



michael hill

1 July 2016

ASX RELEASE – STATUS OF DISPUTE WITH NEW ZEALND INLAND REVENUE

ACN 601 937 598 (to be renamed Michael Hill International) (the Company) provides the following summary on its dispute with the New Zealand Inland Revenue as part of its pre-quotations disclosure.

The Company has an unresolved dispute with the New Zealand Inland Revenue concerning the tax treatment adopted by the Group in relation to financing arrangements between New Zealand and Australian group members for the 2009 to 2015 financial years arising from the transfer of the Group's intellectual property to Australia in December 2008. The amount in dispute for these years is NZD 39.95 million. The impact for the 2016 year has not yet been quantified but will be disclosed in the 30 June 2016 financial statements. As a result of the scheme of arrangement approved on 23 June 2016, the Company has unwound the financing arrangements with effect from 28 June 2016.

The Group continues to defend its position and has commenced litigation proceedings in the High Court of New Zealand. No date has yet been set for a Court hearing on the substantive issue but related interlocutory matters have been heard. The scheme of arrangement does not have a direct impact on the historic periods under dispute and in the absence of a settlement litigation proceedings will continue.

A favourable outcome to the dispute will result in tax refunds due to the Group of approximately NZD 6.7 million (*AUD 6.41million). An adverse outcome may result in additional tax to pay for the Group of NZD 33.25 million (AUD 31.83 million) and tax payments of NZD 6.7million (AUD 6.41million) not being refunded to the Group. Any additional tax payable from an adverse outcome will generate New Zealand imputation credits which will be available for the Company to attach to future dividends paid to its shareholders. The Company has adequate financial resources available to cover any potential additional New Zealand tax liability, should this be required.

For further information:

Media & Investors
Phil Taylor CFO
+61 413 709066

*NZD to AUD currency exchange rate based on the AUD 1.0447 for NZD 1 as published by the Reserve Bank of Australia Exchange Rates as at 29 June 2016.