



**michael hill**<sup>®</sup>

INTERNATIONAL LIMITED

HALF YEAR REPORT TO  
31 DECEMBER 2015



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**THE MICHAEL HILL DESIGNER  
BRIDAL COLLECTION:  
'YOUR SYMPHONY OF LIGHT'**

I grew up with jewellery, but my first love was always music. In an orchestra all the instruments fit together perfectly, the melody, the underlying strength, the softest grace notes - and your heart soars, and it's the most beautiful thing you've ever experienced.

That's what I wanted to do with diamonds, to make your heart soar every time you see your ring.

This is my personal collection.  
Your symphony of light.



# Company Profile

Michael Hill International Limited owns the brands “Michael Hill” and “Emma & Roe” and operates a retail jewellery chain of 293 Michael Hill stores and 11 Emma & Roe stores in Australia, New Zealand, Canada and the United States as at 31 December 2015.

The Company story began in 1979 when Sir Michael and his wife Christine opened their first store in the New Zealand

town of Whangarei, some 160 kilometres north of Auckland. Since then, our growth has been guided by our unique retail jewellery formula. Through dramatically different store designs, a product range devoted exclusively to jewellery and development of high impact advertising, the Company rose to national prominence. In 1987 the Company was listed on the New Zealand Stock Exchange, the same year the Group expanded into Australia.

In 2002, the Group expanded into North America, opening its first stores in Vancouver, Canada. The Canadian presence now includes stores in British Columbia, Alberta, Manitoba, Saskatchewan and Ontario.

In September 2008, the Group entered the United States market and now has 10 stores in Illinois, Ohio, Minnesota and New York.

2014 saw the opening of the first Emma & Roe boutique, following a successful trial during the preceding 18 months in five South East Queensland outlets under the trading name “Captured Moments”. Emma & Roe carries unique jewellery collections catering to the way women like to customise and

accessorise their look. The two brands are viewed as being complementary within the jewellery sector with the Michael Hill brand continuing to focus on diamonds, bridal and fine jewellery. The name Emma & Roe takes its inspiration from the Hill family; “Emma”, Sir Michael’s daughter, and “Roe”, Christine Lady Hill’s maiden name.

As at 31 December 2015, the Group has 52 Michael Hill stores in New Zealand, 166 in Australia, 65 in Canada, and 10 stores in the USA. In addition there are 10 Emma & Roe stores in Australia and one in New Zealand. Around the world, the Group employs around 2,450 permanent employees across retail sales, manufacturing and administration roles.

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



# Highlights of the Half Year

- Operating revenue of \$310.8m, up 9.7% on same period last year
- EBIT of \$35.2m, up 0.8% on same period last year. Excluding FX gains and losses, the improvement in EBIT was 10.6%
- Same store sales across the Group of \$291.8m, up 5.4% on same period last year
  - Canadian retail segment EBIT of CA\$7.4m, an increase of 46.7%
    - Net profit after tax of \$24.9m, up from \$23.7m last year
      - Earnings per share AU 6.5 cents per share
      - Interim dividend of NZ 2.5 cents per share
    - Net debt of \$26.3m, down from \$33.8m at 31 December 2014
      - Equity ratio improved to 52.6% from 53.5% at 30 June 2015
- Six new Michael Hill stores opened and one closed during the period giving a total of 293 stores at the half year
- Three new E&R stores opened during the period giving 11 stores at the half year and same store sales increased by 49.4%

# Key Facts

## SIX MONTHS ENDED 31 DECEMBER

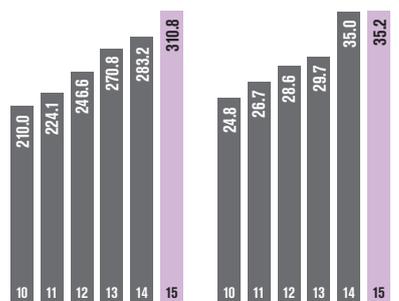
DEC 2015 DEC 2014 ±%

### TRADING RESULTS (AU\$000's)

Group revenue	<b>310,775</b>	283,189	9.7%
Earnings before interest and tax	<b>35,245</b>	34,980	0.8%
Group profit after tax	<b>24,916</b>	23,697	5.1%
Net cash from operating activities	<b>32,463</b>	39,928	(18.7%)

### FINANCIAL POSITION AT HALF-YEAR (AU\$000's)

Contributed equity 383,138,513 ordinary shares	<b>3,760</b>	3,760	0.0%
Total equity	<b>204,469</b>	196,551	4.0%
Total assets	<b>388,423</b>	390,992	(0.7%)
Net debt	<b>26,349</b>	33,835	(22.1%)



Group revenue up 9.7%  
AU\$ millions to 31 December

Earnings before interest  
and tax up 0.8%  
AU\$ millions to 31 December

## Financial Calendar

### DIVIDENDS PAYABLE

Interim - April, Final - October

### FINANCIAL RESULTS ANNOUNCED

Half Year - February, Annual - August

## SIX MONTHS ENDED 31 DECEMBER

DEC 2015 DEC 2014

### NUMBER OF STORES

Australia	<b>166</b>	166
New Zealand	<b>52</b>	52
Canada	<b>65</b>	59
United States	<b>10</b>	8
Number of Michael Hill stores	<b>293</b>	285
Australia	<b>10</b>	7
New Zealand	<b>1</b>	1
Number of Emma & Roe stores	<b>11</b>	8

### DISTRIBUTION TO SHAREHOLDERS

Interim dividend per ordinary share (NZ¢)	<b>2.5</b>	2.5
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### KEY MEASURES

Share price 31 December (NZ\$)	<b>\$0.99</b>	\$1.17
Basic earnings per share (AU¢)	<b>6.50</b>	6.19
Interest expense cover (times)	<b>16.0</b>	13.7
Equity ratio	<b>52.6%</b>	50.3%
Current ratio	<b>2.7:1</b>	2.4:1

# Directors' Report

Michael Hill International Limited (NZX:MHI) today announced an after tax profit of \$24.9m for the six months ended 31 December 2015, an increase of 5.1% on last year.

## Australian retail segment

SIX MONTHS ENDED 31 DEC (AU \$'000)	DEC 2015	DEC 2014	±%
Revenue	<b>\$175.6m</b>	\$168.5m	4.2%
Operating profit	<b>\$32.4m</b>	\$31.5m	2.9%
Operating profit % of revenue	<b>18.5%</b>	18.7%	
Same store sales	<b>3.4%</b>	(1.9%)	
Number of stores	<b>166</b>	166	

The Australian segment produced a pleasing result for the half year on the back of solid same store sales growth.

## New Zealand retail segment

SIX MONTHS ENDED 31 DEC (NZ \$'000)	DEC 2015	DEC 2014	±%
Revenue	<b>\$67.5m</b>	\$63.2m	6.7%
Operating profit	<b>\$15.3m</b>	\$13.9m	10.3%
Operating profit % of revenue	<b>22.7%</b>	22.0%	
Same store sales	<b>6.7%</b>	4.2%	
Number of stores	<b>52</b>	52	

Sales and EBIT lifts in this important segment are a credit to the stable and experienced leadership team. The continued strength of the vibrant Auckland economy has helped fuel growth in and around this important market.

## Canadian retail segment

SIX MONTHS ENDED 31 DEC (CA \$'000)	DEC 2015	DEC 2014	±%
Revenue	<b>\$53.3m</b>	\$44.9m	18.8%
Operating profit	<b>\$7.4m</b>	\$5.1m	46.7%
Operating profit % of revenue	<b>13.9%</b>	11.3%	
Same store sales	<b>5.6%</b>	4.3%	
Number of stores	<b>65</b>	59	

The Canadian segment continues to grow and improve as it reaches critical mass in the larger provinces in Canada. The strong growth in operating profit is especially pleasing, lifting percentage of revenue to 13.9% (11.3% last year).

## United States retail segment

SIX MONTHS ENDED 31 DEC (US \$'000)	DEC 2015	DEC 2014	±%
Revenue	<b>\$7.4m</b>	\$5.9m	24.7%
Operating profit / (loss)	<b>(\$1.5m)</b>	(\$0.6m)	(146.1%)
Same store sales	<b>0.6%</b>	9.1%	
Number of stores	<b>10</b>	8	

Revenue and the bottom line were affected by an increased marketing spend, the temporary closure of Woodfield Mall in Chicago for three months, and by the costs associated with opening a new store at Roosevelt Fields in New York. We remain confident of further improving our US model over the coming half year and are committed to continuing testing of our model in this lucrative market.

# Directors' Report cont.

## Emma & Roe

The Emma & Roe brand was launched in April 2014 and currently has ten stores in Australia and one store in New Zealand. As this brand is still in test mode, the Company is not disclosing their financial results as a separate segment, and therefore their results and associated assets and liabilities are treated as "unallocated" in the half year segment note. The Company can however confirm that same store sales for the half increased by 49.4%.

Three stores were opened in Australia during the period giving a total of eleven stores operating at 31 December 2015.

It is anticipated the trial of the Emma & Roe brand will continue for the balance of the financial year and then a decision made whether to proceed with a full expansion program.

## Professional Care Plans

Revenue collected from Professional Care Plans was \$21.7m, up 8.9% on same period last year. Deferred revenues held on balance sheet at the half were \$70.3m versus \$61.3m at the same time last year. This service continues to offer the business a strategic point of difference to our major competitors, and traction in selling the plans continues to grow albeit at a slower rate than previous years.

## Cash Flows & Balance Sheet

The Group has reported a net operating cash inflow of \$32.5m for the six months, compared to a net operating cash inflow of \$39.9m for the previous period.

The Group's balance sheet continues to be sound with an equity ratio of 52.6% as at 31 December 2015 (50.3% at 2014).

## Dividend

The Directors have announced an interim dividend of NZ 2.5¢ per share (2014 - NZ 2.5¢), with no imputation credits attached for New Zealand shareholders and no franking credits for Australian shareholders. The dividend will be paid on Friday, 1 April 2016 with the record date being Wednesday, 23 March 2016.



## Outstanding Tax Matter

Discussions continue with the Inland Revenue Department within their dispute process framework. With the passage of time, the Board considers it is increasingly likely that the

matter will require formal resolution through the courts, but it remains unclear when this might occur. The Board remains of the opinion that this tax matter does not require a provision in the Group's financial statements under existing accounting standards, nevertheless a tax pooling arrangement has been entered into which would mitigate some of the risks of an adverse outcome.

## Outlook

The Australian, New Zealand and Canadian segments performed well during the period and are expected to continue to show strength through the second half. Further progress is expected to be achieved in the US and the Group will continue to test the Emma & Roe brand.

The Board thanks Mike Parsell, his executive team and everyone within the Michael Hill Group for their efforts over the first half of the year and the delivery of a pleasing result.



Emma Hill, Chair  
11/02/2016





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working world**

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## Review Report to the Shareholders of Michael Hill International Limited (the Company) and its subsidiaries together (the Group)

We have reviewed the interim financial statements on pages 9 to 19, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body. 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 and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements

that are free from material misstatement, whether due to fraud or error.

### Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the Group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

### Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

### Conclusion

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 9 to 19, do not present fairly, in all material respects, the financial position of the Group as at 31 December 2015 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 11 February 2016 and our findings are expressed as at that date.

Ernst & Young  
Brisbane

# Condensed Statement of Comprehensive Income

for the six months ended 31 December 2015

	<b>31 DEC 15</b>	31 DEC 14
	AU\$000	AU\$000
<b>Revenue from continuing operations</b>	<b>310,775</b>	283,189
Other income	<b>34</b>	2,035
Cost of goods sold	<b>(110,862)</b>	(101,780)
Employee benefits expense	<b>(77,581)</b>	(70,194)
Occupancy costs	<b>(26,553)</b>	(24,872)
Marketing expenses	<b>(19,212)</b>	(17,663)
Selling expenses	<b>(13,798)</b>	(12,640)
Depreciation and amortisation expense	<b>(8,701)</b>	(7,574)
Loss on disposal of property, plant and equipment	<b>(138)</b>	(123)
Other expenses	<b>(18,581)</b>	(15,375)
Finance costs	<b>(2,209)</b>	(2,559)
<b>Profit before income tax</b>	<b>33,174</b>	32,444
Income tax expense	<b>(8,258)</b>	(8,747)
<b>Profit for the half-year</b>	<b>24,916</b>	23,697
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	<b>(221)</b>	(609)
Currency translation differences arising during the half-year	<b>841</b>	5,748
<b>Other comprehensive income for the half-year, net of tax</b>	<b>620</b>	5,139
<b>Total comprehensive income for the half-year</b>	<b>25,536</b>	28,836
<b>Total comprehensive income for the half-year is attributable to:</b>		
<b>Owners of Michael Hill International Limited</b>	<b>25,536</b>	28,836
<b>Earnings per share attributable to the ordinary equity holders of the Company during the half-year, attributable to continuing operations:</b>		
Basic earnings per share	<b>6.50¢</b>	6.19¢
Diluted earnings per share	<b>6.48¢</b>	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 2015

	NOTES	31 DEC 15 AU\$000	31 DEC 14 AU\$000	30 JUNE 15 AU\$000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		7,567	11,737	6,797
Trade and other receivables		30,914	30,527	24,859
Inventories		215,653	207,774	182,232
Current tax receivables		1,680	-	11,376
Other current assets		4,714	1,437	3,143
<b>Total current assets</b>		<b>260,528</b>	251,475	228,407
<b>Non-current assets</b>				
Trade and other receivables		647	584	636
Property, plant and equipment	3	67,939	64,727	64,845
Intangible assets	4	6,535	6,643	6,491
Deferred tax assets		50,631	65,042	48,381
Other non-current assets		2,143	2,521	2,253
<b>Total non-current assets</b>		<b>127,895</b>	139,517	122,606
<b>Total assets</b>		<b>388,423</b>	390,992	351,013
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		66,681	68,489	43,739
Current tax liabilities		-	6,025	-
Provisions		4,870	4,737	4,624
Deferred revenue		24,280	25,510	21,516
<b>Total current liabilities</b>		<b>95,831</b>	104,761	69,879
<b>Non-current liabilities</b>				
Borrowings		33,916	45,572	45,116
Provisions		4,821	5,262	4,254
Deferred revenue		49,386	38,846	44,143
<b>Total non-current liabilities</b>		<b>88,123</b>	89,680	93,513
<b>Total liabilities</b>		<b>183,954</b>	194,441	163,392
<b>Net assets</b>		<b>204,469</b>	196,551	187,621
<b>EQUITY</b>				
Contributed equity	5	3,760	3,760	3,760
Reserves		8,247	11,021	7,445
Retained profits		192,462	181,770	176,416
<b>Total equity</b>		<b>204,469</b>	196,551	187,621

This 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 2015

	Attributable to owners of Michael Hill International Limited						
	NOTES	Contributed equity	Options reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained profits	Total equity
		AU\$000	AU\$000	AU\$000	AU\$000	AU\$000	AU\$000
<b>Balance at 1 July 2015</b>		3,760	1,943	6,270	(768)	176,416	187,621
Profit for the period		-	-	-	-	24,916	24,916
Currency translation differences		-	-	841	-	-	841
Currency forward contracts		-	-	-	(72)	-	(72)
Interest rate swaps		-	-	-	(149)	-	(149)
		3,760	1,943	7,111	(989)	201,332	213,157
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	6	-	-	-	-	(8,870)	(8,870)
Option expense through share based payments reserve		-	70	-	-	-	70
Reverse options previously forfeited		-	112	-	-	-	112
<b>Balance at 31 December 2015</b>		3,760	2,125	7,111	(989)	192,462	204,469
<b>Balance at 1 July 2014</b>		3,651	1,918	4,155	(277)	171,838	181,285
Profit for the period		-	-	-	-	23,697	23,697
Currency translation differences		-	-	5,748	-	-	5,748
Currency forward contracts		-	-	-	(11)	-	(11)
Interest rate swaps		-	-	-	(598)	-	(598)
		3,651	1,918	9,903	(886)	195,535	210,121
<b>Transactions with owners in their capacity as owners:</b>							
Dividends paid	6	-	-	-	-	(13,765)	(13,765)
Employee shares issued	5	109	-	-	-	-	109
Option expense through share based payments reserve		-	86	-	-	-	86
<b>Balance at 31 December 2014</b>		3,760	2,004	9,903	(886)	181,770	196,551

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 2015

	NOTES	31 DEC 15 AU\$'000	31 DEC 14 AU\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (incl. of GST and sales taxes)		347,246	315,529
Payments to suppliers and employees (incl. of GST and sales taxes)		(299,470)	(253,659)
		47,776	61,870
Interest received		138	23
Other revenue		34	67
Interest paid		(2,039)	(2,395)
Income tax received / (paid)		1,864	(4,178)
Net GST and sales taxes paid		(15,310)	(15,459)
<b>Net cash inflow / (outflow) from operating activities</b>	9	<b>32,463</b>	39,928
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		67	144
Payments for property, plant and equipment		(11,328)	(11,265)
Payments for intangible assets		(1,034)	(1,156)
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(12,295)</b>	(12,277)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		70,000	68,507
Repayment of borrowings		(80,500)	(79,000)
Proceeds from sale of treasury stock		-	99
Dividends paid to Company's shareholders	6	(8,870)	(13,765)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>(19,370)</b>	(24,159)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>798</b>	3,492
Cash and cash equivalents at the beginning of the half-year		6,797	8,109
Effects of exchange rate changes on cash and cash equivalents		(28)	136
<b>Cash and cash equivalents at end of the half-year</b>		<b>7,567</b>	11,737

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

# Notes to the Financial Statements

## **NOTE 1** Summary of significant accounting policies

The interim financial statements for the half-year ended 31 December 2015 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 2015. 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 Company is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Financial Markets Conducts Act 2013 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.

These consolidated financial statements have been approved for issue by the Board of Directors on 11 February 2016.

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

# Notes to the Financial Statements cont.

## NOTE 2 Segment information

### Identification and description of segments

The operating segments are identified by the Board and Executive Team based on the country in which the item is sold.

The Executive Director and Executive Team consider, organise and manage the business from a geographic perspective, being the country of origin where the sale and service was performed. Discrete financial information about each of these operating businesses is reported to the Board and Executive Team monthly, via the preparation of the Group financial report.

The Group operates in four geographic segments: Australia, New Zealand, Canada and the United States of America.

### Types of products and services

Michael Hill International Limited and its controlled entities operate predominately in the sale of jewellery and related services. As indicated above, the Group is organised and managed globally into geographic areas.

### Major customers

Michael Hill International Limited and its controlled entities sells goods and provides 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 the total consolidated revenue.

### Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments, then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments, which management believes will be inconsistent.

Unallocated expenses include all expenses that do not relate directly to the relevant retail segment and include: the Emma & Roe brand operations, trading activity through our online presence, manufacturing activities, warehouse and distribution, general corporate expenses, interest and company tax. Inter-segment pricing is at arm's length or market value.

	MHJ AUSTRALIA		
	2015 AU\$000	2014 AU\$000	± %
<b>Operating revenue</b>			
Sales to customers	<b>175,563</b>	168,540	4.2%
Unallocated revenue			
<b>Total operating revenue</b>			
<b>Segment results</b>			
Operating profit / (loss)	<b>32,431</b>	31,504	2.9%
Unallocated revenue less unallocated expenses			
Profit before income tax			
Income tax expense			
<b>Profit for the half-year</b>			
<b>Segment assets</b>	<b>124,391</b>	121,993	2.0%
Unallocated			
Total			
<b>Segment liabilities</b>	<b>77,111</b>	72,434	6.5%
Unallocated			
Total			
<b>Segment acquisitions of property, plant &amp; equipment and intangibles</b>	<b>3,143</b>	1,749	79.7%
Unallocated			
Total			
<b>Segment depreciation &amp; amortisation expense</b>	<b>3,479</b>	3,202	8.6%
Unallocated			
Total			

MHJ NEW ZEALAND			MHJ CANADA			MHJ USA			GROUP		
2015	2014		2015	2014		2015	2014		2015	2014	
AU\$000	AU\$000	± %	AU\$000	AU\$000	± %	AU\$000	AU\$000	± %	AU\$000	AU\$000	± %
<b>61,866</b>	58,045	6.6%	<b>55,433</b>	45,835	20.9%	<b>10,256</b>	6,768	51.5%	<b>303,118</b>	279,188	8.6%
									<b>7,657</b>	4,001	(91.4%)
									<b>310,775</b>	283,189	9.7%
<b>14,113</b>	12,814	10.1%	<b>7,619</b>	5,251	45.1%	<b>(2,023)</b>	(644)	(214.2%)	<b>52,140</b>	48,925	6.6%
									<b>(18,966)</b>	(16,481)	(15.1%)
									<b>33,174</b>	32,444	2.3%
									<b>(8,258)</b>	(8,747)	5.6%
									<b>24,916</b>	23,697	5.1%
<b>50,336</b>	47,794	5.3%	<b>66,680</b>	67,432	(1.1%)	<b>23,407</b>	18,200	28.6%	<b>264,814</b>	255,419	3.7%
									<b>123,609</b>	135,573	(8.8%)
									<b>388,423</b>	390,992	(0.7%)
<b>24,957</b>	23,634	5.6%	<b>18,944</b>	17,777	6.6%	<b>4,925</b>	3,209	53.5%	<b>125,937</b>	117,054	7.6%
									<b>58,017</b>	77,387	(25.0%)
									<b>183,954</b>	194,441	(5.4%)
<b>1,935</b>	2,117	(8.6%)	<b>3,372</b>	3,708	(9.1%)	<b>1,973</b>	541	264.7%	<b>10,423</b>	8,115	28.4%
									<b>1,939</b>	4,306	(55.0%)
									<b>12,362</b>	12,421	(0.5%)
<b>1,265</b>	1,168	8.3%	<b>1,796</b>	1,447	24.1%	<b>541</b>	322	68.0%	<b>7,081</b>	6,139	15.3%
									<b>1,620</b>	1,435	12.9%
									<b>8,701</b>	7,574	14.9%

## Notes to the Financial Statements cont.

### **NOTE 3** Property, plant and equipment

#### **Acquisitions and disposals**

During the six months ended 31 December 2015, the Group acquired assets with a total cost of \$11,328,000 (31 December 2014 - \$11,265,000). Assets with a net book value of \$204,000 were disposed of during the six months ended 31 December 2015 (31 December 2014 - \$267,000), resulting in a net loss on disposal of \$137,000 (31 December 2014 - \$123,000 loss).

### **NOTE 4** Intangible assets

#### **Acquisitions and disposals**

During the six months ended 31 December 2015, the Group acquired assets with a total cost of \$1,034,000 (31 December 2014 - \$1,156,000). Assets with a net book value of \$1,000 were disposed of during the six months ended 31 December 2015 (31 December 2014 - nil), resulting in a net loss on disposal of \$1,000 (31 December 2014 - nil).



## NOTE 5 Contributed equity

### Share capital

#### Ordinary shares

Fully paid

Treasury stock held for  
employee share scheme

	31 DEC 15 Shares	30 JUNE 15 Shares	31 DEC 15 AU\$000	30 JUNE 15 AU\$000
	<b>383,153,190</b>	383,153,190	<b>3,767</b>	3,767
	<b>(14,677)</b>	(14,677)	<b>(7)</b>	(7)
	<b>383,138,513</b>	383,138,513	<b>3,760</b>	3,760

#### Opening balance of ordinary shares issued

	<b>383,153,190</b>	383,153,190	<b>3,767</b>	3,702
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#### Issues of ordinary shares during the year

Employee share scheme issue

Transfer from treasury stock

	-	96,907	-	109
	-	(96,907)	-	(44)

#### Closing balance of ordinary shares issued

	<b>383,153,190</b>	383,153,190	<b>3,767</b>	3,767
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# Notes to the Financial Statements cont.

## NOTE 6 Dividends

### (a) Ordinary shares

Final dividend for the year ended 30 June 2015 of NZ 2.5¢ (2014 - NZ 4.0¢) per fully paid share paid on 2 October 2015 (2014 - 3 October 2014)

31 DEC 15 AU\$000	31 DEC 14 AU\$000
<b>8,870</b>	13,765

### (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 NZ 2.5¢ per fully paid ordinary share (2014 - NZ 2.5¢). The aggregate amount of the proposed dividend expected to be paid on 1 April 2016 out of retained profits at 31 December 2015, but not recognised as a liability at the end of the half-year, is

<b>9,030</b>	9,177
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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.

## NOTE 7 Contingencies

### Contingent liabilities – tax matters

The Group has one unresolved tax matter relating to the sale and financing of the intellectual property between New Zealand and Australian Group members, as reported in the 2015 Annual Report.

Discussions continue with the Inland Revenue Department within their dispute process framework. With the passage of time, the Board considers it is increasingly likely that the matter will require formal resolution through the courts, but it remains unclear when this might occur. The Board remains of the opinion that this tax matter does not require a provision in the Group's financial statements, nevertheless a tax pooling arrangement has been entered which would mitigate some of the risks of an adverse outcome.

The Group has no other material contingent liabilities as at balance date.

## NOTE 8 Events occurring after the reporting period

There have been no material matters or circumstances which have arisen between balance date and the date of this report that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

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

	<b>31 Dec 15</b>	31 Dec 14
	<b>AU\$000</b>	AU\$000
Profit for the half-year	<b>24,916</b>	23,697
Depreciation and amortisation	<b>8,701</b>	7,574
Non-cash employee benefits expense - share based payments	<b>182</b>	97
Other non-cash expenses	<b>118</b>	(18)
Net loss on sale of non-current assets	<b>138</b>	123
Net exchange differences	<b>1,309</b>	(1,927)
(Increase) / decrease in trade and other receivables	<b>(5,757)</b>	(5,015)
(Increase) / decrease in inventories	<b>(32,739)</b>	(26,551)
(Increase) / decrease in deferred tax asset	<b>(3,754)</b>	2,759
(Increase) / decrease in other current assets	<b>(1,706)</b>	(1,437)
(Increase) / decrease in other non-current assets	<b>102</b>	101
Increase in trade and other payables	<b>22,888</b>	26,331
Increase in current tax liabilities	<b>9,690</b>	6,118
Increase in provisions	<b>327</b>	4,026
Increase in deferred revenue	<b>8,048</b>	9,568
<b>Net cash inflow from operating activities</b>	<b>32,463</b>	39,928

# Corporate directory

## **DIRECTORS**

Sir Richard Michael Hill K.N.Z.M.  
(Founder President)  
E.J. Hill B.Com., M.B.A. (Chair)  
G.J. Gwynne  
G.W. Smith B.Comm., F.C.A., F.A.I.C.D.  
Ann Christine Lady Hill Dip F.A.  
R.I. Fyfe

## **Chief Executive Officer**

M.R. Parsell

## **Chief Financial Officer**

P.R. Taylor

## **Company Secretary**

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

## **REGISTERED OFFICE**

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Auckland  
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## **SHARE REGISTRAR**

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Takapuna  
North Shore City  
Investor Enquiries (09) 488 8777

## **SOLICITORS**

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New Zealand

## **AUDITORS**

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Brisbane, QLD 4000  
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## **PRIMARY BANKERS**

ANZ Banking Group (New  
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Australia and New Zealand  
Banking Group Limited  
Bank of America N.A.  
Bank of Montreal

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