

michael hill

INTERNATIONAL LIMITED

Minutes of the Annual Meeting of Shareholders

Held on Friday, 4 December 2015 at 10.30am at Sky City Convention Centre,
88 Federal St, Auckland.

PRESENT: Sir Michael Hill, Chairman

E.J.Hill

M.R. Parsell

G.J. Gwynne

Christine Lady Hill

G.W. Smith

R.I Fyfe

P.R. Taylor - CFO

W.K. Butler - Company Secretary

and approximately 120 Shareholders and guests

1. Chairman's Welcome

Sir Michael welcomed all shareholders to the 28th annual meeting of the Company.

He introduced the members of the Board to the shareholders. The notice of meeting sent to all shareholders was taken as read. The chairman advised that in accordance with the company's constitution voting on all resolutions, would be carried out by a poll.

2. Annual Report

The chairman tabled the annual report for the year ended 30th June 2015, which had been circulated to all shareholders who had requested a hard copy. The report was also available on the company's website.

3. CEO's Address

Mike Parsell used a PowerPoint presentation to give a financial update on last year's results and the Group's priorities for the 2015/16 financial year. A copy of this presentation is posted on the Company's Investor website.

At the conclusion of the address, a number of **questions** were asked by shareholders relating to the annual report.

a) Could you give an update on the dispute with the IRD and a fuller explanation of what gave rise to the dispute?

It was explained to the meeting that the dispute had arisen fundamentally from two different views of the taxation treatment of the internal funding arrangements relating to the purchase by the Australian company from the NZ company of the Intellectual Property of the group some years ago. The manner in which the transaction was financed internally gave rise to the disagreement with the IRD. Fundamentally, the dispute revolves around the treatment of interest on the cross border transaction.

The Company sought a ruling on the treatment from the IRD, and they issued a black letter ruling agreeing the way in which MHI was treating the transaction but they subsequently have decided that the combined effect of Trans-Tasman tax outcome amounted to tax avoidance.

The market has been kept fully informed and the details of the contingent liability are set out in Note 34 of the financial accounts in the Annual Report. The Company had initiated proceedings in the High Court to bring the matter to a conclusion, but the company is not driving the timetable on this matter. Everything possible was being done to bring the matter to a conclusion as soon as possible.

b) What are the growth plans for Canada and the US given the obvious benefits of scale of numbers of stores in a country ?

Mike Parsell explained that it was correct that there does come a point in a country where you where you do reach full economies of scale. In Australia this point was reached at about 80 stores and at this point, the metrics change dramatically. We start getting full economies of scale from marketing, the brand becomes well known, and by that time trust and credibility in the brand which is so important in the jewellery industry has been established. All of these factors result in sales volumes per store and EBIT contributions starting to increase at a faster rate.

In Canada, we now have 65 stores open and the current plan is to open 10 stores per year. We are expecting the same economies of scale as experienced in Australia to kick in at the 80 store level.

- c) In light of most Stock markets including the ASX having a requirement for Chairpersons of publicly listed companies to be independent directors, does the board, in appointing Emma Hill as chair, think this will adversely affect coverage by brokers and holdings by institutions and therefore put downward pressure on the share price?**

Rob Fyfe as an independent director stated that the Michael Hill brand is a very valuable asset of this company and authentic consumer brand names that are rooted in a strong founder orientation are enormously valuable. The decision by the board to appoint Emma was strongly supported by the independent directors with there being a very effective balance of independent directors on the board. The board wanted the continuity of the founder family profile to continue which is a very powerful asset for the company compared to our competitors. The board has a very strong commitment to good governance at the same time and weighed up the pros and cons of the situation before there was a unanimous decision to appoint Emma as Chair.

- d) Alan Best from the Shareholders Association asked on behalf of one of the members why the credit impairment provision in Note 10 of the Accounts had increased from \$615,000 to \$1.1 million and whether this was a trend that is going accelerate**

Phil Taylor explained that this increase in the provision was related to the in-house credit program that had been introduced in 2013, due to the fact that the outside credit providers were doing a very bad job for the company.

The provision had grown abnormally quickly because it was a new program and it will continue to increase as we lift our sales on credit.

Credit is very important for sales across the group but particularly so in North America. As sales increase in those markets the provision for bad debts and bad debts incurred will continue to rise but it is a matter of finding the right balance between increasing sales and the level of bad debts incurred. Experts in the credit field are assisting the company in finding that right balance.

4. Michael and Emma's address to shareholders.

In view of his stepping down as Chairman of the board, Michael outlined Emma Hill's educational and business background and experience that qualified her to take on the position of Chair of the board. She has had extensive experience in sales and store management within the company and displayed her leadership capabilities in leading the team who set up the Canadian operation from scratch in 2002. The Canadian operation has now grown to 65 stores.

Emma was appointed a director in 2007 and was appointed Deputy Chair in 2011 and is well versed in the operations of the board.

Emma addressed the meeting and gave a brief summary of what the company had achieved to date in 4 countries and how she was very excited stepping into the Chair's

role looking at the tremendous growth opportunities over the next 30 years. She recognized the deep DNA within the company. The Hill family was important and they were all involved and passionate and engaged with the company but in addition the executive team had really deep rich enduring experience. The executive team had 160 years of Michael Hill experience between them and Mike and Phil have been with the company for the last 30 years and she would like to recognize the incredible contribution they had made and continue to make to the company. The deep DNA within the company made it possible for the company to step outside our comfort zone and push into new territories and hold true to what we are really good at , which is selling jewellery. The company was founded on Michael’s absolute obsession with offering customers the ultimate customer experience and that is what we hold true to.

The Company has always had a mantra of controlled profitable growth and we have married this with a goal of having 1000 stores. To achieve this goal, the company is determined to crack the American market. The company has been in the US for the last 7 years but we have only 10 stores there and shareholders may well ask what the company has been doing there all that time. The answer to that question is that the company has been learning and the US is the best school in the world for learning about jewellery and how to sell it. It is by far the most competitive market in the world and America has really taught our company what it is to be a jewellery brand. The US is a rich learning ground that is making our company much stronger. Many ideas learnt there have been introduced into our Australasian stores and this knowledge will enable the company to confidently grow to 300 stores in the US over time following our triple A mall strategy.

The new Vulcan Lane store in Queen St has been fitted out based on ideas learnt in the US and shareholders are encouraged to visit the store, where they will be entitled to a special shareholders discount on all purchases for the next week.

In addition the company’s new Emma and Roe brand has very exciting opportunities for the future and will help us reach our goal of 1,000 stores. The boutiques look fantastic and have enormous potential in all four countries we are currently in.

5. Election of Directors – Resolution 1 put to the meeting.

Re-elect Ann Christine Lady Hill

Votes for	Percentage	Votes Against	Percentage
267,138,149	99.97%	84,647	0.03%

Ann Christine Lady Hill was re-elected.

6. Auditors – Resolution 2 put to the meeting

“That the Directors be authorised to fix the fees of the Auditors for the ensuing year”

Votes for	Percentage	Votes Against	Percentage
267,12,509	99.97%	88,287	0.03%

The resolution was carried.

7. Amendment to the Company's constitution for creation of Founder President Office – Resolution 3 put to the meeting

“That approval is given for amendments to the Company's constitution, in the form and manner described in the Explanatory Notes to the Notice of Annual Meeting dated 18 November 2015”

Votes for	Percentage	Votes Against	Percentage
267,050,996	99.96%	111,800	0.04%

The resolution was carried.

Confirmed as a true and correct record.



Emma Hill Chair.

Date **11/2/16**