for 1 share split to take place on Monday 29th October 2007.

### **Summary**

The Directors were very pleased with the result for the twelve months which was achieved with a focus on "same store" revenue growth and margin management.

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

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

On behalf of the Directors,



M. Hill 16/08/2007

Chairman

Internet Home Page - [www.michaelhill.com](http://www.michaelhill.com)

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STATEMENT OF FINANCIAL PERFORMANCE	Consolidated Statement of Financial Performance		
	Current full year \$NZ'000	% Change	Previous corresponding full year \$NZ'000
<b>Revenue</b>			
Trading revenue	348,757	13.8%	306,374
Other revenue	1,970	(35.2%)	3,040
Total operating revenue	350,727	13.4%	309,414
<b>Expenses</b>			
Cost of goods sold	( 142,144)	8.2%	( 131,429)
Employee benefits expense	( 89,582)	19.5%	( 74,972)
Occupancy costs	( 26,984)	18.8%	( 22,718)
Depreciation and amortisation expense	( 7,264)	8.2%	( 6,714)
Loss on disposal of property, plant & equipment	( 524)	394.3%	( 106)
Other expenses	( 48,497)	1.8%	( 47,653)
Finance costs	( 4,588)	38.6%	( 3,311)
<b>Profit before income tax</b>	31,144	38.4%	22,511
Income tax expense	( 10,127)	50.3%	( 6,737)
<b>Profit attributable to members of Michael Hill International Limited</b>	21,017	33.2%	15,774

**INCLUDED IN STATEMENT OF FINANCIAL PERFORMANCE ABOVE**

Interest income	645	(56.3%)	1,477
Net foreign exchange gain (loss)	( 332)	(279.5%)	185
Depreciation	( 6,695)	11.2%	( 6,021)
Amortisation	( 569)	(17.9%)	( 693)
Net loss on disposal of property, plant & equipment	( 524)	394.3%	( 106)
Rental expense relating to operating leases	( 26,984)	18.8%	( 22,718)
Impairment of property, plant & equipment	-	100%	( 14)
Donations	( 75)	47.1%	( 51)

EARNINGS PER SECURITY	Earnings Per Security	
	Current full year Cents	Previous corresponding full year Cents
Basic EPS	53.9	40.8
Diluted EPS	53.5	40.5

DIVIDENDS	Dividends	
	Current full year \$NZ'000	Previous corresponding full year \$NZ'000
Final dividend for the year ended 30 June 2006 of 14 cents (2005 - 14 cents) per fully paid share paid on 16 October 2006 (2005 - 17 October 2005).	5,499	5,433
Interim dividend for the year ended 30 June 2007 of 10 cents (2006 - 9 cents) per fully paid share paid on 2 April 2007 (2006 - 3 April 2006).	3,928	3,493
<b>Total dividends provided for or paid</b>	9,427	8,926

STATEMENT OF FINANCIAL POSITION	Consolidated Statement of Financial Positior		
	At end of current full year \$NZ'000	% Change	At end of previous full year \$NZ'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8,426	106.1%	4,088
Trade and other receivables	5,568	(48.5%)	10,809
Inventories	101,592	(16.8%)	122,051
Current tax receivables	863	19.5%	722
<b>Total current assets</b>	<b>116,449</b>	<b>(15.4%)</b>	<b>137,670</b>
<b>Non-current assets</b>			
Property, plant and equipment	28,748	3.2%	27,846
Deferred tax assets	7,938	9.0%	7,285
Intangible assets	1,205	(21.6%)	1,537
<b>Total non-current assets</b>	<b>37,891</b>	<b>3.3%</b>	<b>36,668</b>
<b>Total assets</b>	<b>154,340</b>	<b>(11.5%)</b>	<b>174,338</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	29,952	(14.5%)	35,036
Current tax liabilities	-	-	-
Provisions	1,422	1.2%	1,405
<b>Total current liabilities</b>	<b>31,374</b>	<b>(13.9%)</b>	<b>36,441</b>
<b>Non-current liabilities</b>			
Borrowings	49,515	(20.3%)	62,134
Provisions	947	(5.7%)	1,004
<b>Total non-current liabilities</b>	<b>50,462</b>	<b>(20.1%)</b>	<b>63,138</b>
<b>Total liabilities</b>	<b>81,836</b>	<b>(17.8%)</b>	<b>99,579</b>
<b>Net assets</b>	<b>72,504</b>	<b>(3.0%)</b>	<b>74,759</b>
<b>EQUITY</b>			
Contributed equity	4,752	(65.7%)	13,858
Reserves	(649)	(115.9%)	4,090
Retained profits	68,401	20.4%	56,811
<b>Total equity</b>	<b>72,504</b>	<b>(3.0%)</b>	<b>74,759</b>

NET TANGIBLE ASSETS	Net Tangible Assets	
	Current full year \$ / Share	Previous corresponding full year \$ / Share
Net tangible assets	\$1.86	\$1.87

STATEMENT OF CASH FLOWS	Consolidated Statement of Cash flows	
	Current full year \$NZ'000	Previous corresponding full year \$NZ'000
<b>Cash flows from operating activities</b>		
Receipts from customers (incl. GST)	389,697	348,490
Payments to suppliers and employees (incl. GST)	(319,345)	(326,200)
Interest received	651	1,557
Other revenue	1,162	567
Interest paid	(4,165)	(3,087)
Income tax paid	(10,662)	(10,639)
Net goods and services tax paid	(16,224)	(13,048)
<b>Net cash inflow (outflow) from operating activities</b>	<b>41,114</b>	<b>(2,360)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	230	216
Payments for property, plant and equipment	(10,854)	(10,193)
Payments for intangibles	(237)	(431)
<b>Net cash inflow (outflow) from investing activities</b>	<b>(10,861)</b>	<b>(10,408)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	21,786	15,730
Repayment of borrowings	(28,666)	
Share buyback	(9,106)	
Proceeds from sale of treasury stock		97
Proceeds from share options exercised		2,191
Dividends paid to company's shareholders	(9,427)	(8,926)
<b>Net cash inflow (outflow) from financing activities</b>	<b>(25,413)</b>	<b>9,092</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4,840</b>	<b>(3,676)</b>
Cash and cash equivalents at the beginning of the financial year	4,088	7,234
Effects of exchange rate changes on cash and cash equivalents	(502)	530
<b>Cash and cash equivalents at the end of year</b>	<b>8,426</b>	<b>4,088</b>

STATEMENT OF CHANGES IN EQUITY	Statement of Changes In Equity	
	Current full year \$NZ'000	Previous corresponding full year \$NZ'000
<b>Total equity at the beginning of the financial year</b>	74,759	61,080
Profit for the year	21,017	15,774
Exchange differences on translation of foreign operations	( 4,745)	4,539
<b>Total recognised income and expense for the year</b>	16,272	20,313
<b>Transactions with equity holders in their capacity as equity holders</b>		
Contribution of equity		2,204
Share buyback	( 9,106)	
Treasury stock movement		79
Dividends provided for or paid	( 9,427)	( 8,926)
Option reserve movement	6	9
<b>Total equity at the end of the financial year</b>	72,504	74,759

ISSUED AND QUOTED SECURITIES	Issued Securities	
	At end of current full year No. of Shares	At end of previous full year No. of Shares
<b>Ordinary Shares:</b>		
Fully Paid	39,308,600	39,308,600
Share purchased through share buyback not yet cancelled	( 956,876)	
Treasury stock held for employee share scheme	( 75,654)	( 75,654)
	38,276,070	39,232,946
Options exercised during the year		600,000
Treasury shares issued to employees		15,782

**Issued Options:**

	Issued	Quoted	Exercise Price	Expiry Date
Options issued 22 August 2002	200,000		\$6.15	30/6/08

SUBSIDIARIES	Subsidiaries	
	Current full year % Ownership	Previous corresponding full year % Ownership
<b>Name of Entity</b>		
<b>Country of Incorporation</b>		
Michael Hill Jeweller Limited	100%	100%
Michael & Company Limited	100%	100%
Michael Hill Trustee Company Limited	100%	100%
Michael Hill Jeweller (Australia) Pty Limited	100%	100%
Michael Hill (Wholesale) Pty Limited	100%	100%
Michael Hill Manufacturing Pty Limited	100%	100%
Michael Hill Jeweller Limited	100%	100%