

michael hill

INTERNATIONAL LIMITED

Minutes of the Annual Meeting of Shareholders

Held on Wednesday, 30 October 2013 at 10.30am at Stamford Plaza Hotel,
28 Albert St, Auckland.

PRESENT: Sir Michael Hill, Chairman

E.J.Hill

M.R. Parsell

L.W. Peters

G.J. Gwynne

Lady Christine Hill

G.W. Smith

P.R. Taylor - CFO

W.K. Butler - Company Secretary

and approximately 120 Shareholders

1. Chairman's Welcome

Michael Hill welcomed all shareholders to the 26th 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, in the interests of transparency, would be carried out by a poll.

2. Annual Report

The chairman tabled the annual report for the year ended 30th June 2013, that 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 first quarter's sales figures. A copy of this presentation and the first quarter sales are 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) Can you give an indication of how the Michael Hill watch sales are going ?

Mike explained that the strategy that the Company followed when introducing the Michael Hill watches was that the company was becoming increasingly cramped by the other watch brands as MHI launched into a global brand. The Swiss brands in particular were becoming increasingly difficult in terms of distribution and we could not get distribution rights in North America for watches that we were agents for in Australasia because of pre-agreements on distribution. In addition, the margins being earned on those watches were quite low and the major brands were in fact discounted a lot. As a result of these factors we launched our own brand of Michael Hill watches and they were going quite well for us. We are happy with the category and it is delivering very good margins for us and it gives us a point of difference from all our competitors.

b) Are there any plans to list on the ASX considering that the Company is now reporting in Aussie dollars ?

Mike explained that the switch to reporting to Australian dollars was brought about by the International Accounting Standards. The Company has no plans at present to list on the ASX.

c) What progress has been made in resolving the disputes with the IRD and ATO? On page 76 of the Annual Report, note 34 states "That the Board does not consider that either of the tax matters requires a provision in the Group's financial statements" This position has obviously been accepted by the auditors but the fact that the two tax authorities seem pretty committed to their respective positions makes me uneasy. This question has come up every year since the tax allowance on the transfer of MHI's intellectual property, and I thought it would be a good idea if the Auditors gave another explanation of how the tax concession arose, the current state of play and verification of the decision not to make a provision for the respective Tax Offices' claims.

Phil Taylor, CFO, gave a brief history of the circumstances going back to 2003 that gave rise to the transfer of the Intellectual Property (IP), owned by the New Zealand

company, to the Australian company in 2009, including the processes involved in the valuation of the IP by International valuers.

Brent Goldsack, Taxation partner at PwC, then outlined the structures that had been put in place relating to the transfer of the IP, and also commented on the matters in dispute with both the ATO and the IRD.

Detailed discussions are continuing with both the ATO and the IRD and at the moment it is difficult to state when the matters will be concluded.

Winna Brown, the Audit partner from Ernst & Young then addressed the meeting and explained why the company had disclosed the possible tax liabilities as contingent liabilities in its accounts and was not disclosing them as actual liabilities on the balance sheet. Under the accounting standard IAS 37, it discusses the criteria for booking a provision or whether you are going to disclose a matter as a contingent liability. To book a provision, you need to consider 3 criteria. Firstly you need to consider whether you have a present obligation, secondly whether the obligation is **probable** you will have to make a payment and thirdly you need to be in a position to reliably estimate what that liability will be. The Management of Michael Hill have undertaken a detailed assessment and currently believe there is not a present obligation. We have discussed this with Michael Hill management, their tax advisers and their legal counsel and based on the information that is available we concur with this assessment. A contingent liability needs to be disclosed in the accounts when there is a **possible** obligation that may arise from a future event. Based on that definition, we think it is appropriate that the matter is disclosed as a contingent liability.

4. Chairman's Address

Sir Michael Hill addressed the meeting and gave an account of the direction in which the company was headed.

He gave an update on the Michael Hill Violin competition and the Michael Hill NZ Golf Open, both events which contribute significantly to the branding of Michael Hill. The Violin competition is now recognized as one of the top 5 Violin competitions in the world and attracts world class violinists from around the world for the biennial competition. With the Michael Hill NZ Golf Open, it was Michael's goal to make it one of the most significant sporting events in New Zealand over the coming years.

Michael commented further on the Michael Hill watches. They have turned out very well for the company. The ultimate goal for the company was to have all product sold in our stores branded as "Michael Hill" and watches was the start of this plan. Diamond watches and ceramic watches in particular had sold extremely well and are extremely popular. The Group had sold around 88,000 watches in the last year.

During the last year the Company had used one of the world's leading branding companies "Interbrand" to look at all our branding issues and to position us to progress in all 4 countries we operate in and for the countries we wish to go into in the future. It had been a major exercise taking over 12 months to complete and involved a massive amount of analysis. We now have a very clear picture of where

we stand in the jewellery business and where we should be aiming for. We are now in a position early in the new year to take on a world class Advertising agency to interpret the work done by Interbrand which will take our advertising and marketing to a new level. This should have a huge impact on the business over the coming years.

The North American expansion has been very good for the company but it has been very difficult and it has really stretched us. The competition up there is extremely tough but we have learnt so much from being there. We have transferred a lot of the knowledge learnt into our Australasian stores and this has been invaluable for the group as a whole.

The Company is also about to launch a completely new “bridal range” of jewellery that will enable us to compete with the best in the world. The collections are second to none and will be launched in North America in the near future before being introduced group wide. There will also be a special unique Michael Hill cut diamond introduced.

In Canada this year a significant milestone will be met with the number of stores open exceeding the number of stores open in New Zealand. Canada will have over 50 stores this year and the Company will become one of the major players in the retail jewellery business in Canada. It has always been recognized that once we get to 60 -70 stores and are in all the major malls this would make a major difference to our marketing clout and have a significant impact on sales as we can start advertising nationally.

Michael also advised that the Company has secured two prime sites in the most prestigious shopping malls in the USA, which will be great for the brand. It will be a great opportunity for spreading the Michael Hill brand in the USA and is a very exciting opportunity for the Group. The Company only intends to have stores in the triple A shopping malls in the USA and with our new products and ranges, our new look stores and our new branding we are confident we will do well. However, it will still take time in the USA. It is not easy, but all the ideas we learn there are brought back to Australasia which makes us stronger all around.

We are also launching a new website in the near future which will help our on line sales.

In summary, Sir Michael felt that the future looked very good for the group and thanked all shareholders for their attendance and support.

5. Resolutions put to the meeting.

Re-Election of Directors

1. Re-Elect Gary John Gwynne

Votes for	Percentage	Votes against	Percentage
286,333,574	100%	3,000	0.0%

Gary Gwynne was re-elected.

2. Re-Elect Emma Jane Hill

Votes for	Percentage	Votes against	Percentage
286,293,774	99.98%	47,800	0.02%

Emma Hill was re-elected.

3. Auditors – Resolution 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
286,270,227	99.98%	70,847	0.02%

The resolution was carried.

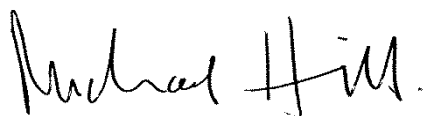
4. Non- Executive Directors Fees.

“For the purposes of Listing Rule 3.5.1, the maximum aggregate remuneration payable to the company’s directors will be increased from NZD570,000 to AUD650,000 per annum, being an increase of approximately NZD161,158 (using an exchange rate of 0.8890, being the latest available rate prior to printing and despatch of the Notice of Meeting), which amount may be divided between the directors as the Board deems appropriate”

Votes for	Percentage	Votes against	Percentage
66,379,323	98.77%	824,549	1.23%

The resolution was carried.

Confirmed as a true and correct record.



Sir Michael Hill

Chairman. 15 November 2013