ANNUAL REPORT 2024

MICHAEL HILL

INTERNATIONAL LIMITED

DISCLAIMER: Certain statements in this report constitute forward-looking statements. Forward-looking statements are statements (other than statements of historical fact) relating to future events and the anticipated or planned financial and operational performance of Michael Hill International Limited and its related bodies corporate (the Group). The words "targets", "believes", "expects", "aims", "intends", "plans", "seeks", "will", "may", "might", "anticipates", "projects", "assumes", "forecast", "likely", "outlook", "would", "could", "should", "continues", "estimates" or similar expressions or the negatives thereof, generally identify these forward- looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements include, among other things, statements addressing matters such as the Group's future results of operations; financial condition; working capital, cash flows and capital expenditures; and business strategy, plans and objectives for future operations and events, including those relating to ongoing operational and strategic reviews, sustainability targets, expansion into new markets, future product launches, points of sale and production facilities.Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, they are not guarantees or predictions of future performance or statements of fact. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Group's actual results, performance, operations or achievements or industry results, to differ materially from any future results, performance, operations or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include, among others: global and local economic conditions; changes in market trends and end-consumer preferences; fluctuations in the prices of raw materials, currency exchange rates, and interest rates; the Group's plans or objectives for future operations or products, including the ability to introduce new jewellery and non-jewellery products; the ability to expand in existing and new markets and risks associated with doing business globally and, in particular, in emerging markets; competition from local, national and international companies in the markets in which the Group operates; the protection and strengthening of the Group's intellectual property rights, including patents and trademarks; the future adequacy of the Group's current warehousing, logistics and information technology operations; changes in laws and regulations or any interpretation thereof, applicable to the Group's business; increases to the Group's effective tax rate or other harm to the Group's business as a result of governmental review of the Group's transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced to in this report. Should one or more of these risks or uncertainties materialise, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected. Accordingly, you are cautioned not to place undue reliance on any forward-looking statements, as there can be no assurance the actual outcomes will not differ materially from the forward-looking statements in this report. Except as required by applicable laws or regulations (including the ASX Listing Rules), the Group does not intend, and does not assume any obligation, to update any forward- looking statements contained herein. All subsequent written and oral forward-looking statements attributable to us or to persons acting on the Group's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this report.

TERMINOLOGY: In this report, unless otherwise specified or appropriate in the context, the term "Company" refers to Michael Hill International Limited, the term "Group" or "Michael Hill Group" refer to the Company and its subsidiaries (as appropriate), and the use of "Michael Hill", "Bevilles", "TenSevenSeven" and "Medley" is reference to the relevant brand within the Michael Hill Group.

CONTENTS

The Directors are pleased to present the annual report of Michael Hill International Limited and its subsidiaries for the year ended 30 June 2024.

COMPANY PROFILE

THE MICHAEL HILL GROUP IS A MARKET LEADING JEWELLERY RETAILER, WITH A PORTFOLIO OF BRANDS, OPERATING A NETWORK OF 300 STORES ACROSS AUSTRALIA, NEW ZEALAND AND CANADA, WITH MULTIPLE INTERNATIONAL DIGITAL PLATFORMS.

The first Michael Hill store opened in 1979 when Sir Michael Hill and his wife, Lady Christine Hill launched their unique retail jewellery formula in Whangarei, on the North Island of New Zealand.

With engaging store designs, a product range devoted to attainable jewellery with a high concentration of diamonds, and the clever use of high impact advertising, Michael Hill rapidly gained popularity and rose to national prominence.

In 2016, the Company moved its primary stock exchange listing to the Australian Securities Exchange and maintains a secondary listing on the New Zealand Stock Exchange (ASX/NZX: MHJ).

Over the last four years, the Group has been on a transformative journey reshaping many aspects of the business, underpinned by a clearly defined strategic agenda to elevate the Michael Hill brand and drive growth. The strategic framework is customer-led and continually evolving as we adapt to the ever-changing landscape of retail. As the Michael Hill brand continues its aspirational brand journey to a more premium position, the acquisition of the Bevilles business in June 2023 provided a vehicle to retain market share at the value end of the fine jewellery category.

Additionally, in late 2023, the Group soft launched its new bespoke brand TenSevenSeven, focused on servicing the high-end of the market with its unique personalised diamond ring proposition. With these new brands, the Michael Hill Group now services all significant customer segments of the fine jewellery category, and delivers multiple new growth pipelines.

Around the world, the Group employs over 3,400 employees across retail sales, manufacturing and corporate roles. As at 30 June 2024, the Group operates 171 stores in Australia, 44 in New Zealand and 85 stores in Canada.

From 1979 to the present day, and as we look to the future, the Michael Hill Group is dedicated to offering quality jewellery and service for our customers to celebrate the key moments in their lives.

At Michael Hill Group, we are committed to becoming a more sustainable and ethically responsible business, protecting our eco-system and contributing to the communities we serve in meaningful ways, for generations to come.

Information on our corporate governance policies and practices, including our Corporate Governance Statement, is available on our Investor Centre website at **investor.michaelhill.com**

OUR PURPOSE
The people behind the
moments that matter

LETTER FROM THE CHAIR

DEAR SHAREHOLDERS

CHALLENGING MARKET CONDITIONS

Undoubtedly, FY24 has been the most challenging year I've experienced since joining the Board in 2014, as we cycled record sales performance and were faced with significant headwinds of low consumer confidence, a tough macro-economic environment impacting retail trading conditions and inflationary forces placing pressure on operating costs across the business.

Pleasingly, we have now seen interest rate reductions in both Canada and New Zealand, and while we are seeing some early signs of improvement in trading performance, we expect that the recovery will be gradual.

Given the difficult trading environment, the business made some tough yet prudent decisions in order to navigate the Group through one of the worst retail cycles for some decades - exiting a number of senior leadership roles, reducing unit operating costs, reducing capital expenditure, and executing an inventory optimisation strategy.

COMMITMENT TO GROUP STRATEGY

Despite these challenges, we are seeing the benefits from the geographic and demographic diversity of our business and remain committed to our group multi-brand strategy, with each brand uniquely positioned to a differentiated customer segment and price proposition.

The gradual elevation of the Michael Hill brand to a more premium position is key to this multi-brand strategy. The refresh of the Michael Hill brand across digital platforms, new brand logos and colour palette, together with Miranda Kerr as our brand ambassador is resonating well across all geographies.

During the year, we embedded the newly-acquired Bevilles brand into the Group and are currently testing the extension of the brand, with some new stores in the Queensland market, some new product ranges and differentiated marketing campaigns, in order to capture the value end of the fine jewellery category.

OUR PEOPLE AND OUR VALUES

Retention and development of our team is a top Board and management priority, and we see a strong correlation between staff retention, sales performance and customer satisfaction.

Our people are the heart of our business, with our values of "We care", "We are inclusive and diverse", "We are professional", and "We create outstanding experience" truly embedded across the entire Company.

Pleasingly, our engagement survey was completed by 85% of our workforce and resulted in an engagement score of 80%. Our results continue to outperform the global retail averages demonstrating how hard we continue to work to ensure that Michael Hill remains an employer of choice and is a great place to work.

SUSTAINABILITY COMMITMENT

The challenging retail conditions have not dimmed our focus on sustainability which is embraced across the organisation as we pursue new initiatives and seek greater transparency across the Group and throughout our supply chains.

I'm particularly proud of the launch of The Michael Hill Foundation in late February 2024 representing our ongoing commitment to meaningful change, and our dedication to a better world. The Michael Hill Foundation encompasses two key areas of focus: Empowering Women and Nature Restoration.

Since the launch of the Foundation, we have planted over 50,000 trees across Australia, New Zealand and Canada, and we have established a long-term partnership with the Collective Good Foundation in India, with a focus on driving projects to empower local women.

CAPITAL MANAGEMENT

As a proactive capital management measure, the Board and Management have been focused on strengthening the balance sheet and underpinning the earnings performance by securing an uplift to our existing debt facility to support seasonal working capital requirements for the Christmas trade period. In addition, Management has taken action to reduce capital expenditure across both technology and stores throughout FY25, as well as taken steps to improve inventory productivity and reduce costs.

Given compressed earnings in FY24, and in conjunction with a commitment to prudent investment in operating and capital expenditure in FY25, the Board has determined that no final dividend will be declared for FY24, resulting in a total dividend for the year of AU1.75 cents per share.

OUR BOARD

It continues to be a privilege to serve on the Michael Hill Board alongside such a talented group of directors, including our founder, Sir Michael Hill, a true entrepreneur and creative spirit who continues to inspire and challenge us all.

As a cycle of board renewal, we are pleased to welcome Claudia Batten as a Non-Executive Director. Claudia brings a wealth of knowledge and experience particularly in technology and digital growth strategies which will be invaluable to the Company. Her extensive international and corporate development experience also complements the existing Board composition.

Furthermore, Jacquie Naylor stepped down from the Board in April 2024. Jacquie's deep retail and leadership experience has been invaluable to the Company. We are thankful for the contribution and counsel she provided.

IN CONCLUSION

The FY24 results were deeply disappointing, but please be assured that your Board and the entire Michael Hill team are resolutely focused on driving sales, refreshing the Michael Hill brand, embedding and expanding the new Bevilles business and restoring the financial performance of the Group.

I am extremely proud and grateful for the resilience, perseverance and commitment of Daniel and the entire team.

Regards,

Robert Fyfe
Chair

CEO'S MESSAGE

Following a period of record performances, I was extremely disappointed by the Company's financial results in FY24.

NAVIGATING CHALLENGING RETAIL TRADING CONDITIONS

Our earnings underperformance was a combination of both weaker sales and margin deterioration, coupled with the rising cost of doing business. All markets were faced with challenging economic conditions and inflationary pressures impacting consumer confidence, which in turn required management to make a number of difficult structural and cost-out decisions in order to protect and improve the longer-term financial performance of the business. Each market is at a different stage of the economic cycle and recovery, with Canada showing the earliest signs of financial improvement.

Our Australian segment (including our Bevilles brand), while missing our financial expectations, did perform strongly against the broader jewellery market, taking market share albeit fuelled by incremental promotional activity. Our Canadian segment continued to be our most resilient market, delivering another year of consistent sales performance, even with cycling a record prior year. And finally, on to New Zealand which was, and continues to be, our most challenging market – with the toughest economic environment, coupled with our ongoing elevated focus on security.

Pleasingly, our collaboration with the New Zealand Police and the measures we have put in place seem to be working. Furthermore, our National Retail Manager, has been appointed to a position on the NZ Government Advisory Council for a two year term, reporting to the Minister of Justice, with a focus on Retail Crime Prevention across NZ and driving legislative changes.

Clearly margin was under pressure from both input costs and promotional activity due to market conditions, with inflationary forces driving elevated costs across many aspects of the business, which together, impacted EBIT. Throughout the year, the price of key raw materials (gold and diamonds) continued to elevate to record highs placing pressure on gross margin, and prompting some repricing across the business. With this in mind, the business has implemented a number of initiatives to drive margin recovery, with a deliberate reduction in inventory to make way for higher margin product in FY25.

WELCOMING THE NEW ERA – MICHAEL HILL BRAND

In April a key milestone of the Michael Hill brand elevation journey was unveiled – The New Era:

- A complete brand refresh of Michael Hill, delivering a new elevated aesthetic across digital platforms, brand assets, colour palette and logos. These assets combine to bring both a more contemporary and feminine perspective to the brand.
- Our first global flagship store at Chadstone in Melbourne, the most premium centre in the Australian market, incorporating all aspects of the "store of the future" with elevated in-store experience, extended product offer, and an inviting environment that includes private selling spaces.
- Partnering with our first ever global Brand Ambassador, Miranda Kerr. Her timeless elegance resonates in all our markets, she embodies our brand values, is aspirational and yet accessible.

I am extremely proud of the enthusiasm, passion and dedication demonstrated by all our team involved in the meticulous and considered delivery of such a pivotal moment for the Michael Hill brand.

EMBEDDING AND EXPANDING - BEVILLES

With the repositioning of the Michael Hill brand to a more aspirational position well underway, this provides the perfect opportunity for the newly acquired Bevilles business to take market share at the value end of the fine jewellery category.

During the first year of ownership, we executed a number of key strategic initiatives in the Bevilles business:

- Expanding the store network, with five new stores and two conversion stores in a new territory, Queensland, along with three new stores in existing territories, ending the year with 36 stores
- Transitioning to Group operational IT systems across point-of-sale, finance and inventory
- Relocating the head office and distribution centre from Melbourne to Brisbane
- Undertaking an extensive product range review with a view to creating a more productive and streamlined range focused on core and everyday value

Select Michael Hill stores have been converted to the Bevilles brand in a cost-efficient test & learn model, with further conversion stores planned, subject to the performance of these trials.

CULTURE AND TEAM

And most importantly, the Michael Hill Group is built on the foundations of a great culture and a fantastic team as evidenced by our most recent engagement survey result, with our global engagement score of 80%. I'd like to acknowledge and thank the ongoing determination, commitment and effort from our people across all levels of the business.

As we approach the key trading period of Christmas, our teams are excited and energised by the brand refresh, new product ranges, and our Christmas campaign. While there is no doubt that market conditions will continue to be challenging, our strategies and the focus of our team will be on sales growth, margin expansion and continued cost control, with the aim of improving financial performance in FY25.

Daniel Bracken
Managing Director and CEO

PERFORMANCE HIGHLIGHTS

KEY FINANCIAL RESULTS

Group revenue **increased** by 4.2%* to $645M

Group gross margin settled at 60.6%

Closing net debt position of $39M

Active management of inventory - ~$7m **reduction** to $196M

Average transaction value grew by 6%

Comparable EBIT of $15.9M

*on a 52-week basis (including Bevilles)

OPERATIONAL PERFORMANCE

Digital sales **grew 16%** to $48M

Opened 10 new Bevilles stores, including entry into Queensland with 7 stores

Brilliance by Michael Hill membership now over 2.5M

Launched the ***Michael Hill Foundation***

Successful relocation of the Bevilles head office to Queensland

The Michael Hill brand opened its first **global flagship store,** at Chadstone

Complete refresh of the Michael Hill brand

KEY FACTS

TRADING RESULTS

	% Change	2024 $000's	2023 $000's
Group revenue	2.4%	**644,929**	629,562
Group revenue (52-week basis)	4.2%	**644,929**	619,054
Gross profit	(3.3%)	**390,918**	404,440
Earnings before interest and tax (EBIT)*	(75.8%)	**14,228**	58,883
Comparable earnings before interest and tax (EBIT)*	(73.0%)	**15,898**	58,889
Net profit before tax (NPBT)	(100.7%)	**(368)**	49,747
Net profit after tax (NPAT)	(101.4%)	**(479)**	35,182
Net cash inflow from operating activities	(52.8%)	**37,773**	80,072

FINANCIAL POSITION

	% Change	2024 $000's	2023 $000's
Contributed equity (384,623,963 ordinary shares)	14.9%	**12,763**	11,112
Total equity	(11.5%)	**166,881**	188,615
Total assets	(0.2%)	**545,244**	546,488
Net (debt)/cash	(562.8%)	**(38,726)**	8,367
Capital expenditure	(19.4%)	**27,609**	34,269

KEY RATIOS

	2024	2023
Return on average shareholders funds	**(0.3%)**	18.3%
Gross margin	**60.6%**	64.2%
Interest expense cover (times)	**1.0**	5.9
Equity ratio	**30.6%**	34.5%
Working capital ratio	**3.5 : 1**	3.4 : 1
Current ratio	**1.7 : 1**	1.6 : 1

DIVIDENDS (including final dividend)

	2024	2023
Per Ordinary Share	**AU1.75c**	AU7.5c
Times covered by net profit after tax	**(0.02)**	1.15

SHARE PRICE AT YEAR END

	2024	2023
Share price (ASX)	**AUD 0.45**	AUD 0.90

KEY INVESTOR RATIOS

	2024	2023
Basic earnings per share	**(0.12c)**	9.20c
Diluted earnings per share	**(0.12c)**	9.00c
EBIT to sales	**2.2%**	9.4%
Return on average total assets	**(0.1%)**	6.7%

SEGMENT REVENUE GROWTH (LC)

	2024	2023
Australia	**8.5%**	9.1%
New Zealand	**(13.3%)**	5.8%
Canada	**(1.1%)**	(0.5%)
Group	**2.4%**	5.8%

STORE NUMBERS

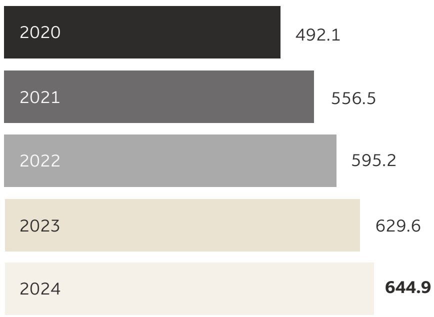
	2024	2023
Australia[1]	**171**	172
New Zealand	**44**	46
Canada	**85**	86
Total stores	**300**	304

[1] Includes 36 Bevilles stores (FY23 includes 26 Bevilles stores).

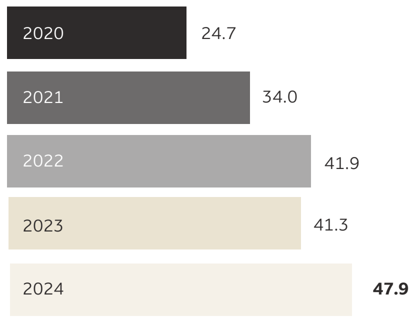
* EBIT and Comparable EBIT are non-IFRS information. Please refer to page 34 for an explanation of non-IFRS information and a reconciliation of EBIT and Comparable EBIT.

PERFORMANCE

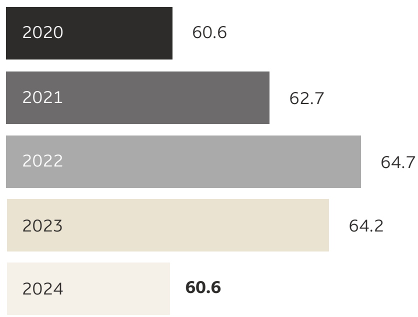
GROUP REVENUE
AU$ MILLIONS



DIGITAL SALES
AU$ MILLIONS

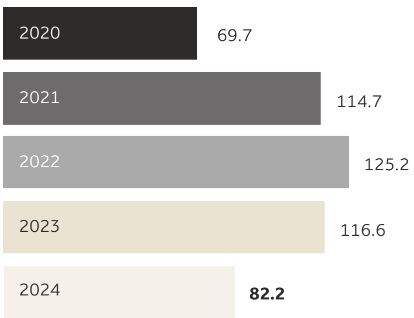


GROSS MARGIN
%

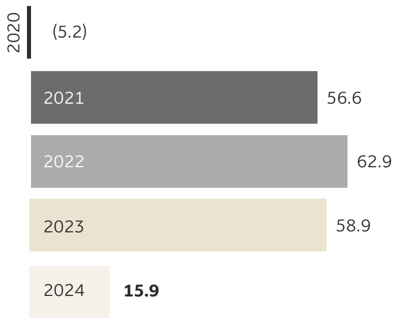


REVENUE BY COUNTRY
YEAR ENDED 30 JUNE 2024

EBITDA
AU$ MILLIONS

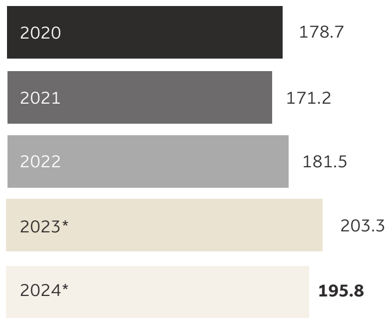


COMPARABLE EBIT
AU$ MILLIONS

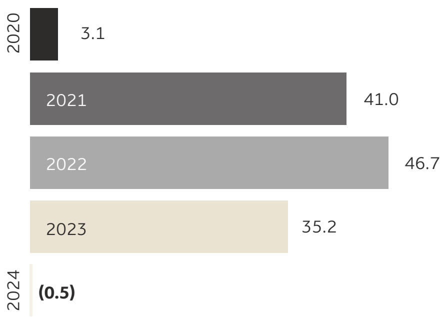


INVENTORY
AU$ MILLIONS

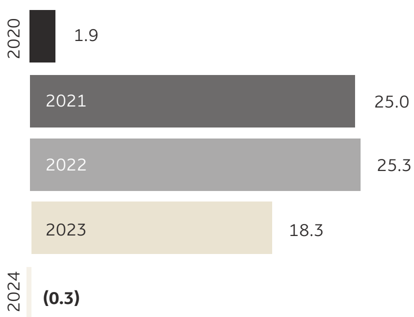
*Includes Bevilles inventory



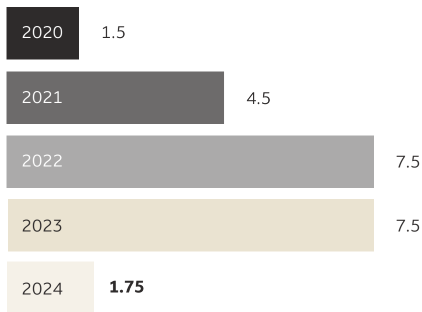
NET PROFIT FROM OPERATING ACTIVITIES AFTER TAX
AU$ MILLIONS



RETURN ON AVERAGE SHAREHOLDERS' FUNDS
%



ORDINARY DIVIDEND
AU CENTS PER SHARE



I am extremely proud of the enthusiasm, passion and dedication demonstrated by all our team in delivering the refresh of the Michael Hill brand.

DANIEL BRACKEN
MANAGING DIRECTOR & CEO

TREND STATEMENT

FINANCIAL PERFORMANCE (AUD)	2024 $'000	2023 $'000	2022 $'000	2021 $'000	2020 $'000
Group revenue	**644,929**	**629,562**	**595,210**	**556,486**	**492,060**
Earnings before interest, tax, depreciation and amortisation (EBITDA)	82,241	116,607	125,180	114,733	69,690
Depreciation and amortisation	68,013	57,724	51,944	48,061	55,611
Earnings before interest and tax (EBIT)	**14,228**	**58,883**	**73,236**	**66,672**	**14,079**
Net interest paid	14,596	9,136	7,533	7,591	9,594
Net profit before tax (NPBT)	**(368)**	**49,747**	**65,703**	**59,081**	**4,485**
Income tax	111	14,565	18,991	18,066	1,426
Net profit after tax (NPAT)	**(479)**	**35,182**	**46,712**	**41,015**	**3,059**
Net operating cash flow	37,773	80,072	111,574	134,497	83,699
Ordinary dividends paid during the year	20,915	30,719	25,239	11,636	5,817

FINANCIAL POSITION (AUD)	2024 $'000	2023 $'000	2022 $'000	2021 $'000	2020 $'000
Cash	20,174	20,867	95,844	72,361	11,204
Inventories	195,785	203,260	181,539	171,246	178,742
Other current assets	23,640	20,735	14,749	27,463	31,007
Total current assets	**239,599**	**244,862**	**292,132**	**271,070**	**220,953**
Other non-current assets	61,347	59,546	42,121	37,729	57,857
Deferred tax assets	52,507	49,118	58,552	68,329	74,468
Total tangible assets	**353,453**	**353,526**	**392,805**	**377,128**	**353,278**
Right-of-use assets	133,988	139,052	107,385	105,882	123,911
Intangible assets	57,803	53,910	10,989	6,013	24,429
Total assets	**545,244**	**546,488**	**511,179**	**489,023**	**501,618**
Total current liabilities	**145,042**	**155,001**	**158,596**	**151,522**	**159,405**
Non-current borrowings	58,900	12,500	-	-	10,681
Lease liabilities	114,303	117,518	91,386	99,382	115,848
Other long term liabilities	60,118	72,854	66,102	63,806	61,878
Total liabilities	**378,363**	**357,873**	**316,084**	**314,710**	**347,812**
Net assets	**166,881**	**188,615**	**195,095**	**174,313**	**153,806**
Reserves and retained profits	154,118	177,503	183,707	163,028	142,790
Paid up capital	12,763	11,112	11,388	11,285	11,016
Total shareholder equity	**166,881**	**188,615**	**195,095**	**174,313**	**153,806**
Basic earnings per share	(0.12c)	9.20c	12.03c	10.57c	0.79c
Diluted earnings per share	(0.12c)	9.00c	11.86c	10.53c	0.79c
Dividends declared per share (interim)	AU1.75c	AU4.0c	AU3.5c	AU1.5c	AU1.5c
Dividends declared per share (final)	-	AU3.5c	AU4.0c	AU3.0c	-
Net tangible asset backing	$0.28	$0.35	$0.20	$0.16	$0.01

ANALYTICAL INFORMATION (AUD)	2024	2023	2022	2021	2020
EBITDA to sales	12.8%	18.5%	21.0%	20.6%	14.2%
EBIT to sales	2.2%	9.4%	12.3%	12.0%	2.9%
Net profit after tax to sales	(0.1%)	5.6%	7.8%	7.4%	0.6%
EBIT to total assets	2.6%	10.8%	14.3%	13.6%	2.8%
Return on average shareholders funds	(0.3%)	18.3%	25.3%	25.0%	1.9%
Return on average total assets	(0.1%)	6.7%	9.3%	8.2%	0.7%
Working capital ratio	3.5 : 1	3.4 : 1	3.7 : 1	3.7 : 1	3.4 : 1
Current ratio	1.7 : 1	1.6 : 1	1.8 : 1	1.8 : 1	1.4 : 1
EBIT interest expense cover	1.0	5.9	9.7	8.8	1.5
Effective tax rate	30.2%	29.3%	28.9%	30.6%	31.8%
Net borrowings to equity	23.2%	(4.4%)	(49.1%)	(41.5%)	(0.3%)
Equity ratio	30.6%	34.5%	38.2%	35.6%	30.7%
Shares issued at year end excl Treasury	384,623,963	379,688,884	388,285,374	388,142,149	387,769,105
Exchange rate for translating:					
- New Zealand results	1.09	1.09	1.06	1.07	1.04
- Canadian results	0.92	0.90	0.92	0.95	0.90

STORE NUMBERS		2023	2022	2021	2020
Australia[1]	171	172	147	150	155
New Zealand	44	46	48	49	49
Canada	85	86	85	86	86
TOTAL STORES[1]	**300**	**304**	**280**	**285**	**290**

[1] Includes 36 Bevilles stores (FY23 includes 26 Bevilles stores).

While there is no doubt market conditions will continue to be challenging, our strategies and the focus of our team will be on sales growth, margin expansion and continued cost control, with the aim of improving financial performance in FY25.

DANIEL BRACKEN
MANAGING DIRECTOR & CEO

SUSTAINABILITY SNAPSHOT

The jeweller that cares.

EXECUTIVE COMMENTARY

REFLECTING ON THE PAST YEAR, I AM INCREDIBLY PROUD OF THE IMMENSE CHANGE WE HAVE BEEN ABLE TO MAKE IN OUR BUSINESS FROM A SUSTAINABILITY PERSPECTIVE IN SUCH A SHORT TIME. SINCE OUR LAST SUSTAINABILITY REPORT, WE HAVE BEEN RECOGNISED FOR OUR SUSTAINABILITY INITIATIVES ACROSS AUSTRALIA, NEW ZEALAND AND CANADA, WITH PRAISE OF OUR SUSTAINABILITY STANDARDS AND EFFORTS IN BOTH THE RETAIL AND JEWELLERY INDUSTRIES.

I am particularly proud of the launch of The Michael Hill Foundation, dedicated towards empowering women and restoring nature. This initiative demonstrates our deep commitment to empowering the lives of women in need, as well as recognising the impact our industry has on the planet through a strong restoration program in our countries of operation. Our team are incredibly engaged with the program, and we look forward to achieving our ambitious goals.

Our focus on innovation has also not gone unnoticed, with the expansion of our gold recycling program re:cycle from Australia, to now also cover Canada and New Zealand. This program is now offered in all markets for the Michael Hill brand and continues to save carbon emissions and mining ore through trading broken or old gold jewellery from our customers' homes, then repurposing the alloy to be crafted into something new – a true circularity program in our industry.

I am also pleased to report our progress in achieving Net-Zero scope 1 and 2 emissions by 2025, having calculated our Scope 1 and 2 emissions for FY23 and FY24. By the end of this financial year, we achieved a 34 per cent reduction in scope 1 and 2 emissions across the Group since the same time last year.

As a Group, our brands continue to offer both natural diamond and lab grown diamond **(LGD)** products to our customers, and we continue to stay at the forefront of global changes in standards for both products to maintain our leadership position. From the Responsible Jewellery Council **(RJC)**'s draft LGD standard forming part of a wider *Code of Practices* uplift, to the Kimberley Process and World Diamond Council's potentially expanded definition of conflict diamonds, we monitor ongoing developments closely.

Sustainability is now embedded into our core business and practices, and while there is still a lot of work to do, we are all committed to achieving our 2030 goals and remain focussed on ever improving and moving our business and the broader jewellery industry towards a more sustainable, innovative, and responsible future.

We are proud to publish our eighth Sustainability Report. This year, our Sustainability Report sets out our progress against our sustainability strategy in a standalone document, published separately to this Annual Report. The Sustainability Report 2024 is available to download on our **investor website.**

Daniel Bracken
CEO and Managing Director

OUR PILLARS

Our 2030 goals are outlined below:

PRODUCT

100% OF OUR PRODUCTS WILL BE SUSTAINABLE, RESPONSIBLE OR CIRCULAR

TRANSPARENCY

100% use of certified sustainable or responsibly sourced natural diamonds, coloured gemstones and cultured pearls [by 2030]

METAL STEWARDSHIP

100% of Michael Hill's products will be made from certified recycled, local, artisanal or responsibly sourced metals [by 2025]

INNOVATION

We will pioneer an innovation hub to champion and integrate jewellery circularity, product innovation and lab grown diamonds [by 2024]

PLANET

WE WILL NURTURE NATURE AND REDUCE OUR NEGATIVE IMPACTS TO NET ZERO

ZERO CARBON OPERATIONS

Achieve net zero carbon operations (scopes 1 & 2) [by 2025]

NATURE POSITIVE

Contributing to the restoration and conservation of the natural environment in our key markets [by 2025]

ELIMINATE WASTE

We will send zero waste to landfill and eliminate single use plastic from our packaging [by 2027]

PEOPLE

WE WILL IMPROVE THE LIVES OF PEOPLE ACROSS OUR VALUE CHAIN

RESPONSIBLE SUPPLIERS

100% of all suppliers meet our expectations on their social and environmental impacts [by 2030]

EMPOWERING WOMEN

Deliver initiatives and develop partnerships focused on empowering and supporting over 100,000 women [by 2030]

GREAT PLACE TO WORK

Michael Hill will maintain a leading workforce engagement score of greater than 80%

HIGHLIGHTS FOR FY24

AUGUST 2023

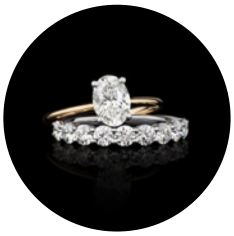
BEVILLES STORES ON RENEWABLE ENERGY

Following the acquisition, Bevilles stores were incorporated into existing renewable energy agreements.

SEPTEMBER 2023

CONFLICT FREE GOLD ANNOUNCED

98% of all gold products for Michael Hill were crafted in certified Conflict Free Gold, with Medley and TenSevenSeven achieving 100%



OCTOBER 2023

DIAMOND TRADE UP PROGRAM LAUNCHED

Re:imagine, our circular diamond trade up program is launched in New Zealand

NOVEMBER 2023

CONTINUED TRANSITION TO RENEWABLES

Our head office, repairs centre and NZ head office energy is successfully transitioned to supporting 100% renewable energy – heading towards Net Zero scope 2 emissions.

JANUARY 2024

RECYCLING OUR PRODUCTION WASTE

The Group agreed terms for a new product circularity arrangement under which we have returned 5 kilos of gold from manufacturing scrap to the gold supply chain.

FEBRUARY 2024

THE MICHAEL HILL FOUNDATION LAUNCHED

Aimed at Empowering Women and Restoring nature across the markets in which we operate.

THE MICHAEL HILL
FOUNDATION

MARCH 2024

CUSTOMER CIRCULARITY IS EXPANDED

We expanded re:cycle, our gold recycling service to both Canada and New Zealand markets.

MAY 2024

FIRST CANADIAN MODERN SLAVERY STATEMENT LODGED

To prevent and reduce the risk of forced/child labour in our supply chain.

JUNE 2024

APCO ACTION PLAN PUBLISHED

APCO
AUSTRALIAN PACKAGING COVENANT ORGANISATION
MEMBER

Michael Hill publishes its 2024 Action Plan for sustainable packaging.

OVERALL GOAL PROGRESSION

GROWTH OVER THE YEAR

Here is a snapshot of our progress over the past year across our three key sustainability pillars and 2030 goals:

68%
OF OUR SPEND WITH VENDORS IS **ASSESSED THROUGH OUR MODERN SLAVERY PLATFORM**

MICHAEL HILL ACHIEVED
98%
CONFLICT FREE GOLD

WORKFORCE ENGAGEMENT SCORE OF
80%

34%
REDUCTION IN SCOPE 1 AND 2 EMISSIONS ACROSS THE GROUP SINCE THE SAME TIME LAST YEAR

ANNOUNCED **TARGET TO EMPOWER**
100,000
WOMEN

100%
CONFLICT FREE DIAMONDS ACROSS MICHAEL HILL, MEDLEY AND TENSEVENSEVEN

FIRST
APCO REPORT AND ACTION PLAN SUBMITTED

SAVED
64,423
KILOGRAMS
OF CARBON EMISSIONS THROUGH OUR RE:CYCLE PROGRAM

PLANTED
51,981 TREES
ACROSS A MIX OF INDIGENOUS-LED AND NATIVE REFORESTATION PROJECTS IN AUSTRALIA, NEW ZEALAND AND CANADA.

EXECUTIVE LEADERSHIP TEAM

FROM LEFT: AMY SZNICER, MATT KEAYS, DANIEL BRACKEN, JO FEENEY, ANDREW LOWE, TABITHA PEARSON.

DANIEL BRACKEN

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

Daniel has more than 25 years' experience managing some of the world's most iconic brands. He has an extensive background in retailing, fashion, and brand development in Australia and international markets, as a Chief Executive Officer and in senior executive positions across strategy, marketing, merchandise, product design and digital and customer engagement strategies.

Prior to joining Michael Hill Group as CEO in November 2018, Daniel was CEO at Specialty Fashion Group and previously held positions as the Group Vice President, Strategy for Burberry London, as Deputy CEO and Chief Merchandise & Customer Officer of Myer, and as CEO of The Apparel Group, which owned leading fashion brands Sportscraft, Saba, Willow and JAG.

During his time at Specialty Fashion Group, Daniel led the company's corporate restructure and the successful divestment of a number of brands, returning the company to profitability. At Myer, he oversaw merchandise buying, design, sourcing, and manufacturing, and led the Myer brand and customer experience strategy.

His international experience includes more than 15 years at Burberry London in the United Kingdom, where he was a key member of the leadership team involved in their turnaround into an iconic global brand. He performed a range of roles at Burberry including Vice President – Strategy, Head of Merchandising & Production, and Commercial & Operations Director.

ANDREW LOWE

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Andrew joined Michael Hill Group in 2017 as Chief Financial Officer, and later assumed the role of Company Secretary. He holds a Bachelor of Commerce, a Bachelor of Laws and a Masters of Applied Finance, and is a qualified Chartered Accountant and a Chartered Taxation Adviser of the Taxation Institute of Australia.

Andrew has extensive experience in corporate governance, mergers and acquisitions, finance and leadership roles across a range of listed corporate groups with Australian and offshore operations, including with Aurizon, Cleanaway Waste Management and Anglo American.

AMY SZNICER

CHIEF RETAIL OFFICER

Amy has over 25 years' leadership experience across retail and beauty industries, having worked with prominent retail brands such as Witchery, GAP, Bras n Things, Guess Jeans and Aldo. She has led the roll out of over 200 new retail stores in Australia, New Zealand and Singapore and was named 2006 Australian Young Business Woman of the Year at the Telstra Business Women's Awards.

Amy's extensive career in specialty fashion retailing has built a broad skill set that goes beyond store operations. She has worked as an Executive Leader in privately owned, private-equity controlled, and listed organisations. Amy is extremely passionate about dynamic leadership, developing strong company culture and deep retail foundations and driving high performance in an ever-changing retail landscape. These qualities enable her to consistently deliver the highest standard of customer service and ultimately, strong business performance.

MATT KEAYS

CHIEF TECHNOLOGY OFFICER

Matt joined Michael Hill Group in June 2015, bringing with him extensive international IT experience in the retail space. Prior to joining the Group, Matt led the global IT strategy for Forever New as their General Manager Information Technology, and prior to that worked as Chief Information Officer for Super Amart where his final project was successfully leading a full-scale disaster recovery process after the Queensland floods in 2011. He also worked for leading national footwear and apparel company, Colorado Group after enjoying a long retail apprenticeship with 11 years at Country Road, where he worked as a Finance Accountant, and also gained solid shop floor experience.

Matt has strong technical skills and a track record of building team capabilities aligned with business purpose and strategies. Matt's career has seen him lead significant technology and infrastructure programs, covering Microsoft Dynamics 365 Retail & ERP, Infor, Oracle, Adobe, Dayforce and JDE. He has helped retail businesses implement and embrace data warehousing (B.I) with his first Microsoft based implementation as far back as 2004 and more recently cloud-based data warehousing with Snowflake.

JO FEENEY

CHIEF MARKETING OFFICER

Jo joined Michael Hill Group in March 2021 as Chief Marketing Officer to lead the revitalisation and growth of the Group's brands, delivering end to end marketing strategies in an omnichannel environment. Responsible for shaping the Group's messaging, delivering an outstanding experience to the Group's customers across both digital and traditional marketing channels, and leading the vision for a world class loyalty program, the role has direct accountability for the performance of the Brand, Marketing, Campaign and Content, and Visual Merchandising in all stores, as well as leading the Customer Data and Insights teams.

Jo Brings with her over 24 years' experience in both local and global organisations, specialising in strategic brand building, end to end marketing communications and driving key customer growth strategies across channels.

Jo has held senior marketing roles in a variety of industries, gaining early retail experience at Woolworths before a shift to telecommunications, spending over four years at Telstra as Group Manager Brand and Retail. Jo then moved to Foxtel as Head of Acquisition and Brand before her most recent role as Director of Marketing at McDonald's Australia. In this role she was responsible for marketing, brand and media strategies and driving commercial growth through innovation and re-imagination of the McDonald's brand. In her time with McDonald's, she was pivotal in the development and execution of key business platforms including the introduction of McCafé in Drive Thru and Create Your Taste.

Jo is also a recognised leader in creativity - winning multiple awards both locally and internationally as well as being a judge for industry advertising awards. Jo brings with her a fresh approach to driving the future growth of the brand through a lens of commercial creativity.

TABITHA PEARSON

CHIEF PEOPLE OFFICER

Tabitha joined Michael Hill Group in May 2024 as Chief People Officer.

With 30 years' experience in people and culture across a number of ASX listed companies, including Bunnings, Super Retail Group, Myer and G8 Education, Tabitha's strength lies in her commercial and people driven approach. She is experienced in leading large and diverse teams, integrating large scale acquisitions, and implementing modern people and culture strategies. She has a focus on building capability and talent, while driving a strong performance culture in organisations.

With a workforce of over 3,000 people across Australia, New Zealand and Canada, Tabitha's experience will be invaluable in delivering Michael Hill Group's strategic priority of attracting, retaining and developing top quality teams across the Group.

Tabitha holds a Bachelor of Arts in Psychology and Post Graduate Diploma in Human Resources and Industrial Relations.

The FY24 results were deeply disappointing, but please be assured that your Board and the entire Michael Hill team are resolutely focused on driving sales, refreshing the Michael Hill brand, embedding and expanding the new Bevilles business and restoring the financial performance of the Group.

ROB FYFE
CHAIR

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as the 'Group') consisting of Michael Hill International Limited ACN 610 937 598 ('Michael Hill International' or the 'Company') and all controlled subsidiaries for the year ended 30 June 2024. FY24 is a 52- week period (3 July 2023 to 30 June 2024) compared to FY23 a 53-week period (27 June 2022 to 2 July 2023).

PRINCIPAL ACTIVITIES

The Group operates predominately in the retail sale of jewellery and related services sector in Australia, New Zealand and Canada.

There were no significant changes in the nature of the Group's activities during the year.

DIVIDENDS

Dividends paid to members during the financial year were as follows:

	2024 $'000	2023 $'000
Final dividend for the year ended 2 July 2023 of 3.5 cents (2022: 4.0 cents) per fully paid share paid on 22 September 2023 (2022: 23 September 2022)	13,289	15,531
Interim dividend for the year ended 30 June 2024 of 1.75 cents (2023: 4.0 cents) per fully paid share paid on 22 March 2024 (2023: 24 March 2023)	6,906	15,188
No final dividend was declared for the year ended 30 June 2024 (2023: 3.5 cents)	-	13,289

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the Group's operations and the expected results of operations have been included in the Review of Operations and Strategic Update sections of this report.

REVIEW OF OPERATIONS

The Group achieved the following key outcomes for the 2024 financial year:

KEY FINANCIAL RESULTS

- Group revenue increased by 4.2% on a 52-week basis (including Bevilles) to $644.9m, and by 2.4% on a statutory basis (FY23: 53 weeks).
- Group gross margin settled at 60.6% in line with previous guidance, impacted by higher input costs and increased promotional activity in response to more aggressive retail trading conditions. In addition, during the last two months of FY24, there was deliberate focus on promoting inventory to make way for higher margin product in FY25.
- Comparable earnings before interest and tax (EBIT)* of $15.9m, at the upper end of previous guidance.
- Statutory net profit after tax decreased to a loss of $0.5m with the variance to comparable EBIT performance largely driven by AASB16 *Leases* & SaaS, finance costs and normalisations.
- Active management of inventory delivering a ~$7m reduction to $195.8m.
- As a proactive capital management measure, the existing debt facility has been increased by $40m for the four-month period from 15 September 2024 to support seasonal working capital requirements for Christmas trade.
- Closing net debt position of $38.7m, having deployed cash to support ongoing investment in the business.
- No final dividend was declared, delivering total dividends for the year of AU1.75 cents per share.

* Comparable EBIT is non-IFRS information. Please refer to non-IFRS information section in this report for an explanation of non-IFRS information and a reconciliation of Comparable EBIT.

DIRECTORS' REPORT, CONTINUED.

OPERATIONAL PERFORMANCE

- Group revenue was up 4.2% for the year on a 52-week basis, with Australia +10.3%, New Zealand -11.8% and Canada flat.
- Digital sales grew 16% to $47.9m for the year, demonstrating a strong return to growth.
- Complete refresh of the Michael Hill brand, across digital platforms, new brand logos, colour palette, instore visual merchandising and packaging.
- Partnering with our first ever global Brand Ambassador, Miranda Kerr, who perfectly embodies our brand values and sustainable business practices.
- Aligned with the brand relaunch, the Michael Hill brand opened its first true global flagship store, at Chadstone, Australia's leading fashion destination.
- Launched the *Michael Hill Foundation*, focused on empowering women and restoring nature.
- Expanded our *re:new* sustainable jewellery ecosystem: extending our *re:cycle* offering to Canada and New Zealand, launched diamond trade up program, *re:imagine* in New Zealand, and invested in our repairs network to grow our *re:store* (repairs) capability and service offering.
- Integration of Bevilles onto Group operational systems and successful relocation of the head office, supply chain and distribution centre from Victoria to Queensland.
- In line with our store network strategy, the core Michael Hill brand has continued to optimise its store network throughout the year, while at the same time expanding the Bevilles' store network from 26 to 36 stores. The Group finished the year with 300 stores (FY23: 304).

FY24 - GROUP BUSINESS PERFORMANCE

Following a period of record results for the Group, retail conditions for the fine jewellery sector over the last 18 months have been challenging due to low consumer confidence and broader macroeconomic pressures. Notwithstanding the difficult conditions, third-party data suggests that the Michael Hill brand has continued to outperform the broader jewellery market.

Given this environment, the Group reported a decline in performance, with comparable earnings before interest and tax of $15.9m for the year ended 30 June 2024. This result was driven by a combination of lower gross margins and inflationary cost pressures.

The Group delivered revenue of $644.9m, up 4.2% on a 52-week basis including Bevilles, and up 2.4% on a statutory basis (FY23: 53 weeks). Pleasingly, average transaction value grew by 6% during the year, as further demonstration of the traction of the Michael Hill aspirational brand journey.

Higher input costs for both gold and mined diamonds continued through the year and combined with heightened competitor activity, resulted in gross margin of 60.6%. During May and June, there was a deliberate focus on clearing inventory to make way for newness and higher margin product in FY25 to drive the recovery of recent margin declines. In addition, to reflect the inflated gold raw material pricing the group does periodically lift retail prices accordingly.

Inflationary cost pressures impacted the majority of operating expenses across the business, the most significant being store labour and occupancy. With this in mind, throughout the year management took action to reduce discretionary spend, corporate roles and overheads, reflecting the underperformance of the business, with many of these savings annualising through FY25. Omni-channel continues to be a key strategic focus for the Group with further advancements across ship from store, click & collect, and virtual selling, all contributing to annual growth in digital sales of 16% to $47.9m.

Active management of inventory saw year-end holdings reduced by $7m to $195.8m, as the Group took deliberate steps to ensure the right product mix, newness and high margin profile.

During the first year of ownership, the Bevilles brand expanded its store network by ten stores to 36. This included entry into a new territory, Queensland, with five new stores and two conversion stores, along with three new stores in existing territories. In addition, in the second half of the year, the business completed a full transition to Group operational IT systems across retail, finance and inventory, and seamlessly relocated its Melbourne head office and distribution centre to Brisbane.

In line with our store network strategy, the core Michael Hill brand has continued to optimise its store network throughout the year, while at the same time expanding the Bevilles' store network. The Group finished the year with 300 stores (FY23: 304).

SEGMENT RESULTS

The results below are expressed in local currency.

AUSTRALIAN RETAIL PERFORMANCE	2024	2023	2022	2021	2020
OPERATING RESULTS (AU $'000)					
Revenue	359,102	331,007	303,409	312,264	266,610
Gross profit	217,074	211,823	196,936	194,148	161,030
Gross margin	60.4%	64.0%	64.9%	62.2%	60.4%
Comparable EBIT	29,568	53,549	51,750	54,347	27,641
Comparable EBIT as a % of revenue	8.2%	16.2%	17.1%	17.4%	10.4%
Number of stores	171	172	147	150	155

Retail segment revenue increased by 10.3% to $359.1m for the year on a 52-week basis (including Bevilles), and increased by 8.5% on a statutory basis (FY23: 53 weeks).

Gross margin for the year was 60.4%.

The Australian store network finished the year with 171 stores, including 36 Bevilles stores (FY23: 172, including 26 Bevilles stores).

NEW ZEALAND RETAIL PERFORMANCE	2024	2023	2022	2021	2020
OPERATING RESULTS (NZ $'000)					
Revenue	114,785	132,359	125,090	127,067	106,696
Gross profit	68,453	81,961	79,288	78,771	63,641
Gross margin	59.6%	61.9%	63.4%	62.0%	59.6%
Comparable EBIT	14,567	25,622	30,130	35,119	21,067
Comparable EBIT as a % of revenue	12.7%	19.4%	24.1%	27.6%	19.7%
Number of stores	44	46	48	49	49

Retail segment revenue decreased by 11.8% to NZ$114.8m for the year on a 52-week basis, and decreased by 13.3% on a statutory basis (FY23: 53 weeks).

Gross margin for the year was 59.6%.

Given the heightened level of security incidents experienced in New Zealand and in order to protect our customers, teams and stores, significant investment in security measures continued throughout the year and had a ~$5m direct impact on earnings.

During the year, two stores closed, resulting in 44 stores at year end (FY23: 46).

DIRECTORS' REPORT, CONTINUED.

CANADA RETAIL PERFORMANCE	2024	2023	2022	2021	2020
OPERATING RESULTS (CA $'000)					
Revenue	157,094	158,894	159,661	118,445	110,799
Gross profit	95,222	100,531	103,623	72,643	63,991
Gross margin	60.6%	63.3%	64.9%	61.3%	57.8%
Comparable EBIT	18,775	27,110	28,785	12,320	(2,412)
Comparable EBIT as a % of revenue	12.0%	17.1%	18.0%	10.4%	(2.2)%
Number of stores	85	86	85	86	86

Retail segment revenue increased by 0.6% to CA$157.1m for the year on a 52-week basis, and decreased by 1.1% on a statutory basis (FY23: 53 weeks). This result is a credit to the segment considering last year was another record performance.

Gross margin for the year was 60.6%.

During the year, one store closed, resulting in 85 stores at year end (FY23: 86).

CAPITAL MANAGEMENT

During the year, the business deployed cash for a number of strategic initiatives, including refresh of the Michael Hill brand, the Chadstone global flagship store, development of *TenSevenSeven*, along with digital and data investments, resulting in a closing net debt position of $38.7m.

As a proactive capital management measure, the existing debt facility has been increased by $40m for the four-month period from 15 September 2024, to support seasonal working capital requirements for Christmas trade. In addition, the business has taken decisive action to reduce capital expenditure across both technology and stores throughout FY25.

Given compressed earnings in FY24, and in conjunction with a commitment to prudent investment in operating and capital expenditure in FY25, the Board has decided that no final dividend will be declared for FY24, resulting in a total dividend for the year of AU1.75 cents per share.

GROUP STRATEGY, THE PATH TO 2030 - EMPHASIS ON SALES AND MARGIN GROWTH

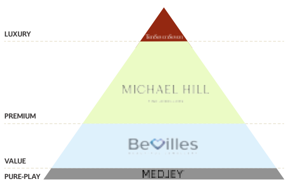
While market conditions continue to be challenging, the business remains committed to its multi-brand group strategy with an emphasis on sales and margin growth.

2020-2023

REPOSITION MICHAEL HILL BRAND

2023-2024

ESTABLISH PORTFOLIO OF BRANDS

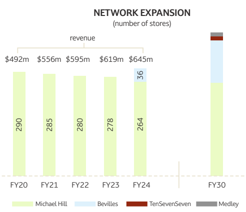


2024-2025

PRODUCT & BRAND PROPOSITION

2025-2030

NETWORK EXPANSION & PRODUCTIVITY



REPOSITION MICHAEL HILL BRAND, 2020 - 2023

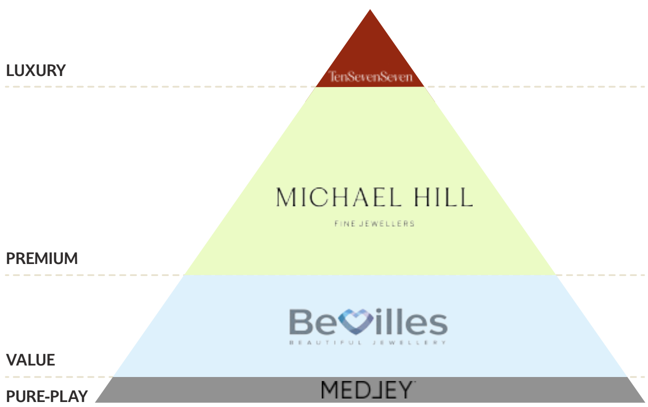
Much of the strong performance over the last three years can be attributed to the strategic transformation of the Michael Hill brand – the strategy to elevate and modernise the brand has underpinned the overarching vision for the business. The aspirational brand journey to a more premium market position continues, with consistent customer-led business imperatives:

- **Brand & Loyalty** – Contemporary premium jewellery brand, leveraging best-in-class loyalty program
- **Retail Fundamentals** – Elevated customer experience, unwavering focus on productivity
- **Digital & Omni-channel** – Omni-first, channel agnostic, digitally-led new markets
- **Product Evolution** – Premium yet accessible, with diamonds at our core
- **Sustainability** – "the jeweller that cares", global category leader

The Company has demonstrated the success of the aspirational brand journey strategy, firstly through an increasing average transaction value of ~30% over this period, validating our focus on elevated customer experience, higher quality product and attraction of a new modern customer. Secondly, retail productivity has lifted considerably across all markets, delivering increased revenues from an optimised store network.

ESTABLISH PORTFOLIO OF BRANDS, 2023 - 2024

With the Michael Hill brand having been repositioned to a more premium position, the acquisition of the Bevilles business provided a vehicle to take market share at the value end of the fine jewellery category. Additionally, in the first half of FY24, the Company soft launched its new bespoke brand *TenSevenSeven*, focused on servicing the high-end of the market with its unique personalised diamond ring proposition.



With these additional brands, the Group now services all significant customer segments of the fine jewellery category, and delivers multiple new growth pipelines.

In addition to our core fine jewellery brands, Medley continues to establish itself as an emerging brand in the fashion demi-fine/fine jewellery category.

PRODUCT & BRAND PROPOSITION, 2024 - 2025

With the Michael Hill Group multi-brand strategy now in place, each brand is uniquely positioned for different segments and price propositions, and its own strategic priorities:

Michael Hill

- In April 2024, the complete refresh of the Michael Hill brand was revealed, delivering a new elevated aesthetic across all brand assets, colour palette and logos. Over the months that followed, elements of the new brand assets were gradually brought to life across digital platforms, stores and consumer packaging.
- This was soon followed by the exciting milestone of the brand's first "store of the future". In late April 2024, a new global flagship store came to life in Chadstone, the most premium centre in the Australian market. The new store incorporated all aspects of the new brand product and proposition, with a new high value product offering, elevated in-store experience, and private selling spaces.
- To coincide with the brand refresh, and our first flagship store of the future, Michael Hill partnered with its first ever global Brand Ambassador, Miranda Kerr.
- Miranda Kerr's timeless elegance resonates in all our markets, she embodies our brand values, is aspirational and yet accessible. Michael Hill has the ambition to be one of the most sustainable jewellery brands in the world and this aligns perfectly with the sustainable business practices that Miranda follows.

DIRECTORS' REPORT, CONTINUED.

- Product evolution continues with a focus on quality, innovation and sustainability and simultaneously, the development of key signature ranges that embody the premium brand positioning. These are best demonstrated by the new signature lock range and the exclusive cut 101 facet diamond collection.
- Launch of the *Michael Hill Foundation* in late February represents our ongoing commitment to meaningful change, and our dedication to a better world. The Michael Hill Foundation encompasses two key areas of focus: Empowering Women and Nature Restoration.

Bevilles

- During the first year of ownership, the store network expanded into a new territory, Queensland, with five new stores and two conversion stores, along with three new stores in existing territories, increasing the store network to 36 stores (FY23: 26).
- In the second half of the year, the business transitioned across to the group operational IT systems, and seamlessly relocated its Melbourne head office & distribution centre to Brisbane.
- An increased focus on enhancing the brand's differentiated proposition to increase disruption in the value segment.
- After trading the all-important Christmas period, an extensive range review was undertaken with a view to rebalancing the product offering and visual presentation to take advantage of clearly identified market opportunities and in turn, maximising sales and margin.
- Re-establishing the brand's dominance in its core and everyday value product offering with a more productive and streamlined product range.
- In support of the clearly defined network expansion plan, building a cost-effective marketing strategy that resonates with both existing and new customers.

TenSevenSeven

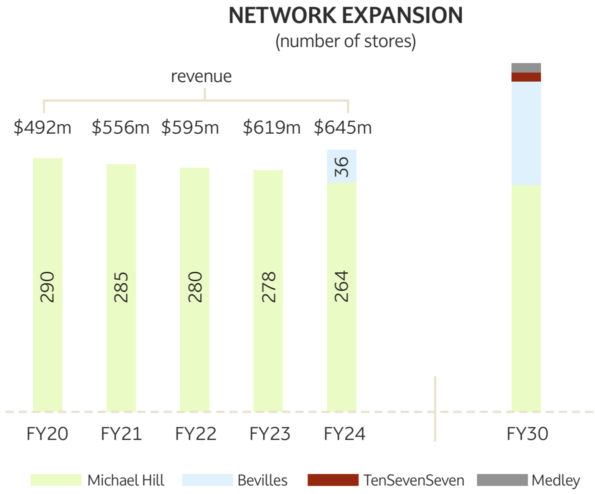
- New start-up brand with a unique and elevated proposition, capturing an entirely new high-end customer.
- Continued enhancements of the digital customer experience, with product extensions and an increased unique diamond offering.
- Investment in customer acquisition intended to be reignited as Group performance returns to growth.

Medley

- Building on fashion positioning across both demi-fine and fine jewellery to a younger demographic.
- Successfully trialled a pop-up kiosk in Chadstone.

NETWORK EXPANSION & PRODUCTIVITY, 2025 - 2030

With each brand uniquely positioned for their target customer segments, and with both product and brand propositions established, the Group will be well-placed to grow revenue and profits through a more productive and expanded distribution network.



Michael Hill

- Store productivity has proven to be a key lever of growth over recent years and as the brand continues to elevate and attract new target customers, it is anticipated that this will continue.
- As the network aligns over time to the elevated product proposition, and with the continued focus on brand evolution, it is expected that average transaction values will continue to increase and support revenue growth.
- Gross margin recovery will be a key focus, underpinned by product evolution, increased penetration of higher margin product, category mix and leveraging the *Brilliance by Michael Hill* loyalty program
- The brand refresh of our direct-to-consumer digital platforms is already delivering improved customer experience and conversion rates, which in conjunction with investments in data and insights, will increase productivity across all channels.

- Beyond the brand's leading position in bridal, promoting other key milestone moments like birthdays, provides significant revenue growth opportunities for the business.
- Data insights from the *Brilliance by Michael Hill* loyalty program have identified further opportunities in targeting the self-purchasing customer, providing additional revenue growth opportunities.

Bevilles

- Even with the challenging trading conditions in the fine jewellery sector, the business has held firm on its strategic intent to grow the footprint and strengthen its position in the market.
- The business has grown the Bevilles network from 26 to 36 stores in the first year of ownership.
- With the expansion of the network into Queensland, the business will focus on optimising the store layout, product range, and building brand presence prior to rolling out further stores.
- Based on Michael Hill experience, data insights and competitor analysis, the opportunity to grow the network to over 100 stores in Australia remains firmly in place.
- As the Michael Hill brand elevates to a more premium position, this presents opportunities with select stores to transition to the Bevilles brand in a cost-efficient model. Three trial conversion stores are already as a test & learn and further conversion stores will be subject to performance.
- A streamlined product offering will enable a step-change in visual presentation and customer experience, leading to a more efficient store footprint and an increase in productivity.
- Investment in our people and training to upskill leadership, lift performance, and drive productivity.

TenSevenSeven

- Given the current trading conditions, the Group has prioritised resources to the Michael Hill and Bevilles brands.
- As and when trading conditions improve, a resumption of the *TenSevenSeven* strategy will see delivery of key initiatives including: leveraging group data for customer acquisition, expansion of product offering, and opening a small number of flagship showrooms in key capital city destinations.

Medley

- Continue to optimise core digital platform, through customer acquisition and increased purchase frequency.
- Following the initial success of the Chadstone pop-up kiosk, it was extended for Christmas 2024.

Leveraging Group Capabilities

The multi-brand strategy is underpinned by a philosophy of leveraging group capabilities to drive productivity across all brands:

- Group technology investments and capabilities
- Customer data and insights
- Distribution and logistics synergies to optimise the cost of doing business
- Portfolio vendor management to support product quality and margins
- Digital capabilities to drive efficiency and growth
- Property management to optimise real estate network
- Core support and specialist functions across Human Resources, Finance and Legal.

RISK MANAGEMENT

The Board believes that a strong risk management framework supports the Group's growth and success. The Group regularly reviews its risk environment and has identified the following at risk areas and mitigating strategies:

RISK	STRATEGIES AND MITIGATION
Continued uncertainty of timeframes for global recovery and changing geopolitical risks creates volatility for the Group's operating environments	The Group has a growth strategy that embraces omni-channel expansion and strategic acquisitions in markets that limit cannibalisation of sales and focusses on improving the customer experience. Furthermore, there is executive oversight of all drivers, both internal and external, and prudent policy execution and governance mechanisms to respond accordingly.
Increase in cyber-attacks disrupting operations and increased reliance on third-party platform providers to have robust cyber controls	The Group has tasked the Technology Governance Committee to oversee its response to cyber risk and the maturing of our cyber resilience. The Group continues to invest in new technologies and remove vulnerable points of attack throughout its digital network. External partners have been engaged to uplift our capabilities, including both proactive and reactive responses to cyber-attacks. Penetration testing and disaster recovery planning are built into our operating rhythm to further prepare and respond to attacks.
Theft appeal of our product increases during periods of financial hardship and uncertainty	The safety and security of our staff and customers is our most important priority. We are investing in initiatives and processes which improve the overall security of our stores and contribute to the safety of our staff and customers. We are working with both local and national law enforcement bodies and other external parties to better the overall retail environment for our staff and customers. With the increasing escalation of theft and violence in all operating environments, the Group has expanded the remit of the dedicated executive led taskforce responding to New Zealand challenges to consider all jurisdictions we operate in and develop tailored and appropriate actions.
Sustainability goals and supply chain transparency	The Group has also outlined its goals in the Sustainability Strategy of having all suppliers meeting our expectations on their social and environmental impacts by 2030. Michael Hill's sustainability vision is to transform how we source and manufacture our products, impact our planet and improve peoples lives. There are dedicated workstreams supporting each of our pillars of people, planet and product. In the product and people pillars, the Group is working closely with our key suppliers across our sourcing and procurement ecosystems to ensure our suppliers' manufacturing and operations comply with our responsible sourcing practices. Further, the Group has developed a modern slavery roadmap to minimise the risk of modern slavery occurring in our business and supply chains.
Increasing price gaps between mined and laboratory created diamonds impacts pricing of our range and could influence consumer behaviours to the detriment of one or both precious stones	The Group regularly reviews its product range to ensure it satisfies consumer demand and offers choices in the markets we operate. This is supported by a long-standing vendor relationships with key jewellery manufacturers and buyers who have global insights and can advise on market trends. Both mined and laboratory created diamonds feature in our core range and collections targeted to specific consumer preferences.
Breach of regulation or law in one of our jurisdictions in an increasingly complex compliance environment	The Group has in-house legal and compliance teams who are focused on compliance in our three markets and utilise external firms for specialised advice when required. Any new legislative requirements or rectification initiatives have dedicated teams focused on ensuring our compliance and training our teams appropriately.
Ability to respond to rapidly changing customer demographics, requirements and behaviours.	The Group regularly conducts range reviews to ensure product mix is on trend and meets customer demands and customer demographics. We are investing in customer analytic platforms to better understand our current and future customers and tailoring our channels and product mix to meet the desired customer demands.

DIRECTORS' REPORT, CONTINUED.

NON-IFRS FINANCIAL INFORMATION

This report contains certain non-IFRS financial measures of historical financial performance. Non-IFRS financial measures are financial measures other than those defined or specified under all relevant accounting standards. The measures therefore may not be directly comparable with other companies' measures. Many of the measures used are common practice in the industry in which the Group operates. Non-IFRS financial information should be considered in addition to, and is not intended to be a substitute for, or more important than, IFRS measures. The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by Australian Securities and Investments Commission (ASIC) to promote full and clear disclosure for investors and other users of financial information, and minimise the possibility of those users being misled by such information.

The measures are used by management and directors for the purpose of assessing the financial performance of the Group and individual segments. The directors also believe that these non-IFRS measures assist in providing additional meaningful information on the drivers of the business, performance and trends, as well as the position of the Group. Non-IFRS financial measures are also used to enhance the comparability of information between reporting periods by adjusting for non-recurring or controllable factors which affect IFRS measures, to aid the user in understanding the Group's performance. Consequently, non-IFRS measures are used by the directors and management for performance analysis, planning, reporting and incentive setting. These measures are not subject to audit.

The non-IFRS measures used in describing the business performance include:

- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Earnings before interest and tax (EBIT)
- Comparable EBIT
- Significant item

COMPARABLE EBIT

Comparable EBIT has been calculated as follows:

	2024 $'000	2023 $'000
Reported EBIT	**14,228**	**58,883**
Add back costs relating to:		
Impact of IFRIC SaaS-related guidance	4,450	7,356
Litigation judgement[1]	4,000	-
Bevilles acquisition transaction costs	-	1,960
Bevilles integration costs	2,372	-
Employee restructure costs	962	734
Less items relating to:		
Impact of AASB16 *Leases*	(10,114)	(10,044)
Comparable EBIT	**15,898**	**58,889**

[1] Refer to note I2 in the Financial Statements for events occurring after the end of the reporting period for information regarding the litigation judgement.

ENVIRONMENTAL REGULATIONS AND CLIMATE REPORTING

The Group has determined that no particular or significant environmental regulations apply to it.

Under New Zealand's Financial Markets Conduct (Climate-related Disclosures for Foreign Listed Issuers) Exemption Notice 2024 (Notice), Michael Hill International Limited does not have a large presence in New Zealand and has a primary listing on the ASX. Michael Hill International Limited relied on the exemption in clause 6 of the Notice in respect of its FY24 period and is therefore an exempt entity. In the FY24 period, Michael Hill International Limited was not required to comply with any Australian climate-related disclosure requirements. The climate statements voluntarily prepared by Michael Hill International Limited can be found in the FY24 Sustainability Report.

INFORMATION ON DIRECTORS

FROM LEFT: CLAUDIA BATTEN, ROBERT FYFE, DANIEL BRACKEN, SIR MICHAEL HILL, DAVID WHITTLE, EMMA HILL, AND GARY SMITH.

DIRECTOR	**Robert Fyfe** B.Eng, F.E.N.Z., C.N.Z.M.
EXPERIENCE AND DIRECTORSHIPS	Rob was appointed a Director of the Company on 9 June 2016 having previously served as Director of Michael Hill's listed entity in New Zealand commencing 6 January 2014. He was appointed Chair of the Board in June 2021. Prior to joining the Company, Rob served as CEO of Air New Zealand between 2005 and 2012, a period that saw a resurgence of Air New Zealand to become one of the most recognised and awarded airlines in the world and one of the best performers in a tough industry. Rob also has extensive general management and board experience in various retail businesses operating in New Zealand, Australia and Great Britain, across sectors including retail banking, telecommunications, pay television, sport, manufacturing and outdoor apparel. In 2015 Rob was awarded an Honorary Doctor of Commerce from University of Canterbury and on New Year's Eve 2020, Rob was appointed as a Companion of the New Zealand Order of Merit for services to business and tourism. Rob is also a Director of Air Canada. He has not had any other directorships of listed entities in the last three years.
SPECIAL RESPONSIBILITIES	Chair Non-executive and independent director Member of ARMC Member of PDRC
DIRECTORS' INTERESTS IN SHARES AND OPTIONS	1,953,578 Ordinary Shares

INFORMATION ON DIRECTORS, CONTINUED.

DIRECTOR	**Sir Richard (Michael) Hill** K.N.Z.M.
EXPERIENCE AND DIRECTORSHIPS	Sir Michael is the founder of Michael Hill, and his visionary leadership has been the foundation for the Company's listing on the New Zealand Stock Exchange (NZX) in 1987 and successful international expansion. Sir Michael's dedication to the jewellery retailing industry and his commitment to excellence have been evident throughout his career. He had 23 years of jewellery retailing experience before establishing Michael Hill in 1979, and his strategic decisions and innovative approaches have played a significant role in the growth and success of Michael Hill. Sir Michael led the Group as Chairman from when it listed on NZX in 1987 until 2015, and was appointed a Director of the Company on 9 June 2016. In 2008, he was recognised as Ernst & Young's 'Entrepreneur of the Year' and in 2011 was appointed a Knight Companion of the New Zealand Order of Merit for services to business and the arts. As a Knight Companion of the New Zealand Order of Merit, Sir Michael's contribution to both business and the arts has been widely recognised and celebrated. His leadership continues to inspire those within the company and the industry as a whole. Sir Michael is not a Director of any other listed entities and has not had any directorships of listed entities in the last three years.
SPECIAL RESPONSIBILITIES	Non-executive director
DIRECTORS' INTERESTS IN SHARES AND OPTIONS	148,330,600 Ordinary Shares

DIRECTOR	**Emma Hill** B.Com, M.B.A
EXPERIENCE AND DIRECTORSHIPS	Emma was appointed a Director of the Company on 9 June 2016 having previously served as Director of Michael Hill's listed entity in New Zealand commencing 22 February 2007. She served as Deputy Chair of the Group from 2011 until 2015 and as Chair from 2015 until June 2021. Emma has over 30 years' experience working in various roles within the Group, commencing on the shop floor in Whangarei, New Zealand. She held a number of management positions in the Australian company before successfully leading the expansion of the Group into Canada as Retail General Manager in 2002. Emma holds a Bachelor of Commerce degree and an MBA from Bond University. Emma is not a Director of any other listed entities and has not had any directorships of listed entities in the last three years.
SPECIAL RESPONSIBILITIES	Non-executive director Chair of PDRC
DIRECTORS' INTERESTS IN SHARES AND OPTIONS	167,487,526 Ordinary Shares

DIRECTOR	**Gary Smith** B.Com, F.C.A., F.A.I.C.D.
EXPERIENCE AND DIRECTORSHIPS	Gary was appointed a Director of the Company on 24 February 2016 having previously served as Director of Michael Hill's listed entity in New Zealand commencing 2 November 2012. Gary has extensive Director experience across a range of boards and tourism related industry bodies. He is Chairman of Flight Centre Travel Group Ltd, one of Australia's top 100 public companies and is a member of their Audit and Remuneration sub-committees. He is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors. Gary is a Director of Flight Centre Travel Group Limited. He has not had any other directorships of listed entities in the last three years.
SPECIAL RESPONSIBILITIES	Non-executive and independent director Chair of ARMC Member of PDRC
DIRECTORS' INTERESTS IN SHARES AND OPTIONS	102,000 Ordinary Shares

DIRECTOR	**Jacqueline Naylor** M.A.I.C.D.
EXPERIENCE AND DIRECTORSHIPS	Jacqueline was appointed a Director of the Company on 15 July 2020, and retired as a Director of the Company on 8 April 2024. Jacqueline is a highly regarded Australian retail leader with over thirty years' executive and board experience in retail, fashion and eCommerce. She is currently an Independent Non-Executive Director of Myer and was previously a Director of PAS Group, Macpac and the Virgin Australia Melbourne Fashion Festival. This follows an extensive career as a retail executive (and later an executive director) at the Just Group, where Jacqueline oversaw merchandising, marketing and brand strategies across a portfolio of 800 stores. Jacqueline is a Director of Myer Holdings Limited. She has not had any other directorships of listed entities in the last three years.
SPECIAL RESPONSIBILITIES	Non-executive and independent director Member of ARMC
DIRECTORS' INTERESTS IN SHARES AND OPTIONS	160,000 Ordinary Shares (as at date of retirement as a director)

DIRECTOR	**David Whittle** B.A., B.Com
EXPERIENCE AND DIRECTORSHIPS	Dave was appointed a Director of the Company on 2 August 2023. Dave has considerable brand, data, technology, omni-channel retail and digital transformation experience. He is a Founder of Lexer, a global software company helping brands and retailers genuinely understand and engage their customers. In 2015, Dave became the youngest ASX 200 Non-Executive Director when he joined the board of Myer. Previously, Dave spent 10 years with global advertising group M&C Saatchi in several local and international leadership roles, culminating in three years as Managing Director in Australia. Dave is a Director of Myer Holding Limited. He has not had any other directorships of listed entities in the last three years.
SPECIAL RESPONSIBILITIES	Non-executive and independent director Member of ARMC
DIRECTORS' INTERESTS IN SHARES AND OPTIONS	70,431 Ordinary Shares

DIRECTOR	**Claudia Batten** LLB (Hons), B.Com
EXPERIENCE AND DIRECTORSHIPS	Claudia was appointed a Director of the Company on the 30 August 2024. Claudia started her professional career at law firm Russell McVeagh specialising in contract, IP, and technology law before moving to New York in 2002. Claudia was a member of the founding team of Massive Incorporated, a network for advertising in video games which helped pioneer "digital" as a media buy. Massive was sold to Microsoft in 2006, where Claudia spent 3 years scaling the in-game network. In 2009 she co-founded Victors & Spoils, the first advertising agency built on the principles of crowdsourcing which was acquired by French holding company Havas Worldwide just two years later. Claudia has been widely recognised for her work supporting the technology and start up scene in New Zealand and spent three years running North American operations for NZTE, supporting disruptive thinking for the growth of NZ exports in North America. Claudia is a graduate of Victoria University of Wellington with degrees in Law (Hons) and Commerce. Claudia is currently a Director of Air New Zealand Limited, Vista Group International Limited and is Chair of Serko Limited. She has not had any other directorships of listed entities in the last three years.
SPECIAL RESPONSIBILITIES	Non-executive and independent director Member of PDRC
DIRECTORS' INTERESTS IN SHARES AND OPTIONS	Nil Ordinary Shares

INFORMATION ON DIRECTORS, CONTINUED.

DIRECTOR	Daniel Bracken
EXPERIENCE AND DIRECTORSHIPS	Daniel joined the Group as the CEO in November 2018 and was appointed to the Board as an executive Director in June 2021. He has more than 25 years' experience managing some of the world's most iconic brands. He has an extensive background in corporate strategy, brand development, product design, customer engagement and digital expansion, and has been instrumental in executing turnaround initiatives across many retail businesses. Daniel is not a Director of any other listed entities and has not had any other directorships of listed entities in the last three years.
SPECIAL RESPONSIBILITIES	Managing Director Chief Executive Officer
DIRECTORS' INTERESTS IN SHARES AND OPTIONS	2,845,693 Ordinary Shares 2,826,226 Share Rights

COMPANY SECRETARIES

The Company has appointed two company secretaries, Andrew Lowe and Kate Palethorpe.

Andrew Lowe, who is also the Chief Financial Officer of the Group, was appointed to the position of Company Secretary on 1 March 2019, having also held that position previously from 15 December 2017 to 22 January 2018. Andrew has extensive experience in finance and leadership roles across a range of listed corporate groups with Australian and offshore operations.

Andrew holds a Bachelor of Commerce, a Bachelor of Laws (Hons) and a Masters of Applied Finance, and is a qualified Chartered Accountant and a Chartered Taxation Adviser of the Taxation Institute of Australia.

Kate Palethorpe, who is also the General Counsel of the Group, was appointed to the position of Company Secretary on 18 March 2024. Kate is an experienced ASX company secretary and governance professional, starting her career at top-tier law firm Minter Ellison before moving to in-house roles including Aesop, Aussie Farmers Direct and Australian Dairy Nutritionals. She has broad legal, commercial and governance experience and a strong background in retail and consumer brands/products.

Emily Bird held the position of Company Secretary from 31 July 2020 until 5 January 2024.

MEETINGS OF DIRECTORS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2024, and the numbers of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		MEETING OF COMMITTEES			
			Audit and Risk Management		People Development and Remuneration	
	A	B	A	B	A	B
R I Fyfe	11	11	4	4	5	5
Sir R M Hill	10	11	-	-	-	-
E J Hill	11	11	-	-	5	5
G W Smith	10	11	4	4	5	5
J E Naylor^	6	6	2	3	-	-
D Whittle*	10	10	2	2	-	-
D Bracken	11	11	-	-	-	-

A Number of meetings attended
B Number of meetings held during the time the director held office or was a member of the committee during the year
^ J E Naylor ceased to be a director of the company on 8 April 2024. She also ceased to be a member of the ARMC on that date.
* D Whittle was appointed as director of the company on 2 August 2023 and was appointed as a member of the ARMC on 13 November 2023.

COMMITTEE MEMBERSHIP

As at the date of this report, Michael Hill International Limited has an Audit and Risk Management Committee and a People Development and Remuneration Committee.

AUDIT AND RISK MANAGEMENT COMMITTEE

Gary Smith (Chair)
Robert Fyfe
Jacqueline Naylor (ceased membership on 8 April 2024)
David Whittle (commenced membership on 13 November 2023)

PEOPLE DEVELOPMENT AND REMUNERATION COMMITTEE

Emma Hill (Chair)
Robert Fyfe
Gary Smith
Claudia Batten (commenced membership on 30 August 2024)

AUDITED REMUNERATION REPORT

The directors present the 2024 Michael Hill International Limited remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded during FY24. The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001.*

LETTER FROM THE CHAIR OF THE PEOPLE DEVELOPMENT AND REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of Michael Hill Group, I am pleased to present the FY24 remuneration report. The report outlines the Group's remuneration strategy and framework and details how the Board has approached remuneration to retain and incentivise key management personal (KMP), while aligning reward with shareholder value creation.

Over the past several years Michael Hill Group has achieved significant growth and has transformed to become a modern, differentiated, omni- channel jewellery group. In FY24 however, persistent cost of living pressures has led to significant declines in consumer confidence and discretionary spending, which weighed heavily on the Group's financial performance.

Key results from FY24 include:

- Total Group revenue of $644.9m (2023: $629.6m) - an increase of 2.4%
- Reported EBIT* of $14.2m (2023: $58.9m) - a decrease of 75.8%
- Comparable EBIT* of $15.9m (2023: $58.9m) - a decrease of 73.0%

*Reported EBIT and Comparable EBIT are non-IFRS information. Please refer to non-IFRS information section in the Directors' Report for an explanation of non-IFRS information and a reconciliation of EBIT and Comparable EBIT.

On 1 June 2023, the Company completed the acquisition of jewellery and watch retailer 'Bevilles'. The Bevilles acquisition included a portfolio of 26 Australian stores and 350 team members. During the year 10 new Bevilles stores opened, establishing a brand presence in the Queensland market, with a total of seven stores to date. Throughout FY24 there was a strong focus on integration of the Bevilles business including relocation of the Bevilles head office from Melbourne to Brisbane to leverage the Group's existing distribution and support capability.

In response to challenging trading conditions during the year a cost optimisation program was undertaken. This program resulted in a review of the support centre structure and costs. A number of departments were restructured, resulting in the exit of some senior leadership roles and one executive role, which resulted in the redistribution of responsibilities to other executives.

It was pleasing to see an increase of two percentage points in our most recent engagement survey and we continue to rate well above industry average across all countries.

FY24 REMUNERATION

The Group's KMP and executive remuneration structure comprises a mix of market competitive fixed remuneration, short term incentives (STI) to reward annual performance and long-term incentives (LTI) to align long term financial performance and shareholder value creation. There were no changes to the Group remuneration structure during FY24.

The STI awarded for the year was 9.7% of potential and 19.5% of target for the CEO and 9.2% of potential and 18.5% of target for the CFO. The STI payment was for achievement of H1 KPIs which were awarded at the end of the half in accordance with policy. As a result of continued profit decline during H2 the STI program was suspended with no further payments made, despite the delivery of a number of strategic and operational objectives being achieved.

Under the Group's LTI program, 1,123,592 share rights were awarded to the CEO and 241,871 share rights were awarded to the CFO in FY24. These share rights are subject to the satisfaction of certain performance metrics over a three year performance period. In addition, in FY24 the CEO was issued 2,628,412 shares in the Company on vesting of his FY20 and FY21 LTI share rights and FY22 STI share rights. The CFO was issued 778,205 shares in the Company on vesting of his FY20 and FY21 LTI share rights and FY22 STI share rights.

At the 2023 Annual General Meeting shareholders approved an increase in the Non-Executive Director (NED) remuneration pool from $840,000 to $1,200,000. Non-Executive Director (NED) fees were increased by the Wage Price Index (WPI) of 3.6%. There were no other changes to the structure of NED fees.

AUDITED REMUNERATION REPORT, CONTINUED.

FY25 REMUNERATION UPDATE

In recognition of the challenging trade environment and FY24 decline in profit, no increase will be applied to Director fees for the FY25 year. In line with our remuneration policy the executive salaries were reviewed and an increase of 3% awarded, which was below CPI of 3.8% for 12 months to June 2024. Daniel Bracken as Managing Director and CEO elected to forgo a base salary increase for FY25. As a result of the Pay IQ review the structure of STI has moved from individual KPIs that are measured and awarded on a six monthly basis, to annual performance targets and payment. The Outperformance component of the STI, which grants the opportunity to double the On-Target award for financial outperformance, has moved from a stepped to linear payment curve awarded for above budget performance. The maximum award performance hurdle has moved to 165% of EBIT target from the previous 112% of EBIT.

In conclusion, the Board believes the remuneration outcomes for FY24 reflect an appropriate alignment between pay and performance during the year and are also reasonable in terms of the challenging operating environment.

Regards,

Emma Hill

Emma Hill
Chair of the People Development and Remuneration Committee

REMUNERATION OVERVIEW

This report sets out the remuneration arrangements for Michael Hill International's key management personnel (KMP). KMP have the authority and responsibility for planning, directing and controlling the activities of the entity. All KMP listed below have held their positions for the entire reporting period unless indicated otherwise.

Name	Position	Commencement as KMP
Non-Executive Directors		
Robert Fyfe	Chair and non-executive director	2016
Sir Richard Michael Hill	Founder and non-executive director	2016
Emma Hill	Non-executive director	2016
Gary Smith	Non-executive director	2016
David Whittle[1]	Non-executive director	2024
Jacqueline Naylor[2]	Non-executive director	2020
Managing Director and CEO		
Daniel Bracken	Managing Director and Chief Executive Officer	2019
Executive		
Andrew Lowe	Chief Financial Officer and Company Secretary	2017

1 David Whittle was appointed a non-executive director on 2 August 2023.
2 Jacqueline Naylor resigned as a non-executive director effective 8 April 2024.

PEOPLE DEVELOPMENT AND REMUNERATION COMMITTEE (PDRC)

The primary objective of the People Development and Remuneration Committee (PDRC) is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to the Company's people strategy including remuneration components, performance measurements and accountability frameworks, recruitment, engagement, retention, talent management and succession planning.

The following non-executive directors are members of the PDRC for the 2024 reporting period:

- Emma Hill - Chair of the PDRC
- Robert Fyfe - Chair of the Board of Directors
- Gary Smith - Chair of the Audit and Risk Committee

USE OF REMUNERATION CONSULTANTS

The PDRC obtains independent advice every three years on the appropriateness of remuneration practices of the Group given trends in comparative companies and the objectives of the Group's remuneration strategy. In FY22 PriceWaterhouse Coopers were engaged to benchmark KMP and Executive team remuneration and the results were considered in FY24 remuneration decisions.

In FY24 PayIQ were engaged to review the Group's STI Framework, which informed changes to FY25 Remuneration Framework. The fees paid to PayIQ for the remuneration recommendations were $25,300.

AUDITED REMUNERATION REPORT, CONTINUED.

REMUNERATION FRAMEWORK

Our remuneration philosophy is guided by our vision to be a modern, differentiated, omni channel jewellery group. The structure of compensation is designed with a mix of market competitive fixed remuneration, short term incentives to reward annual performance and long term incentives to align financial performance and shareholder value creation.

OUR VALUES

WE CARE

•

WE ARE PROFESSIONAL

•

WE ARE INCLUSIVE AND DIVERSE

•

WE CREATE OUTSTANDING EXPERIENCES

OUR REMUNERATION PHILOSOPHY

ATTRACT, MOTIVATE AND RETAIN TALENT

•

REWARD THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

•

ALIGN TO SHAREHOLDER VALUE CREATION

OUR REMUNERATION FRAMEWORK

	FIXED REMUNERATION	SHORT TERM INCENTIVE (STI)	LONG TERM INCENTIVE (LTI)
How is it set?	Fixed Remuneration is set with reference to market competitive rates in comparative companies for similar positions, adjusted to account for the experience, ability and effectiveness of the individual Executive.	Executive KMP participate in the Group's STI program prioritising Board approved on target and outperformance targets.	The Company has established an LTI plan as deferred compensation.
How is it delivered?	Base salary plus any fixed elements including superannuation and leave entitlements.	Cash for on target performance and for outperformance.	An issue of share rights is made to Executive KMP. The rights vest at the end of the performance period if certain performance hurdles and vesting conditions are met. Under the LTI plan rules the Board also has discretion to settle an issue of vested shares via an equivalent cash payment.
What is the objective?	Attract and retain key Executive talent.	Drive annual profit growth and align Executive reward with achievement of performance targets that underpin strategy.	Reward Executive KMP for sustainable long term growth aligned to shareholders' interests.

RELATIONSHIP OF REMUNERATION TO GROUP PERFORMANCE

The remuneration framework operates to create a clear link between Executive remuneration and the Group's performance. The overall level of remuneration takes into consideration the performance of the Group over several years. The performance of the Group over the past five years is summarised below:

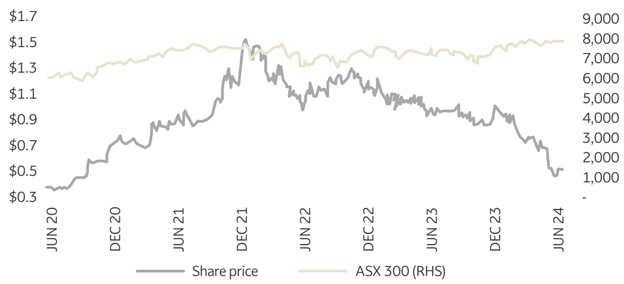
	2024	2023	2022	2021	2020
Revenue ($'000)	644,929	629,562	595,210	556,486	492,060
Comparable EBIT* ($'000)	15,898	58,889	62,870	56,594	25,686
Profit for the year attributable to owners of the Company ($'000)	(479)	35,182	46,712	41,015	3,059
Earnings per share (cents)	(0.12c)	9.20c	12.03c	10.57c	0.79c
Dividends paid during the financial year[1] ($'000)	20,195	30,719	25,239	11,636	5,817
Market capitalisation ($'000)	173,081	339,822	361,105	322,158	131,841
Share price at year end ($)	0.45	0.90	0.93	0.83	0.34
Compound annual growth rate	(20.1%)	(2.2%)	13.9%	148.5%	(34.3%)
Return on average total assets	(0.1%)	6.7%	9.3%	9.0%	0.7%

* EBIT and Comparable EBIT are Non-IFRS Information. Please refer to Non-IFRS Information in the Directors' Report for an explanation of Non-IFRS information and a reconciliation of EBIT and Comparable EBIT.

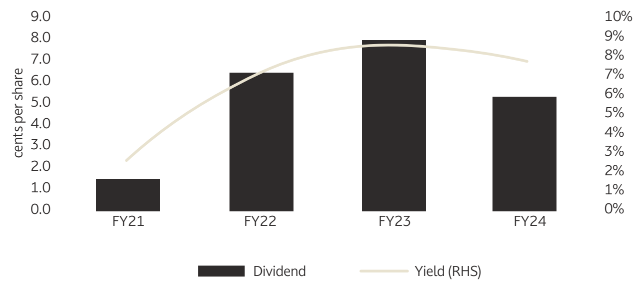
[1] The dividends paid in FY21 are the postponed interim dividend for FY20 and the interim dividend for FY21. No final dividend was declared for FY20.

The first graph below shows the share price growth and movement compared to the ASX300 whilst the second graph shows the dividend paid and yield per financial year.

SHARE PRICE AND ASX 300

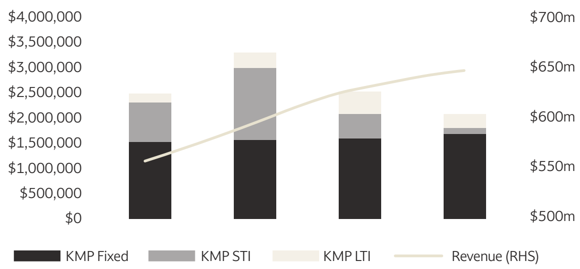


DIVIDEND AND YIELD

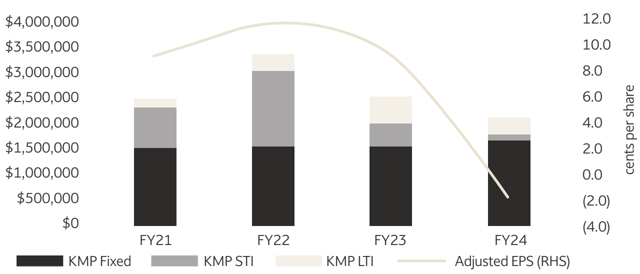


The graphs below show the relationship of KMP remuneration to revenue and Adjusted Earnings Per Share[1] for the last four financial years.

KMP REMUNERATION AND REVENUE



KMP REMUNERATION AND ADJUSTED EARNINGS PER SHARE



[1] Adjusted Earnings Per Share is calculated similarly to statutory Earnings Per Share except EBIT is adjusted to Comparable EBIT as set out in the Directors' Report.

AUDITED REMUNERATION REPORT, CONTINUED.

FY24 EXECUTIVE KEY MANAGEMENT PERSONNEL (KMP) REMUNERATION

As per our Remuneration Policy, formal benchmarking of KMP remuneration is conducted every three years. The last review was conducted in the lead up to FY23 and the findings from this activity were used to inform the FY24 KMP remuneration outcomes.

REMUNERATION MIX

The total remuneration for Executive KMPs comprises both Fixed Remuneration and at risk components in the form of On-Target STI, Outperformance STI and LTI. Maximum STI and LTI incentives are calculated as a % of the relevant Executive KMPs Fixed Remuneration component, with the actual amount delivered to the KMP subject to satisfaction of certain performance conditions. The remuneration mix is designed to compensate KMP in a way that strongly correlates to Group performance. The Outperformance STI gives the Executive KMPs the ability to earn the equivalent % of the On-Target STI value, paid in cash.

KMP	Fixed Remuneration	Maximum STI	LTI	Total
Daniel Bracken - CEO	34.8%	32.1%	33.1%	100.0%
Andrew Lowe - CFO	48.5%	32.0%	19.4%	100.0%

FIXED REMUNERATION

Fixed Remuneration is reviewed annually, and our policy is to consider the consumer price index (CPI), Executive performance and retention, and increases to any applicable superannuation concessional contributions cap. Remuneration is set with reference to market competitive rates in comparable companies for similar positions adjusted for the experience, ability and effectiveness of the individual Executive KMP. Fixed Remuneration includes base salary and superannuation contributions at the rate of the concessional contributions cap. At the commencement of the reporting period, CPI was at 6%, which had decreased from the previous quarter, in addition the minimum wage was increased 5.75%. Due to wage inflation the base salary of the CEO increased by 5% and the base salary of the CFO increased by 5%. Superannuation was maintained at the concessional contributions cap of $27,500 for both KMP.

SHORT TERM INCENTIVE (STI) SCHEME

The Group's STI program is designed to reward delivery of annual profit targets and ensure achievement of strategic and operational objectives. The maximum STI is calculated as a % of the relevant Executive KMP's Fixed Remuneration component and detailed in performance scorecards that are set by the People, Development and Remuneration Committee (PDRC). The scorecards detail the performance targets, indicators and weightings for each Executive across the key performance areas of Financial, Strategy, Customer and People. The CEO's scorecard is comprised of core objectives from each Executive's scorecard.

The STI program is supported by a performance management system giving visibility and transparency of progress by each Executive.

Performance against key performance indicators (KPIs) is formally measured on a biannual basis and informally in regular meetings.

The STI program in FY24 for KMP was structured as follows:

Performance period	Annual award for Financial KPI Six monthly award for Strategy, Customer and People KPIs
Opportunity	CEO - 92% of Fixed Remuneration comprised of 46% for On-Target performance, and 46% for Outperformance CFO - 66% of Fixed Remuneration comprised of 33% for On-Target performance, and 33% for Outperformance
How the STI is paid?	In cash for On-Target performance and in cash for Outperformance
On-Target performance measures	Financial KPI 60% weighting Strategy, Customer and People KPIs 40% weighting
Performance measure for Outperformance component	Starting at $2.0m above FY24 budgeted EBIT and increasing progressively
How is STI assessed?	The PDRC reviews the CEO's performance against the performance targets and objectives set for that year. The CEO assesses the performance of his direct reports which include the CFO. The PDRC reviews the assessed performance for Board endorsement.

STI OUTCOMES

The following tables detail the FY24 STI scorecard KPIs and assessment applied to the CEO and CFO. In H1 the majority of the individual KPIs for both KMP were achieved and payment made, as detailed in the table below. At the end of the FY24 financial year, both KMP achieved their strategic and customer targets, with an improvement on the people target. However, with the decline in profit in H2 the STI program was suspended with no further payments made at the end of the year for the second half.

KPI	2024 Performance Assessment
FINANCIAL (60% weighting) EBIT	Target not achieved
STRATEGY (15% weighting) Growth, Cyber security, Store of the future	Achieved
CUSTOMER (15% weighting) Brand refresh	Achieved
PEOPLE (10% weighting) Culture and engagement, ESG	Engagement improvement on FY23 but not to target and not awarded. ESG achieved.

AUDITED REMUNERATION REPORT, CONTINUED.

ANALYSIS OF BONUSES INCLUDED IN REMUNERATION

	Incentive			Remuneration		
	On-Target achieved	Out-performance achieved	Total potential available	Cash STI component	Total STI included	Amount Forfeited
	%	%	$	$	$	$
Daniel Bracken	19.5%	0.0%	1,027,283	100,160	100,160	927,123
Andrew Lowe	18.5%	0.0%	376,777	34,852	34,852	341,925

LTI SCHEME

The FY24 LTI program for KMP was structured as follows:

Performance period	3 years
Opportunity	CEO - 95% of Fixed Remuneration CFO - 40% of Fixed Remuneration
Instrument	Share rights
Performance metrics	Total Shareholder Return (TSR) compound annual growth rate (CAGR) over 3 years Earnings per Share (EPS) CAGR over 3 years
Service condition	Awards are subject to a service condition requiring the Executive KMP to remain employed by the Group until the performance hurdle assessment date (being 10 ASX trading days following the release of the Group's FY26 results).
Vesting schedule for the Performance metrics	Subject to the KMP meeting the Service condition, share rights attached to the TSR and EPS performance metrics vest in accordance with a sliding vesting schedule: **The TSR vesting schedule is as follows:** • No rights vest if TSR is equal to or less than 10% CAGR • 10% of share rights vest for each 1% increase in CAGR performance between 10% CAGR to 20% CAGR • 100% of share rights vest if TSR is equal to or above 20% CAGR **The EPS vesting schedule is as follows:** • No rights vest if EPS is equal to or less than 5% CAGR • 10% of share rights vest for each 1% increase in CAGR between 5% CAGR to 10% CAGR • 100% of share rights vest if EPS is equal to or above 10% CAGR
Rationale for the performance metric and condition	The TSR and EPS metrics have been deemed by the PDRC to be a suitable market based measure to create alignment between the interests of Executive KMP and the interests of shareholders.
What happens when a KMP ceases employment?	The treatment of the KMP's share rights (both vested and unvested) will depend on the circumstances of cessation of their employment. For example, where the KMP ceases employment due to resignation or termination for cause, they will be entitled to retain their vested and unexercised share rights but will forfeit all of their unvested share rights (unless the Board determines a different treatment). In other cases such as redundancy or bona fide retirement, the KMP will be entitled to retain their vested and unexercised share rights, and their unvested share rights. Any unvested share rights will be retained on a pro rata basis (based on the proportion of the vesting period for those share rights that will have lapsed on the date the KMP's employment ceased). In addition, any vesting conditions applicable to a KMP's unvested share rights will automatically be waived, unless the Board determines a different treatment.
Dividends and voting rights	Share rights do not confer on the holder any entitlement to any dividends or other distributions by the Group or any right to attend or vote at any general meeting of the Group.

FY24 LTI OUTCOMES

Both Executive KMP were eligible to participate in the FY24 LTI in accordance with the LTI program detailed in the preceding table. For the CEO, the grant of share rights under the FY24 LTI plan was approved by shareholders at the 2023 Annual General Meeting held on 14 November 2023. Further details of the number of share rights granted to the CEO and CFO in relation to the FY24 LTI can be found later in this report under the heading 'Reconciliation of Options and Share Rights held by KMP'.

OTHER BENEFITS

Executive KMP do not receive additional benefits, such as non-cash benefits, other than superannuation and leave entitlements, as part of the terms and conditions of their appointment. Loans are not provided.

SERVICE CONTRACTS

It is the Group's policy that service contracts for KMP are unlimited in term but capable of termination on six months' notice (twelve months in the case of the CEO) and that the Group retains the right to terminate the contract immediately, by making payment equal to three months' pay in lieu of notice (or twelve months in the case of the CEO). KMP are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

FY24 NON-EXECUTIVE DIRECTOR REMUNERATION

Total compensation for all Non-Executive Directors, voted upon by shareholders on 14 November 2023, is not to exceed $1,200,000 per annum. Directors' base fees for FY24 were $110,795 per annum. The Board Chair receives twice the base fee. Additional fees are paid where a Director is Chair of a committee.

COMMITTEE CHAIR FEES	$
People Development and Remuneration	22,890
Audit and Risk	34,336

It is the Company's policy to consider CPI and the WPI in determining any increase to Directors' fees annually. In FY24, CPI was 6% and WPI was 3.6%. It was decided that that the appropriate measure to apply was WPI and the Non-Executive Director fees increased by the WPI percentage of 3.6%.

All Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director. Non-Executive Directors do not receive performance-related compensation. Directors' fees cover all main Board activities and membership of committees. Non-Executive Directors are not provided with retirement benefits apart from statutory superannuation.

AUDITED REMUNERATION REPORT, CONTINUED.

DIRECTOR AND EXECUTIVE REMUNERATION OUTCOMES FOR FY24

Details of the nature and amount of each major element of remuneration of each Director of the Company and other KMP of the consolidated entity are:

Name	Short-term			Long-term	Post-employment	Share-based payments			Proportion remuneration performance related	Value of rights as proportion of remuneration
	Salary & fees*	STI cash bonus	Total	Long service leave	Super-annuation benefits	Termination benefits	Share rights	Total		
	$	$	$	$	$	$	$	$	%	%
NON-EXECUTIVE DIRECTORS										
Emma Jane Hill										
2024	133,544	-	**133,544**	-	-	-	-	**133,544**	-	-
2023	128,748	-	**128,748**	-	-	-	-	**128,748**	-	-
Sir Richard Michael Hill										
2024	110,678	-	**110,678**	-	-	-	-	**110,678**	-	-
2023	106,702	-	**106,702**	-	-	-	-	**106,702**	-	-
Gary Warwick Smith										
2024	130,602	-	**130,602**	-	14,529	-	-	**145,131**	-	-
2023	126,634	-	**126,634**	-	13,454	-	-	**140,088**	-	-
Robert Ian Fyfe										
2024	221,356	-	**221,356**	-	-	-	-	**221,356**	-	-
2023	213,405	-	**213,405**	-	-	-	-	**213,405**	-	-
David Whittle (appointed 2 August 2023)										
2024	91,477	-	**91,477**	-	10,187	-	-	**101,664**	-	-
2023	-	-	-	-	-	-	-	-	-	-
Jacqueline Elizabeth Naylor (resigned 8 April 2024)										
2024	76,781	-	**76,781**	-	8,446	-	-	**85,227**	-	-
2023	96,674	-	**96,674**	-	10,390	-	-	**107,064**	-	-
EXECUTIVE DIRECTOR										
Daniel Bracken, CEO										
2024	1,149,265	100,160	**1,249,425**	22,139	27,500	-	150,822	**1,449,886**	6.91%	10.40%
2023	1,062,937	342,850	**1,405,786**	21,252	27,500	-	290,033	**1,744,572**	19.65%	16.62%
TOTAL DIRECTOR REMUNERATION										
2024	1,913,703	100,160	**2,013,863**	22,139	60,662	-	150,822	**2,247,485**	6.91%	10.40%
2023	1,735,100	342,850	**2,077,949**	21,252	51,344	-	290,033	**2,440,578**	19.65%	16.62%

* Salary and fees include the net leave entitlement accrual, calculated as leave accrued less leave taken.

Name	Short-term			Long-term	Post-employment	Share-based payments			Proportion remuneration performance related	Value of rights as proportion of remuneration
	Salary & fees*	STI cash bonus	Total	Long service leave	Super-annuation benefits	Termination benefits	Share rights	Total		
	$	$	$	$	$	$	$	$	%	%
NON-DIRECTOR KMP										
Andrew Lowe, CFO										
2024	528,326	34,852	**563,178**	11,454	27,500	-	32,056	**634,189**	5.50%	5.05%
2023	523,568	125,895	**649,463**	11,117	27,500	-	78,139	**766,220**	16.43%	10.20%
TOTAL NON-DIRECTOR KMP REMUNERATION										
2024	528,326	34,852	**563,178**	11,454	27,500	-	32,056	**634,189**	5.50%	5.05%
2023	523,568	125,895	**649,463**	11,117	27,500	-	78,139	**766,220**	16.43%	10.20%
TOTAL KMP REMUNERATION										
2024	2,442,029	135,012	**2,577,041**	33,593	88,162	-	182,878	**2,881,674**	4.64%	6.29%
2023	2,258,668	468,745	**2,727,413**	32,369	78,844	-	368,172	**3,206,798**	14.62%	11.48%

* Salary and fees include the net leave entitlement accrual, calculated as leave accrued less leave taken.

ADDITIONAL STATUTORY INFORMATION

EQUITY INSTRUMENTS

All options or rights refer to options or rights over ordinary shares of Michael Hill International Limited, which are exercisable on a one-for-one basis under the Company's Equity Incentive Plan (Plan).

MODIFICATION OF TERMS OF EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The terms of the Plan were approved by shareholders at the Company's 2023 Annual General Meeting held on 14 November 2023. The Plan replaced the Group's previous incentive scheme approved by shareholders to address significant changes to the *Corporations Act* covering employee share schemes. No changes were otherwise made to the terms of the Plan during the reporting period.

The Plan applies to any rights or shares issued after 14 November 2023 as part of the Company's LTI remuneration strategy.

The terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a KMP) entered into prior to 14 November 2023 have not been altered or modified by the Company during the reporting period or the prior period. Upon exercise of any option previously granted with a NZ$ exercise price, the exercise price will be converted to AU$ with reference to the Reserve Bank of Australia foreign exchange rate on that date. The exercise price of any future option grants will be set by using the same method, with reference to the Australian Securities Exchange ('ASX').

ANALYSIS OF OPTIONS AND RIGHTS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

No options were granted to KMP as compensation for the financial year.

SHARE RIGHTS

The number of share rights issued to KMP and senior management during FY24 was 1,365,463 share rights. Of these, the number of share rights issued to KMP are set out below. Refer to note D3 of the accompanying financial report for further details.

	Issued during the year	**Fair value per share right**
KMP	**Number**	**$**
Daniel Bracken	1,123,592	0.45
Andrew Lowe	241,871	0.45

RECONCILIATION OF OPTIONS AND SHARE RIGHTS HELD BY KMP

No options are held by KMP. The number of rights over ordinary shares held during the financial year by KMP, including the number issued, vested, exercised and forfeited is set out below:

	Balance at start of the year				Balance at end of the year			
	Vested and Exercisable	Unvested	Issued	Forfeited	Vested	Exercised	Vested and Exercisable	Unvested
DANIEL BRACKEN								
FY19 LTI Plan								
Tranche one	27,504	-	-	-	-	(27,504)	-	-
Tranche two	27,504	-	-	-	-	(27,504)	-	-
Tranche three	-	55,010				-		55,010
FY20 LTI Plan								
Tranche one	35,615	-	-	-	-	(35,615)	-	-
Tranche two	-	35,615	-	-	-	-	-	35,615
Tranche three	-	71,229	-	-	-	-	-	71,229
FY21 LTI Plan								
Single Issue	-	2,057,738	-	-	2,057,738	(2,057,738)	-	-
FY22 LTI Plan								
Single Issue	-	634,081	-	-	-	-	-	634,081
FY22 STI Plan								
Single Issue	480,051	-	-	-	-	(480,051)	-	-
FY23 LTI Plan								
Single Issue	-	906,699	-	-	-	-	-	906,699
FY24 LTI Plan								
Single Issue	-	-	1,123,592	-	-	-	-	1,123,592

ADDITIONAL STATUTORY INFORMATION, CONTINUED.

	Balance at start of the year				Balance at end of the year			
	Vested and Exercisable	Unvested	Issued	Forfeited	Vested	Exercised	Vested and Exercisable	Unvested
ANDREW LOWE								
FY18 LTI Plan								
Tranche three	8,648	-	-		-	(8,648)	-	-
FY19 LTI Plan								
Tranche two	8,365	-	-		-	(8,365)	-	-
Tranche three	-	16,733	-		-	-	-	16,733
FY20 LTI Plan								
Tranche one	6,424	-	-		-	(6,424)	-	-
Tranche two	-	6,424	-		-	-	-	6,424
Tranche three	-	12,847	-		-	-	-	12,847
FY21 LTI Plan								
Single Issue	-	603,119	-		603,119	(603,119)	-	-
FY22 LTI Plan								
Single Issue	-	200,307	-		-	-	-	200,307
FY22 STI Plan								
Single Issue	151,649	-	-		-	(151,649)	-	-
FY23 LTI Plan								
Single Issue	-	195,411	-		-	-	-	195,411
FY24 LTI Plan								
Single Issue	-	-	241,871		-	-	-	241,871
TOTAL	**745,760**	**4,795,213**	**1,365,463**	**-**	**2,660,857**	**(3,406,617)**	**-**	**3,499,819**

* Share rights granted to Daniel Bracken during the reporting period were approved by shareholders at the Company's 2023 AGM as required by ASX Listing Rule 10.14.

SHAREHOLDINGS

The number of ordinary shares held during the financial year by KMP is set out below:

	Balance at start of the year	Received on exercise of rights	Other changes	Balance at end of the year
NON-EXECUTIVE DIRECTORS	**Number**	**Number**	**Number**	**Number**
Emma Hill*	167,487,526	-	-	167,487,526
Sir Richard (Michael) Hill*	148,330,600	-	-	148,330,600
Gary Smith	80,000	-	22,000	102,000
Robert Fyfe	1,953,578	-	-	1,953,578
David Whittle	-	-	70,431	70,431
Jacqueline Naylor	160,000	-	(160,000)	-
EXECUTIVE DIRECTOR				
Daniel Bracken	201,869	2,628,412	15,412	2,845,693
NON- DIRECTOR				
Andrew Lowe	17,015	778,205	-	795,220

* Includes common shareholding due to a related party.

VOTING OF SHAREHOLDERS AT LAST YEAR'S ANNUAL GENERAL MEETING

The Company received 99.08% of "For" votes on its remuneration report for FY23. The Company also obtained approval to increase the Non-Executive Director remuneration pool from $840,000 to $1,200.000 at the 2023 AGM. 77.73% of shareholders voted "For" this resolution. The Company did not otherwise receive any specific feedback at the AGM or throughout the year on its remuneration practices.

INSURANCE OF OFFICERS AND INDEMNITIES

The Company's Constitution provides that it may indemnify any person who is, or has been, an officer of the Group, including the directors, the Secretaries and other officers, against liabilities incurred whilst acting as such officers to the extent permitted by law. The Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company's directors, Company Secretaries and certain other officers. No director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the year.

The Company has paid a premium for insurance for officers of the Group. This insurance is against a liability for costs and expenses incurred by officers in defending civil or criminal proceedings involving them as such officers, with some exceptions. The contract of insurance prohibits disclosure of the nature of the liability insured against and the amount of the premium paid.

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Ernst & Young (Australia).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is included in this report.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made on 30 August 2024 in accordance with a resolution of directors as required by section 298 of the *Corporations Act 2001.*

R I Fyfe
Chair

Brisbane
30 August 2024

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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MICHAEL HILL INTERNATIONAL LIMITED

As lead auditor for the audit of the financial report of Michael Hill International Limited for the financial year ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Michael Hill International Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

K McKenzie

Kellie McKenzie
Partner

30 August 2024

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	Notes	2024 $'000	2023 $'000
Revenue from contracts with customers	A2	644,929	629,562
Other income	A3	2,856	2,256
Cost of goods sold		(254,011)	(225,122)
Employee benefits expense	D1	(182,670)	(168,357)
Occupancy costs		(13,468)	(9,928)
Marketing expenses		(42,052)	(44,152)
Selling expenses		(22,330)	(20,871)
Impairment reversal of property, plant and equipment and other assets		265	2,244
Depreciation and amortisation expense	F1	(68,013)	(57,724)
Loss on disposal of property, plant and equipment		(413)	(116)
Administrative expenses		(26,847)	(25,533)
Other expenses		(23,700)	(22,581)
Finance expenses	F1	(14,914)	(9,931)
Profit/(loss) before income tax		**(368)**	**49,747**
Income tax expense	F8	(111)	(14,565)
Profit/(loss) for the year		**(479)**	**35,182**

OTHER COMPREHENSIVE INCOME	Notes	2024 $'000	2023 $'000
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising during the year		(1,228)	(2,554)
Other comprehensive income for the year, net of tax		**(1,228)**	(2,554)
Total comprehensive income/(loss) for the year		**(1,707)**	**32,628**
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Michael Hill International Limited		**(1,707)**	**32,628**

EARNINGS PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY	Notes	2024 cents	2023 cents
Basic earnings per share	F2	(0.12)	9.20
Diluted earnings per share	F2	(0.12)	9.00

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	2024 $'000	2023 $'000
CURRENT ASSETS			
Cash and cash equivalents	B1	20,174	20,867
Trade and other receivables	F3	14,803	14,533
Inventories	A4	195,785	203,260
Current tax receivables		704	689
Contract assets	A2	557	452
Other current assets		7,576	5,061
Total current assets		**239,599**	**244,862**
NON-CURRENT ASSETS			
Trade and other receivables	F3	990	995
Right-of-use assets	A5	133,988	139,052
Property, plant and equipment	F4	59,707	57,806
Intangible assets	F5	57,803	53,910
Deferred tax assets	F8	52,507	49,118
Contract assets	A2	251	371
Other non-current assets		399	374
Total non-current assets		**305,645**	**301,626**
Total assets		**545,244**	**546,488**

LIABILITIES	Notes	2024 $'000	2023 $'000
CURRENT LIABILITIES			
Trade and other payables	F6	68,135	71,202
Lease liabilities	A5	40,278	41,075
Contract liabilities	A2	19,616	20,685
Provisions	F7	13,114	13,245
Current tax liabilities		812	6,768
Deferred revenue		236	212
Deferred consideration		2,851	1,814
Total current liabilities		**145,042**	**155,001**
NON-CURRENT LIABILITIES			
Lease liabilities	A5	114,303	117,518
Contract liabilities	A2	52,955	59,418
Borrowings	B2	58,900	12,500
Provisions	F7	7,163	10,879
Deferred consideration		-	2,557
Total non-current liabilities		**233,321**	**202,872**
Total liabilities		**378,363**	**357,873**
Net assets		**166,881**	**188,615**

EQUITY	Notes	2024 $'000	2023 $'000
Contributed equity	F10	12,763	11,112
Reserves		(102)	2,609
Retained profits		154,220	174,894
Total equity		**166,881**	**188,615**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ATTRIBUTABLE TO OWNERS OF MICHAEL HILL INTERNATIONAL LIMITED	Notes	Contributed Equity	Share Based Payments Reserve	Foreign Currency Translation Reserve	Retained Profits	Total Equity
		$'000	$'000	$'000	$'000	$'000
Balance at 26 June 2022		**11,388**	**767**	**2,602**	**180,338**	**195,095**
Profit for the year		-	-	-	35,182	35,182
Currency translation differences		-	-	(2,554)	-	(2,554)
Total comprehensive income for the year		**-**	**-**	**(2,554)**	**35,182**	**32,628**
Transactions with members in their capacity as owners:						
Dividends paid/provided	B3	-	-	-	(30,719)	(30,719)
Issue of share capital on exercise of share rights		24	(24)	-	-	-
Share-based payments expense	D3	-	1,818	-	-	1,818
Share buy-back	F10	(300)	-	-	(9,907)	(10,207)
		(276)	**1,794**	**-**	**(40,626)**	**(39,108)**
Balance at 2 July 2023		**11,112**	**2,561**	**48**	**174,894**	**188,615**
Loss for the year		-	-	-	(479)	(479)
Currency translation differences		-	-	(1,228)	-	(1,228)
Total comprehensive income/(loss) for the year		**-**	**-**	**(1,228)**	**(479)**	**(1,707)**
Transactions with members in their capacity as owners:						
Dividends paid/provided	B3	-	-	-	(20,195)	(20,195)
Issue of share capital on exercise of share rights		1,651	(1,651)	-	-	-
Share-based payments expense	D3	-	168	-	-	168
		1,651	**(1,483)**	**-**	**(20,195)**	**(20,027)**
Balance at 30 June 2024		**12,763**	**1,078**	**(1,180)**	**154,220**	**166,881**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2024 $'000	2023 $'000
Receipts from customers (inclusive of GST and sales taxes)		720,045	693,744
Payments to suppliers and employees (inclusive of GST and sales taxes)		(624,642)	(571,361)
		95,403	**122,383**
Interest received		318	792
Other revenue received		1,674	1,460
Interest paid		(3,641)	(919)
Leasing interest paid	A5	(10,640)	(8,791)
Income tax paid		(11,912)	(6,728)
Net GST and sales taxes paid		(33,429)	(28,125)
Net cash inflow from operating activities	**B1**	**37,773**	**80,072**

CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		10	61
Payments for property, plant and equipment	F4	(21,099)	(26,479)
Payments for intangible assets	F5	(6,510)	(7,790)
Acquisition of business	G1	(250)	(48,113)
Net cash (outflow) from investing activities		**(27,849)**	**(82,321)**

CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	B2	124,500	21,500
Repayment of borrowings	B2	(65,600)	(9,000)
Principal portion of lease payments	A5	(49,240)	(45,098)
Dividends paid to company's shareholders	B3	(20,195)	(30,719)
Share buyback / share options exercised	F10	-	(10,207)
Net cash (outflow) from financing activities		**(10,535)**	**(73,524)**

Net increase in cash and cash equivalents		**(611)**	**(75,773)**
Cash and cash equivalents at the beginning of the financial year		20,867	95,844
Effects of exchange rate changes on cash and cash equivalents		(82)	796
Cash and cash equivalents at the end of the financial year	**B1**	**20,174**	**20,867**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CORPORATE INFORMATION

The consolidated financial statements of Michael Hill International Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of the directors on 30 August 2024. Michael Hill International Limited (the Company or Parent) is a for profit company limited by shares incorporated in Australia. The Company is listed on the Australian Securities Exchange ('ASX') as its primary listing, and maintains a secondary listing on the New Zealand Stock Exchange ('NZX').

A. FINANCIAL OVERVIEW

A1. SEGMENT INFORMATION

Management have determined the operating segments based on the reports reviewed by the Board and Executive Management team (chief operating decision makers (CODM)) that are used to make strategic decisions. The Board and Executive Management team consider, organise and manage the business primarily from a geographic perspective, being the country of origin where the sale and service was performed.

The amounts provided to the Board and Executive Management team in respect of total assets and liabilities are measured in a manner consistent with the financial statements. These reports do not allocate total assets or total liabilities based on the operations of each segment or by geographical location.

The Group's operations are in three geographical segments: Australia, New Zealand and Canada.

The corporate and other segment includes revenue and expenses that do not relate directly to the relevant Michael Hill Group retail segments. These predominantly relate to refining income, head office staff sales, corporate costs and Australian based support costs, but also include manufacturing activities, warehouse and distribution, interest and company tax. Inter-segment pricing is at arm's length or market value and inter-segment revenue is eliminated on consolidation.

The segment disclosures are prepared excluding the impact of AASB16 *Leases* and IFRIC SaaS guidance. An adjustment column representing these entries has been included for the purposes of reconciliation to statutory results.

TYPES OF PRODUCTS

Michael Hill International Limited and its controlled entities operate predominately in the sale of jewellery and related services.

MAJOR CUSTOMERS

Michael Hill International Limited and its controlled entities sell goods and provide 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 total consolidated revenue.

SEGMENT RESULTS

	Australia	New Zealand	Canada	Corporate & other	Group pre-adjustments	Adjustments	Group
Year ended 30 June 2024	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Operating revenue	359,102	106,283	176,669	2,875	644,929	-	644,929
Gross profit	217,074	63,386	107,115	3,343	390,918	-	390,918
Gross margin	60.4%	59.6%	60.6%		60.6%		60.6%
EBITDA*	41,726	17,224	28,811	(52,596)	35,165	47,076	82,241
Depreciation and amortisation	(12,515)	(3,715)	(7,772)	(2,599)	(26,601)	(41,412)	(68,013)
Segment EBIT*	**29,211**	**13,509**	**21,039**	**(55,195)**	**8,564**	**5,664**	**14,228**
EBIT as a % of revenue	8.1%	12.7%	11.9%		1.3%		2.2%
Interest income	4	-	-	314	318	-	318
Finance costs	(233)	(27)	-	(4,014)	(4,274)	(10,640)	(14,914)
Net profit/(loss) before tax	**28,982**	**13,482**	**21,039**	**(58,895)**	**4,608**	**(4,976)**	**(368)**
Income tax expense							(111)
Net loss after tax							**(479)**

SEGMENT RESULTS, CONTINUED.

	Australia	New Zealand	Canada	Corporate & other	Group pre-adjustments	Adjustments	Group
Year ended 2 July 2023	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Operating revenue	331,007	121,470	176,442	643	629,562	-	629,562
Gross profit	211,823	75,193	111,629	5,795	404,440	-	404,440
Gross margin	64.0%	61.9%	63.3%		64.2%	-	64.2%
EBITDA*	63,774	26,842	36,753	(48,701)	78,668	37,939	116,607
Depreciation and amortisation	(10,242)	(3,292)	(6,742)	(2,197)	(22,473)	(35,251)	(57,724)
Segment EBIT*	**53,532**	**23,550**	**30,011**	**(50,898)**	**56,195**	**2,688**	**58,883**
EBIT as a % of revenue	16.2%	19.4%	17.0%	-	8.9%	-	9.4%
Interest income	3	-	-	792	795	-	795
Finance costs	(155)	(3)	-	(982)	(1,140)	(8,791)	(9,931)
Net profit/(loss) before tax	**53,380**	**23,547**	**30,011**	**(51,089)**	**55,850**	**(6,103)**	**49,747**
Income tax expense							(14,565)
Net profit after tax							**35,182**

* EBIT and EBITDA are non-IFRS information. Please refer to non-IFRS information in the Directors' Report for an explanation of non-IFRS information and a reconciliation of EBIT to statutory results.

A2. REVENUE

	2024 $'000	2023 $'000
Revenue from sale of goods and repair services	609,337	595,105
Revenue from Professional Care Plans (PCP)	32,700	32,905
Interest and other revenue from in-house customer finance program	1,216	590
Revenue from Lifetime Diamond Warranty (LTDW)	1,676	962
Total revenue from contracts with customers	**644,929**	**629,562**

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following geographical regions:

2024	Australia	New Zealand	Canada	Corporate & other	Group
Timing of revenue recognition	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At a point in time	339,948	100,167	166,057	3,165	609,337
Over time	18,824	6,116	10,612	40	35,592
	358,772	**106,283**	**176,669**	**3,205**	**644,929**

2023	Australia	New Zealand	Canada	Corporate & other	Group
Timing of revenue recognition	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
At a point in time	311,884	114,588	168,248	385	595,105
Over time	19,123	6,882	8,194	258	34,457
	331,007	**121,470**	**176,442**	**643**	**629,562**

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

	2024 $'000	2023 $'000
Right of return assets	426	257
Deferred PCP bonuses	382	566
Total contract assets	**808**	**823**
Deferred service revenue - PCP	66,041	73,860
Deferred service revenue - Lifetime Diamond Warranty	5,652	5,664
Rights of return liabilities	878	579
Total contract liabilities	**72,571**	**80,103**

REVENUE RECOGNISED IN RELATION TO CONTRACT LIABILITIES

The following table shows how much of the revenue recognised in the current reporting year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied or partially satisfied in a prior year:

	2024 $'000	2023 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	23,371	22,075
Impact on revenue recognised relating to performance obligations satisfied in previous years	4,317	2,319

Revenue recognition patterns are regularly reassessed based on new and historical trends resulting in remeasurement of revenue recognised in previous years.

ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

(i) Sale of goods

Sales of goods are recognised when a Group entity delivers a product to the customer. Retail sales are usually by cash, payment and instalment plans or debit and credit cards. The recorded revenue is the gross amount of sale (excluding taxes), including any fees payable for the transaction and net amounts deferred under AASB15 *Revenue from Contracts with Customers* such as significant financing components and potential customer returns.

(ii) Repair services

Sales of services for repair work performed is recognised in the accounting period in which the services are performed.

(iii) Deferred service revenue and expenses

The Group offers a PCP product which is considered deferred revenue until such time that service has been provided. A PCP is a plan under which the Group offers future services, such as cleaning, repairs and resizing, to customers based on the type of plan purchased. The Group subsequently recognises the income in revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income once these services are performed. An estimate based on the timing and quantum of expected services under the plans is used as a basis to establish the amount of service revenue to recognise in the Consolidated Statement of Profit or Loss and Comprehensive Income.

Direct and incremental sales staff bonuses associated with the sale of PCPs are capitalised in contract assets and amortised in proportion to the PCP revenue recognised.

(iv) Deferred interest revenue

Interest revenue is deferred on the in-house customer finance program when the sale of the good or service occurs. It is calculated as the difference between the nominal cash and cash equivalents received from customers and the discounted cashflows, on both interest and non-interest bearing products. Interest revenue is brought to account over the term of the finance agreement, and the rate used for non-interest bearing products is in line with current, comparable market rates.

(v) Right of return assets and liabilities

Rights of return recognises the estimated returned sales under the Group's return policy, being 30 days for all countries.

Management estimates the returned sales based on historical sale return information and any recent trends that may suggest future claims could differ from historical amounts. For sales that are expected to be returned, the Group recognises a right of return liability. The associated inventory value for sales that are expected to be returned is recognised as a right of return asset.

(vi) Lifetime Diamond Warranty

LTDW is a warranty provided to customers with the purchase of jewellery items set with a diamond (excluding watches). This has been deemed a service-type warranty and is calculated with reference to the estimated value of service provided to customers and the stand-alone value of customers obtaining the service independently. Income in relation to the LTDW is recognised in line with the estimated pattern of customers utilising this service-type warranty.

A3. OTHER INCOME

	2024 $'000	2023 $'000
Net foreign exchange gains	863	-
Interest received	318	792
Other items	1,675	1,464
	2,856	**2,256**

Net foreign exchange gains of $863,000 (2023: net foreign exchange losses of $1,570,000).

A4. INVENTORIES

	2024 $'000	2023 $'000
Raw materials	4,224	9,547
Finished goods	183,908	185,602
Packaging and other consumables	7,653	8,111
	195,785	**203,260**

Finished goods are held at the lower of cost and net realisable value (NRV). During the year, finished goods incurred a write-down of $1,106,000 (2023: $805,000) to be carried at NRV. This is recognised in cost of goods sold.

A5. LEASES

RIGHT-OF-USE ASSETS	2024 $'000	2023 $'000
Right-of-use assets	336,399	296,237
Less: Accumulated depreciation	(202,411)	(156,575)
Less: Accumulated impairment	-	(610)
	133,988	**139,052**

RECONCILIATION OF RIGHT-OF-USE ASSETS	Notes	2024 $'000	2023 $'000
Opening carrying value		139,052	107,385
Additional right-of-use assets relating to leases entered into during the year		33,582	58,683
Lease modifications agreed during the year		12,042	14,486
Depreciation expense	F1	(49,646)	(42,211)
Impairment of right-of-use assets		-	(54)
Foreign currency translation		(1,042)	763
Closing carrying value		**133,988**	**139,052**

LEASE LIABILITIES	2024 $'000	2023 $'000
Current	40,278	41,075
Non-current	114,303	117,518
	154,581	**158,593**

RECONCILIATION OF LEASE LIABILITIES	Notes	2024 $'000	2023 $'000
Opening carrying value		158,593	129,569
Additional lease liabilities entered into during the year		35,247	58,697
Lease modifications agreed during the year		11,400	14,446
Interest expense	F1	10,640	8,791
Lease repayments		(59,880)	(53,889)
Foreign currency translation		(1,419)	979
Closing carrying value		**154,581**	**158,593**

The incremental borrowing rate used in determining the lease liability ranged between 2.13% and 10.06% (2023: 1.44% and 10.06%).

ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets which are recognised in the profit or loss. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of- use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note J1(F).

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

At commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payment (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (refer to note J1).

Set out below are the undiscounted potential future rental payments relating to the period following the exercise date of extension options that are not included in the lease term:

	2024			2023		
	Within five years	More than five years	Total	Within five years	More than five years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Extension options expected not to be exercised	-	-	-	1,058	144	1,202

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are expensed on a straight-line basis over the lease term.

B. CASH MANAGEMENT

B1. CASH AND CASH EQUIVALENTS

	2024 $'000	2023 $'000
Cash at bank and on hand	20,174	20,867

RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	Notes	2024 $'000	2023 $'000
Profit/(loss) for the year		(479)	35,182
Adjustment for:			
Depreciation of property, plant and equipment	F4	14,335	12,632
Depreciation of right-of-use assets	A5	49,646	42,211
Amortisation of intangible assets	F5	4,032	2,881
Impairment of property, plant and equipment	F4	-	(2,293)
Impairment of other assets		-	49
Non-cash employee benefits expense - share-based payments	D3	168	1,818
Make good interest		288	220
Net loss on sale of non-current assets		413	116
Net exchange differences		981	(2,508)
Change in operating assets and liabilities			
(Increase)/decrease in trade and other receivables		(147)	(8,446)
(Increase)/decrease in inventories		7,349	(2,772)
(Increase)/decrease in deferred tax assets		(3,388)	9,433
(Increase)/decrease in other non-current assets		98	137
(Increase)/decrease in other current assets		(2,616)	1,249
(Decrease)/increase in trade and other payables		(14,321)	(15,839)
(Decrease)/increase in current tax liabilities		(5,972)	4,931
(Decrease)/increase in provisions		(5,067)	5,080
(Decrease)/increase in contract liabilities		(7,547)	(4,009)
Net cash inflow from operating activities		**37,773**	**80,072**

B2. BORROWINGS

	2024			2023		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans	-	58,900	58,900	-	12,500	12,500
Total secured borrowings	**-**	**58,900**	**58,900**	**-**	**12,500**	**12,500**

In 2023, the Group extended its financing agreement with ANZ Banking Group and HSBC Australia for an availability period of three years, maturing on the 31 August 2026. The financial arrangement includes a $92 million multi-option borrowing facility and ancillary working capital facilities in line with the business requirements of the Group. At balance date, $58.9m was drawn on these facilities. Refer to note C3 for details of covenants relating to the financing facilities.

B3. DIVIDENDS

ORDINARY SHARES	2024 $'000	2023 $'000
Final dividend for the year ended 2 July 2023 of 3.5 cents (2022: 4.0 cents) per fully paid share paid on 22 September 2023 (2022: 23 September 2022)	13,289	15,531
Interim dividend for the year ended 30 June 2024 of 1.75 cents (2023: 4.0 cents) per fully paid share paid on 22 March 2024 (2023: 24 March 2023)	6,906	15,188
	20,195	**30,719**

DIVIDENDS NOT RECOGNISED AT THE END OF THE REPORTING PERIOD	2024 $'000	2023 $'000
No final dividend was declared with respect to the year ended 30 June 2024 (2 July 2023: AU 3.5 cents)	-	13,289

FRANKING AND IMPUTATION CREDITS	2024 $'000	2023 $'000
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2024: 30.0%)	9,822	2,812
Imputation credits (NZ$) available for subsequent reporting periods based on New Zealand tax rate of 28.0% (2024: 28.0%)	2,775	2,196

The dividends paid during the current financial period were not fully imputed and not franked. The dividends paid in the previous financial period were fully imputed and not franked.

The franking credit amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment and refund of income tax payable.

The above imputation credit amounts represent the balance of the imputation account as at the end of the financial year, adjusted for imputation credits that will arise from the payment and refund of income tax payable.

No dividend was recommended by the Directors since year end.

C. FINANCIAL RISK MANAGEMENT

C1. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group seeks to use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures as required by its treasury policy. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group may use different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Market risk			
- foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Cash flow forecasting and sensitivity analysis	Forward exchange contracts (FEC)
- interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Interest rate swaps
- input prices	Components of finished goods	Sensitivity analysis	End product pricing flexibility
Credit risk	Cash and cash equivalents and trade receivables	Ageing analysis	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Group's overall risk management program includes a focus on financial risk including the unpredictability of financial markets and foreign exchange risk.

The policies are overseen by the Board and executed by management who undertake regular reviews to enable prompt identification of financial risks so that appropriate actions may be taken.

MARKET RISK

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency and net investments in foreign operations.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, including the purchase of inventory. Where it is considered appropriate, the Group enters into forward foreign exchange contracts to buy specified amounts of various foreign currencies in the future at a pre-determined exchange rate.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in the presentation currency, was as follows:

	2024				2023			
	USD $'000	NZD $'000	CAD $'000	EUR $'000	USD $'000	NZD $'000	CAD $'000	EUR $'000
Cash and cash equivalents	529	-	5	-	520	-	1	20
Trade receivables	6	38	83	27	(54)	4	67	89
Trade payables	(7,229)	(84)	(89)	(359)	(12,825)	-	(33)	(1,288)
Forward exchange contracts:								
Buy foreign currency	-	-	-	-	8,163	-	-	-
Sell foreign currency	-	-	-	-	-	-	-	-
Net foreign currency exposure	**(6,694)**	**(46)**	**(1)**	**(332)**	**(4,196)**	**4**	**35**	**(1,179)**

Sensitivity

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign currency risk. The foreign exchange sensitivities are based on the Group's exposure existing at balance date. Sensitivity figures are pre-tax.

	Impact on pre-tax profit		Impact on other components of equity	
	2024	2023	2024	2023
Foreign exchange rate sensitivities	**$'000**	**$'000**	**$'000**	**$'000**
AUD increases 10%	643	485	-	-
AUD decreases 10%	(786)	(593)	-	-

INTEREST RATE RISK

The Group's main interest rate risk arises from long-term borrowings and cash. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to maintain fixed interest cover of core debt in line with the Group's treasury policy. As the Group has a working capital facility, no core debt (corporate long term debt) was identified.

To manage variable interest rate borrowings risk, the Group may enter into interest rate swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2024, the Group had no core debt and there were no swaps in place (2023: no swaps in place).

The interest rate derivatives require settlement of net interest receivable or payable each 30 days and are settled on a net basis.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting year are as follows:

	2024	% of total loans	2023	% of total loans
	$'000		$'000	
Variable rate borrowings	58,900	100%	12,500	100%
	58,900	**100%**	**12,500**	**100%**

An analysis by maturities is provided below. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowing.

The details of the variable rate borrowings outstanding are outlined below.

	30 June 2024		2 July 2023	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Bank overdrafts and bank loans	6.30%	58,900	6.01%	12,500
Net exposure to cash flow interest rate risk		**58,900**		**12,500**

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings. All other non-derivative financial liabilities have a contractual maturity of less than 6 months.

	Impact on pre-tax profit		Impact on other components of equity	
	2024	2023	2024	2023
	$'000	**$'000**	**$'000**	**$'000**
Interest rates - increase by 100 basis points	(387)	84	-	-
Interest rates - decrease by 100 basis points	387	(84)	-	-

CREDIT RISK

Credit risk is managed on a Group basis and refers to the risk of a counterparty failing to discharge an obligation. In the normal course of business, the Group incurs credit risk from trade receivables and transactions with financial institutions. The Group places its cash and short term deposits with only high credit quality financial institutions. Sales to retail customers are required to be settled via cash, major credit cards or passed onto various credit providers in each country.

At the reporting date, no material credit risk exposure existed in relation to potential counterparty failure on financial instruments. The Group provides interest-free consumer credit in Canada as a secondary product and the credit risk exposure which exists against this financial instrument is detailed in note F3. Other than the loss allowance recognised in trade and other receivables in note F3, no financial assets were impaired or past due. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets disclosed in note F3.

LIQUIDITY RISK

The Group maintains prudent liquidity risk management with sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Financing arrangements

The Group's objectives when managing capital are to ensure sufficient liquidity to support its financial obligations and execute the Group's operational and strategic plans. The Group continually assesses its capital structure and makes adjustments to it with reference to changes in economic conditions and risk characteristics associated with its underlying assets.

The Group had access to an overdraft facility, as well as a $90m working capital facility which increases by $40 million for the four-month period from 15 September 2024 to support seasonal working capital requirements for Christmas trade. The following were undrawn from these facilities at the end of the reporting year:

FLOATING RATE	2024 $'000	2023 $'000
- Expiring beyond one year (bank overdrafts)	2,000	1,914
- Expiring beyond one year (bank loans)	31,100	77,500
	33,100	**79,414**

The maturity date of the financing facilities provided to the Group by both Australia and New Zealand Banking Group Limited and The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch is 31 August 2026.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- all non-derivative financial liabilities, and
- net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flow
At 30 June 2024	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives						
Lease liabilities	24,939	22,942	36,140	54,198	17,343	155,563
Trade payables	68,135	-	-	-	-	68,135
Borrowings	-	-	-	58,900	-	58,900
Total non-derivatives	**93,074**	**22,942**	**36,140**	**113,098**	**17,343**	**282,598**
The Group did not hold any derivatives at financial year end.						
At 2 July 2023						
Non-derivatives						
Lease liabilities	25,699	20,069	33,274	48,336	15,766	143,144
Trade payables	71,202	-	-	-	-	71,202
Borrowings	-	-	-	12,500	-	12,500
Total non-derivatives	**96,901**	**20,069**	**33,274**	**60,836**	**15,766**	**226,846**
Derivatives						
Outward payments FECs	8,011	-	-	-	-	8,011
Inward receipts FECs	(8,163)	-	-	-	-	(8,163)
	(152)	**-**	**-**	**-**	**-**	**(152)**

C2. DERIVATIVE FINANCIAL INSTRUMENTS

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are foreign currency risk and interest rate risk. The Group does not apply hedge accounting.

C3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to:

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are a number of external bank covenants in place relating to debt facilities. These covenants are calculated and reported to the banks quarterly on a pre-AASB16 *Leases* basis. The principal covenants relating to capital management are the EBIT fixed cover charge ratio, consolidated debt to EBITDA, consolidated debt to capitalisation, and consolidated debt to inventory. There have been no breaches of these covenants for the quarters up to and including 30 June 2024.

D. REWARD AND RECOGNITION

D1. EMPLOYEE BENEFITS

EMPLOYEE BENEFITS	2024 $'000	2023 $'000
Employee wages	160,303	147,781
Employee wages on-costs and post-retirement benefits	22,199	18,758
Employee share-based payments expense	168	1,818
	182,670	**168,357**

D2. KEY MANAGEMENT PERSONNEL

	2024 $	2023 $
Short-term employee benefits	2,577,041	2,727,413
Long-term benefits	33,593	32,369
Post-employment benefits	88,162	78,844
Share-based payments	182,878	368,172
	2,881,674	**3,206,798**

D3. SHARE-BASED PAYMENTS

OPTIONS

Options are granted from time to time at the discretion of Directors to senior executives within the Group. Motions to issue options to related parties of Michael Hill International Limited are subject to the approval of shareholders at the Annual General Meeting in accordance with the Company's constitution.

Options are granted under the plan for no consideration. Options expire ten years after granted, vest over five years, are exercisable at any time during the final five years and vesting is subject to remaining employed by the Group.

Options granted under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share.

	2024		2023	
Set out below are summaries of options granted under the plan:	**Average exercise price per option**	**Number of options**	**Average exercise price per option**	**Number of options**
Opening balance NZD options	1.70	700,000	1.70	700,000
Expired during the year	1.82	(500,000)	-	-
Closing balance NZD options	**1.40**	**200,000**	**1.70**	**700,000**
Opening balance AUD options	1.56	300,000	1.56	300,000
Closing balance AUD options	**1.56**	**300,000**	**1.56**	**300,000**

Options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	2024	2023
29 November 2013	30 September 2023	NZ$1.82	-	500,000
10 November 2014	30 September 2024	NZ$1.63	100,000	100,000
22 January 2016	30 September 2025	NZ$1.14	100,000	100,000
22 September 2016	30 September 2026	AU$2.12	100,000	100,000
5 October 2017	30 September 2027	AU$1.44	100,000	100,000
22 September 2018	30 September 2028	AU$1.11	100,000	100,000
			500,000	**1,000,000**

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.3 years (2023: 1.7 years).

The exercise price will be converted to Australian dollars using the Reserve Bank of Australia exchange rate on the day the option is exercised.

SHARE RIGHTS

The Company's Equity Incentive Plan was approved by shareholders at the 2023 Annual General Meeting held on 14 November 2023 (Plan). The Plan allows the Board to issue share rights to executive directors, executives and other senior leaders eligible to participate in the Plan.

Each share right represents a right to receive on ordinary share in the Company, subject to the terms and conditions of the Plan including satisfaction of certain performance metrics. An allocation of share rights is made to an eligible participant on an annual basis typically calculated as a % of the value of their total fixed remuneration. 50% of a participants share rights are allocated to an earnings per share (EPS) performance hurdle and 50% of share rights are allocated to a total shareholder return (TSR) performance hurdle. Vesting of the share rights is subject to the Company achieving a minimum compound annual growth rate (CAGR) in EPS or TSR (as the case requires) over three years (Performance Period). Subject to the participant remaining an employee of the Group at the end of the Performance Period, the share rights vest based on the following vesting schedule:

EPS CAGR	TSR CAGR	VESTING OUTCOME
Less than 5% CAGR	Less than 10% CAGR	No share rights vest
Between 5% CAGR and <10% CAGR	Between 10% CAGR and <20% CAGR	EPS: 20% of share rights vest for each 1% increase in CAGR TSR: 10% of share rights vest for each 1% increase in CAGR
Equal to or greater than 10% CAGR	Equal to or greater than 20% CAGR	100% of share rights vest

During the year, the Board agreed to grant 3,138,838 share rights to eligible participants.

	2024		2023	
	Average fair value per share right	Number of share rights	Average fair value per share right	Number of share rights
Opening balance	0.37	10,054,881	0.21	6,112,332
Granted	0.45	3,138,838	0.85	4,001,391
Exercised	0.33	(4,935,079)	0.74	(34,747)
Forfeited	0.48	(824,387)	0.29	(24,095)
Closing balance	**0.96**	**7,434,253**	**0.37**	**10,054,881**

The number of share rights in each tranche is based on the prescribed dollar value for each tranche divided by the volume weighted average share price ('VWAP') of Michael Hill International Limited shares over ten trading days following the shares trading subsequent to the final Annual results announcement.

Share rights issued during the current financial year used the Monte Carlo model to determine the fair value of share rights using the following inputs:

	2024 $'000	2023 $'000
Number of rights	3,138,838	4,001,391
Share price	$0.82	$1.15
Annualised volatility	40%	45%
Expected dividend yield	9.0%	6.8%
Risk free rate	4.11%	3.42%
Fair value of share right	**$0.45**	**$0.85**

	2024 $'000	2023 $'000
Expenses arising from share-based payment transactions	168	1,818

ACCOUNTING POLICY

Options

The fair value was measured at grant date and is recognised over the period during which the employees become unconditionally entitled to the options. The fair value at grant date for options issued during prior financial years was independently determined using a Binomial option pricing model, which is an iterative model for options that can be exercised at times prior to expiry. The model takes into account the grant date, exercise price, market performance conditions, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. It also assumes the options will be exercised at the mid-point of the exercise period.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

Share rights

Share rights are granted to eligible senior executives in accordance with the Company's deferred compensation plan ('LTI'). The fair value of rights granted is recognised as an employee benefit expense with a corresponding increase in equity.

The fair value was measured at grant date using the Monte Carlo method and is recognised over the period during which the employees become unconditionally entitled to the rights.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each year, the entity revises its estimates of the number of share rights that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Upon the exercise of the share rights, the balance of the share-based payments reserve relating to those rights is transferred to share capital.

E. RELATED PARTIES

RELATED PARTY TRANSACTIONS	2024 $	2023 $
Contribution to Michael Hill Violin Charitable Trust	-	37,624

F. OTHER INFORMATION

F1. EXPENSES

DEPRECIATION AND AMORTISATION	Notes	2024 $'000	2023 $'000
Depreciation on property, plant and equipment	F4	14,335	12,632
Depreciation on right-of-use assets	A5	49,646	42,211
Total depreciation		**63,981**	**54,843**
Amortisation on software	F5	4,032	2,881
Total amortisation		**4,032**	**2,881**
Total depreciation and amortisation		**68,013**	**57,724**

FINANCE COSTS	Notes	2024 $'000	2023 $'000
Interest on lease liabilities	A5	10,640	8,791
Bank and interest charges		3,986	920
Interest on make good provision		288	220
		14,914	**9,931**

FOREIGN EXCHANGE	2024 $'000	2023 $'000
Net foreign exchange loss	-	1,570

F2. EARNINGS PER SHARE

RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE	2024 $'000	2023 $'000
Basic earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	(479)	35,182
Diluted earnings per share		
Profit/(loss) from continuing operations attributable to the ordinary equity holders of the Company	(479)	35,182

WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR	2024 Number	2023 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	383,793,875	382,252,063
Adjustments for calculation of diluted earnings per share:		
Share rights[1]	-	8,446,083
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**383,793,875**	**390,698,146**

[1] The weighted average share rights of 7,465,931 have been excluded from the calculation of potential ordinary shares in 2024 as they are anti-dilutive.

Options and share rights granted to employees under the Michael Hill International Limited Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. All options outstanding at financial year end were considered to be anti-dilutive. The options and share rights have been excluded in the determination of basic earnings per share. Details are set out in note D3.

F3. TRADE AND OTHER RECEIVABLES

	2024			2023		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables	3,778	-	3,778	3,494	-	3,494
Provision for expected credit loss	(127)	-	(127)	(225)	-	(225)
	3,651	**-**	**3,651**	**3,269**	**-**	**3,269**
Canadian in-house customer finance	5,775	1,022	6,797	5,041	1,027	6,068
Provision for expected credit loss	(184)	(33)	(217)	(152)	(32)	(184)
	5,591	**989**	**6,580**	**4,889**	**995**	**5,884**
Sundry debtors	5,561	1	5,562	6,375	-	6,375
	14,803	**990**	**15,793**	**14,533**	**995**	**15,528**

Trade receivables

Trade receivables from sales made to customers through third party credit providers are non-interest bearing and are generally on 0-30 day terms.

Sundry debtors

Sundry debtors relates to supplier credits, security deposits, insurance recoveries and other sundry receivables. Based on the credit history of these debtors, it is expected that these amounts will be received when due and no impairment is recognised.

Effective interest rates

All receivables are non-interest bearing except for a small portion of in-house customer finance receivables. In-house customer finance receivables are recognised net of significant financing components determined in accordance with AASB15 *Revenue from Contracts with Customers.*

ECL and risk exposure

An ECL analysis is performed at each reporting date. The maximum exposure to credit risk is the carrying value of in-house customer finance program and trade receivables. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to these receivables as low. For further details refer to note C1.

AGEING OF TRADE RECEIVABLES	2024 $'000	2023 $'000
Current	3,175	3,197
< 30 days past due	396	91
30 - 60 days past due	146	64
60+ days past due	61	142
	3,778	**3,494**

MOVEMENTS IN THE PROVISION FOR ECL OF TRADE RECEIVABLES ARE AS FOLLOWS:	2024 $'000	2023 $'000
Opening balance	225	657
Additional provisions recognised	127	225
Net amounts written off	(225)	(657)
Closing balance	**127**	**225**

AGEING OF CANADIAN IN-HOUSE CUSTOMER DEBTOR FINANCE	2024 $'000	2023 $'000
Current, aged 0 - 30 days	6,083	5,171
Past due, aged 31 - 90 days	368	409
Past due, aged more than 90 days	346	488
	6,797	**6,068**

MOVEMENTS IN THE PROVISION FOR ECL OF CANADIAN IN-HOUSE CUSTOMER DEBTOR FINANCE ARE AS FOLLOWS:	2024 $'000	2023 $'000
Opening balance	184	215
Additional provisions recognised	237	531
Net amounts written off	(197)	(565)
Exchange differences	(7)	3
Closing balance	**217**	**184**

F4. PROPERTY, PLANT AND EQUIPMENT

	Notes	Plant and equipment $'000	Fixtures and fittings $'000	Leasehold improvements $'000	Display materials $'000	Total $'000
At 26 June 2022						
Cost		36,315	35,733	86,673	6,489	165,210
Accumulated depreciation and impairment		(29,573)	(29,892)	(63,053)	(1,680)	(124,198)
Net book amount		**6,742**	**5,841**	**23,620**	**4,809**	**41,012**
Year ended 2 July 2023						
Opening net book amount		6,742	5,841	23,620	4,809	41,012
Exchange difference		(62)	43	192	31	204
Additions		5,875	3,515	12,455	2,945	24,790
Acquired as part of business combination	G2	270	-	1,725	321	2,316
Disposals		(62)	(13)	(58)	(44)	(177)
Depreciation charge		(2,478)	(2,132)	(5,603)	(2,419)	(12,632)
Impairment write-back/(loss)		242	223	1,893	(65)	2,293
Closing net book amount		**10,527**	**7,477**	**34,224**	**5,578**	**57,806**
At 2 July 2023						
Cost		41,122	38,353	98,342	9,743	187,560
Accumulated depreciation and impairment		(30,595)	(30,876)	(64,118)	(4,165)	(129,754)
Net book amount		**10,527**	**7,477**	**34,224**	**5,578**	**57,806**

	Notes	Plant and equipment $'000	Fixtures and fittings $'000	Leasehold improvements $'000	Display materials $'000	Total $'000
At 30 June 2024						
Opening net book amount		10,527	7,477	34,224	5,578	57,806
Exchange difference		(211)	(60)	(320)	(31)	(622)
Additions		5,337	4,291	6,385	1,110	17,123
Acquired as part of business combination	G1	132	23	-	-	155
Disposals		(157)	(136)	(99)	(28)	(420)
Depreciation charge		(2,859)	(2,256)	(6,529)	(2,691)	(14,335)
Closing net book amount		**12,769**	**9,339**	**33,661**	**3,938**	**59,707**
At 30 June 2024						
Cost		45,104	41,086	102,283	10,527	199,000
Accumulated depreciation and impairment		(32,335)	(31,747)	(68,622)	(6,589)	(139,293)
Net book amount		**12,769**	**9,339**	**33,661**	**3,938**	**59,707**

Impairment loss

As per the Group's accounting policies, the Group impairs assets where the recoverable amount is less than the carrying amount and reverses the impairment if no longer applicable. This also includes assets held at stores facing closure. Any assets held at an impaired store that are able to be redeployed throughout the Group are not impaired.

A review of impairment indicators was performed. The accounting policy for this is disclosed in note J1. There were no indicators of impairment identified. The Group treats each store as a separate cash-generating unit for impairment testing of property, plant and equipment and right of use assets.

F4. PROPERTY, PLANT AND EQUIPMENT, CONTINUED.

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Plant and equipment 4 - 7 years
- Motor vehicles 3 - 5 years
- Fixtures and fittings 6 - 10 years
- Leasehold improvements 6 - 10 years
- Display materials 2 - 5 years

F5. INTANGIBLE ASSETS

	Notes	Goodwill	Brand, Loyalty Programs & Trademarks	Computer software	Total
	Notes	$'000	$'000	$'000	$'000
At 26 June 2022					
Cost		-	79	25,715	25,794
Accumulated amortisation and impairment		-	-	(14,805)	(14,805)
Net book amount		**-**	**79**	**10,910**	**10,989**
Year ended 2 July 2023					
Opening net book amount		-	79	10,910	10,989
Exchange difference		-	-	(106)	(106)
Additions		-	-	7,792	7,792
Acquired as part of business combination	G2	17,695	20,421	-	38,116
Amortisation charge		-	-	(2,881)	(2,881)
Closing net book amount		17,695	20,500	15,715	53,910
At 2 July 2023					
Cost		17,695	20,500	33,509	71,704
Accumulated amortisation		-	-	(17,794)	(17,794)
Net book amount		**17,695**	**20,500**	**15,715**	**53,910**
At 30 June 2024					
Opening net book amount		17,695	20,500	15,715	53,910
Exchange difference		-	-	(113)	(113)
Additions		-	-	6,510	6,510
Acquired as part of business combination	G1	150	-	-	150
PPA adjustment	G2	1,378	-	-	1,378
Amortisation charge		-	-	(4,032)	(4,032)
Closing net book amount		**19,223**	**20,500**	**18,080**	**57,803**
At 30 June 2024					
Cost		19,223	20,500	40,001	79,724
Accumulated depreciation and impairment		-	-	(21,921)	(21,921)
Net book amount		**19,223**	**20,500**	**18,080**	**57,803**

F4. PROPERTY, PLANT AND EQUIPMENT, CONTINUED.

Impairment tests

The group tests goodwill and indefinite life intangibles (brand names) annually for impairment, in accordance with the accounting policy stated in note J1(K). For all cash-generating units (CGUs) which contain goodwill or indefinite life intangibles and all other CGUs which show an indicator of impairment, the recoverable amounts have been determined based on value-in-use calculations.

Goodwill acquired through business combinations is allocated to the Australian CGU, which is a reportable segment. The brand intangible asset with an indefinite useful life is allocated based on the cashflows for which the brand operates.

Current year

There has been no impairment of goodwill or indefinite life brand names in the current year.

Prior year

There has been no impairment of goodwill or indefinite life brand names in the prior year.

Key assumptions used for value-in-use / fair value less cost to sell calculations

A pre-tax discount rate of 8.05% was applied. For the purposes of impairment testing, a long-term growth rate of 3.6% was used to extrapolate cash flows beyond the budget period and calculate a terminal value.

These assumptions have been used for the analysis of each CGU, in line with the Australian expected long-term inflation.

The basis of estimation of the five-year cash flows uses the following key operating assumptions:

- Five-year budgeted EBITDA is based on management's forecasts of revenue;
- Revenue forecasts take into account historical revenue and consider external factors such as market sector and geography; and
- Costs are calculated taking into account historical margins, forecast increases and estimated inflation rates over the period, consistent with the locations in which the CGUs operate.

Impact of possible changes in key assumptions

There are no CGUs identified as being sensitive to changes in key assumptions.

F6. TRADE AND OTHER PAYABLES

	2024 $'000	2023 $'000
Trade payables	38,448	39,422
Annual leave liability	9,050	10,376
Accrued expenses	2,057	4,006
Consumption taxes payable	3,471	2,803
Other payables	15,109	14,595
	68,135	**71,202**

F7. PROVISIONS

	2024			2023		
	Current	Non-current	Total	Current	Non-current	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Employee benefits	9,932	2,195	12,127	9,986	2,090	12,076
Assurance-type warranties	2,222	-	2,222	1,927	-	1,927
Make good provision	597	4,968	5,565	594	8,789	9,383
Restructuring costs	363	-	363	738	-	738
	13,114	**7,163**	**20,277**	**13,245**	**10,879**	**24,124**

F7. PROVISIONS, CONTINUED.

Movements in Provisions	Employee benefits $'000	Assurance-type warranties $'000	Make good provision $'000	Restructuring costs $'000	Total $'000
Opening carrying amount	12,076	1,927	9,383	738	24,124
Changes in provisions recognised	1,050	295	(3,358)	351	(1,662)
Amounts incurred and charged	(972)	-	(463)	(716)	(2,151)
Exchange differences	(27)	-	3	(10)	(34)
Closing carrying amount	**12,127**	**2,222**	**5,565**	**363**	**20,277**

ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Employee benefits

Employee benefits includes provision for long service leave, assessment of employee benefits in New Zealand and the provision for remediation. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year.

In determining the employee remediation provision, management has applied certain assumptions and judgements including interpretation of relevant legal requirements and expectations regarding final settlement of obligations with the regulator. Any such estimates and assumptions may change as new information becomes available and/or when the remediation program is completed and approved by the regulator.

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method.

Assurance-type warranties

Provision is made for the Group's assurance-type warranties, being 12 month guarantee on the quality of workmanship and the 3 year watch guarantee. In addition, all Michael Hill watches sold before 30 June 2018 included a lifetime battery replacement guarantee. Management estimates the provision based on historical sale return information and any recent trends that may suggest future claims could differ from historical amounts.

Make good provision

The Group has an obligation to restore certain leasehold sites to their original condition upon store closure or relocation. This provision represents the present value of the expected future make good commitment. Amounts charged to the provision represent both the cost of make good costs incurred and the costs incurred which mitigate the final liability prior to the closure or relocation.

Restructuring

A provision has been raised for the estimated staffing exit costs from business structure changes. Restructuring provisions are recognised only when the Group has a constructive obligation, which is when:

- there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and
- the employees affected have been notified of the plan's main features.

F8. TAX

INCOME TAX EXPENSE	2024 $'000	2023 $'000
Current tax		
Current tax on profits for the year	4,145	11,043
Adjustments for current tax of prior periods	(349)	(964)
Total current tax expense	**3,796**	**10,079**
Deferred income tax		
(Increase)/decrease in deferred tax assets	(4,043)	3,517
Adjustments for deferred tax of prior periods	358	969
Total deferred tax expense/(benefit)	(3,685)	4,486
Income tax expense	**111**	**14,565**
Deferred income tax (benefit)/expense included in income tax comprises:		
Increase in deferred tax assets	(8,315)	(631)
Increase in deferred tax liabilities	4,272	4,148
	(4,043)	**3,517**

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE	2024 $'000	2023 $'000
Profit before income tax expense	(369)	49,744
Tax at the Australian tax rate of 30.0% (2023: 30.0%)	(111)	14,923
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenditure/non-assessable income	730	50
	619	**14,973**
Difference in overseas tax rates	(543)	(542)
Adjustments for current tax of prior periods	(349)	(964)
Adjustments for deferred tax of prior periods	358	969
Tax losses not recognised	26	172
Change in tax rate on deferred tax balance	-	(43)
Income tax expense	**111**	**14,565**

UNRECOGNISED POTENTIAL DEFERRED TAX ASSETS	2024 $'000	2023 $'000
Unused United States tax losses for which no deferred tax asset has been recognised	36,939	35,497
Potential tax benefit @ 25.0%	9,235	8,874
Unused New Zealand tax losses for which no deferred tax asset has been recognised	2,593	2,597
Potential tax benefit @ 28.0%	726	727

The unused tax losses incurred in the United States and New Zealand are available indefinitely for offsetting against future taxable profits of the countries in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is unknown when the New Zealand losses may be used to offset taxable profits and the United States losses are not expected to be used.

NOTES TO THE FINANCIAL STATEMENTS

F8. TAX, CONTINUED.

DEFERRED TAX BALANCES	2024 $'000	2023 $'000
The balance comprises temporary differences attributable to:		
Expected credit loss provision	83	114
Fixed assets and intangibles	2,666	1,552
Intangible assets from intellectual property transfer	22,235	21,825
Deferred expenditure	(109)	(162)
Prepayments	9	(89)
Deferred service revenue	364	399
Right-of-use assets	(39,012)	(40,149)
Lease liabilities	48,177	48,513
Provisions	15,503	17,267
Unrealised foreign exchange losses	(78)	(124)
Sundry items	(8)	(25)
Inventories	4	(3)
Tax losses recognised	2,673	-
Net deferred tax assets	**52,507**	**49,118**
Expected settlement:		
Deferred tax assets expected to be recovered within 12 months	29,969	21,377
Deferred tax assets expected to be recovered after more than 12 months	22,538	27,741
	52,507	**49,118**
Movements:		
Opening balance at 3 July 2023	49,118	58,552
Credited/(charged) to the income statement	4,043	(3,517)
Acquisition of Bevilles	-	(5,105)
Prior year adjustment	(358)	(969)
Foreign exchange differences	(296)	157
Closing balance at 30 June 2024	**52,507**	**49,118**

F9. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Michael Hill International Limited, its related practices and non-related audit firms:

ERNST & YOUNG (AUSTRALIA)	2024 $	2023 $
Fees for auditing the statutory financial report of the Company and its subsidiaries	577,443	528,563
	577,443	**528,563**

F10. CONTRIBUTED EQUITY

SHARE CAPITAL	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Ordinary shares - fully paid	384,623,963	379,688,884	12,763	11,112
Total share capital	**384,623,963**	**379,688,884**	**12,763**	**11,112**

MOVEMENTS IN ORDINARY SHARES	Number of shares	Total $'000
Opening balance at 27 June 2022	388,285,374	11,388
Share buy-back	(8,631,237)	(300)
Balance at 2 July 2023	**379,688,884**	**11,112**
Rights converted	4,935,079	1,651
Balance at 30 June 2024	**384,623,963**	**12,763**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Options

Information relating to the Michael Hill International Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note D3.

Rights issue

Information relating to share rights issued under the Company's deferred compensation plan, including details of rights issued, exercised and lapsed during the financial year and rights outstanding at the end of the financial year, is set out in note D3.

F11. RESERVES

NATURE AND PURPOSES OF OTHER RESERVES

Share-based payments

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remunerations. Refer to note D3 for further details of these plans.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note J1(C) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

G. BUSINESS COMBINATION

G1. CURRENT YEAR ACQUISITIONS

ACQUISITION OF JEWELLERY SERVICES AUSTRALIA

On 8 December 2023, the Group acquired the business and selected assets and liabilities of Jewellery Services Australia, with consideration consisting of cash upfront.

Jewellery Services Australia is a jewellery repair workshop based in Brisbane, Australia. The acquisition provides an opportunity to stabilise the repair network for the Michael Hill Group, whilst presenting an opportunity to grow the repairs offering and revenue within Australia.

The Group measures the assets and liabilities assumed in the acquisition at fair value. The purchase price accounting for Jewellery Services Australia is provisional as at 30 June 2024.

G1. CURRENT YEAR ACQUISITIONS, CONTINUED.

ACQUISITION OF JEWELLERY SERVICES AUSTRALIA, CONTINUED.

Assets acquired and liabilities assumed

Details of the purchase consideration, the net assets acquired and goodwill are set out in the table below:

ASSETS	Notes	Fair value recognised on acquisition $'000
Property, plant and equipment	F4	155
Total assets		**155**

LIABILITIES		
Annual leave		28
Long service leave		27
Total liabilities		**55**
Total identifiable net assets at fair value		**100**
Goodwill arising on acquisition		150
Purchase consideration transferred		250

The goodwill represents the synergies expected to be achieved through integrating Jewellery Services Australia and its associated workforce.

G2 PRIOR YEAR ACQUISITIONS

ACQUISITION OF BEVILLES

On 1 June 2023, the Group acquired the business and selected assets and liabilities of Bevilles, with consideration consisting of cash upfront (after adjustments) and earn-out payments over two years.

Bevilles is an Australian jewellery and watch retailer that centres its brand and products on the 'value' customer segment. As such, this provides a strong strategic fit and complements the strategy to elevate the Michael Hill brand to a 'premium' market positioning.

The Group measures the assets and liabilities assumed in the acquisition at fair value.

Assets acquired and liabilities assumed

In finalising the purchase price allocation (PPA) for Bevilles, a detailed review of the inventory that existed at acquisition was conducted. It was determined some of the acquired inventory did not align with the strategic growth objectives of the brand. Consequently, this inventory was partially written down to its recoverable value, to ensure focus remains on ranges that support the long term vision of the brand, with an associated adjustment to goodwill recognised on acquisition. The amount of the write down was $1,378,000. No further significant changes arose as a result of finalisation of the PPA for Bevilles.

The fair values of the identifiable assets and liabilities of Bevilles as at the date of acquisition were:

ASSETS	Notes	Fair value recognised on acquisition $'000
Cash		22
Trade receivables		49
Inventories		17,531
Property, plant and equipment	F4	2,316
Intangibles	F5	20,421
Right-of-use assets		10,812
Other current assets		172
Total assets		**51,322**

LIABILITIES		
Trade payables		1,098
Contract liabilities		1,162
Employee entitlements		2,212
Lease liabilities		10,812
Provisions		1,001
Deferred tax liabilities		5,105
Total liabilities		**21,390**
Total identifiable net assets at fair value		**29,933**
Goodwill arising on acquisition	F5	19,073
Purchase consideration transferred		49,006

PURCHASE CONSIDERATION		
Cash consideration paid to the vendor		44,635
Deferred contingent consideration paid in escrow		3,500
Deferred consideration payable		871
Total consideration		**49,006**

H. GROUP STRUCTURE

H1. INTERESTS IN OTHER ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in noteJ1(B):

	Country of incorporation	Ownership interest held by the group	
		2024 %	2023 %
Michael Hill Jeweller (Australia) Pty Limited	Australia	100	100
Michael Hill Wholesale Pty Limited	Australia	100	100
Michael Hill Manufacturing Pty Limited	Australia	100	100
Michael Hill Franchise Pty Limited	Australia	100	100
Michael Hill Franchise Services Pty Limited	Australia	100	100
Michael Hill Finance	Australia	100	100
Michael Hill Group Services Pty Limited	Australia	100	100
Michael Hill Charms Pty Limited	Australia	100	100
MH Bespoke Diamonds AU Pty Ltd (previously Michael Hill Online Pty Ltd)	Australia	100	100
Fine Jewellery Retail AU Pty Ltd (previously Emma & Roe Pty Limited)	Australia	100	100
Medley Jewellery Pty Limited	Australia	100	100
Durante Holdings Pty Limited	Australia	100	100
Michael Hill New Zealand Limited	New Zealand	100	100
Michael Hill Jeweller Limited	New Zealand	100	100
Michael Hill Finance (NZ) Limited	New Zealand	100	100
Michael Hill Franchise Holdings Limited	New Zealand	100	100
MHJ (US) Limited	New Zealand	100	100
Emma & Roe NZ Limited	New Zealand	100	100
Michael Hill Online Holdings Limited	New Zealand	100	100
Michael Hill Jeweller (Canada) Limited	Canada	100	100
Michael Hill LLC	United States	100	100

H2. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 2016/785, the Australian wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and directors' report in Australia.

The subsidiaries subject to the deed are: Durante Holdings Pty Ltd, Michael Hill Group Services Pty Ltd, Michael Hill Jeweller (Australia) Pty Ltd, Michael Hill Manufacturing Pty Ltd, Michael Hill Wholesale Pty Ltd, Michael Hill Franchise Services Pty Ltd, Michael Hill Franchise Pty Ltd, Michael Hill New Zealand Ltd, Michael Hill Jeweller Ltd, Michael Hill Franchise Holdings Ltd, Michael Hill Finance (NZ) Ltd, MH Bespoke Diamonds AU Pty Ltd, Michael Hill Charms Pty Ltd, Fine Jewellery Retail AU Pty Ltd, Medley Jewellery Pty Ltd, Michael Hill Online Holdings Ltd and Emma & Roe NZ Ltd.

The Class Order requires the Parent Company and each of the subsidiaries to enter into a Deed of Cross Guarantee. The effect of the deed is that the Company guarantees each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the *Corporations Act 2001,* the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The above companies represent a Closed Group for the purposes of the Class Order and, as there are no other parties to the Deed of Cross Guarantee that are controlled by Michael Hill International Limited, they also represent the Extended Closed Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS, STATEMENT OF COMPREHENSIVE INCOME AND SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS

Set out below is a consolidated statement of profit or loss, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2024 of the closed group consisting of Michael Hill International Limited and the entities noted above.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS	2024 $'000	2023 $'000
Revenue from sales of goods and services	465,857	435,796
Sales to Group companies not in Closed Group	2,315	17,121
Other income	471	(236)
Cost of goods sold	(183,599)	(160,161)
Employee benefits expense	(144,797)	(129,675)
Occupancy costs	(7,589)	(4,812)
Marketing expenses	(30,865)	(31,594)
Selling expenses	(14,391)	(12,845)
Administrative expenses	(23,465)	22,459
Depreciation and amortisation expense	(54,209)	(44,960)
Loss in disposal of property, plant and equipment	(384)	(114)
Other expenses	(6,739)	(426)
Finance costs	(11,120)	(6,583)
Profit/(loss) before income tax	**(8,515)**	**39,052**
Income tax expense	1,995	(12,964)
Profit/(loss) for the year	**(6,520)**	**26,088**

OTHER COMPREHENSIVE INCOME	2024 $'000	2023 $'000
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(3,534)	1,379
Other comprehensive income/(loss) for the period, net of tax	**(3,534)**	**1,379**
Total comprehensive income/(loss) for the year	**(10,054)**	**27,467**

STATEMENT OF CHANGES IN EQUITY	2024 $'000	2023 $'000
Equity at the beginning of the financial year	481,734	472,985
Share buy-back	-	10,207
Total comprehensive income/(loss)	(10,054)	27,467
Share rights through share-based payments reserve	-	1,794
Issue of share capital on exercise of share rights	(409)	-
Dividends paid	(20,195)	(30,719)
Total equity at the end of the financial year	**451,076**	**481,734**

NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Set out below is a consolidated statement of financial position as at 30 June 2024 of the Closed Group consisting of Michael Hill International Limited and the entities noted above.

CURRENT ASSETS	2024 $'000	2023 $'000
Cash and cash equivalents	9,816	9,971
Trade receivables	8,216	5,950
Inventories	148,757	151,266
Loans to related parties	249,706	246,710
Other current assets	7,627	4,714
Current tax asset	215	-
Total current assets	**424,337**	**418,611**
NON-CURRENT ASSETS		
Property, plant and equipment	45,235	41,756
Right-of-use assets	110,624	108,121
Investments in subsidiaries	83,346	83,346
Other non-current assets	573	18,341
Intangible assets	57,803	36,215
Deferred tax assets	45,539	40,767
Total non-current assets	**343,120**	**328,546**
Total assets	**767,457**	**747,157**
CURRENT LIABILITIES		
Trade and other payables	57,021	54,035
Lease liabilities	30,453	31,074
Current tax liabilities	-	9,450
Deferred revenue	14,084	14,616
Provisions	12,494	12,310
Deferred consideration	2,851	-
Total current liabilities	**116,903**	**121,485**
NON-CURRENT LIABILITIES		
Lease liabilities	94,524	88,947
Deferred revenue	38,891	44,113
Provisions	7,163	10,878
Borrowings	58,900	-
Total non-current liabilities	**199,478**	**143,938**
Total liabilities	**316,381**	**265,423**
Net assets	**451,076**	**481,734**
EQUITY		
Contributed equity	320,585	320,585
Reserves	(20,295)	(16,352)
Retained profits	150,786	177,501
Total equity	**451,076**	**481,734**

H3. PARENT ENTITY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION

The individual financial statements for Michael Hill International Limited (the Parent) show the following aggregate amounts.

STATEMENT OF FINANCIAL POSITION	2024 $'000	2023 $'000
Current assets	140	286
Non-current assets	353,616	387,715
Total assets	**353,756**	**388,001**
Current liabilities	-	11,664
Total liabilities	**-**	**11,664**
Net assets	**353,756**	**376,337**
Issued capital	291,832	291,255
Reserves	33,096	33,504
Retained earnings	28,828	51,578
Total equity	**353,756**	**376,337**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2024 $'000	2023 $'000
Loss for the year	(24,905)	(39,437)
Total comprehensive loss	**(24,905)**	**(39,437)**

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

The Parent has issued the following guarantees in relation to the debts of its subsidiaries:

(i) Pursuant to Class Order 2016/785, Michael Hill International Limited and the subsidiaries listed below entered into a deed of cross guarantee on 30 June 2016. The effect of the deed is that Michael Hill International Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Michael Hill International Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

(ii) The subsidiaries subject to the deed are: Durante Holdings Pty Ltd, Michael Hill Group Services Pty Ltd, Michael Hill Jeweller (Australia) Pty Ltd, Michael Hill Manufacturing Pty Ltd, Michael Hill Wholesale Pty Ltd, Michael Hill Franchise Services Pty Ltd, Michael Hill Franchise Pty Ltd, Michael Hill New Zealand Ltd, Michael Hill Jeweller Ltd, Michael Hill Franchise Holdings Ltd, Michael Hill Finance (NZ) Ltd, Michael Hill Online Pty Ltd, Michael Hill Charms Pty Ltd, Emma & Roe Pty Ltd, Medley Jewellery Pty Ltd, Michael Hill Online Holdings Ltd and Emma & Roe NZ.

CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Parent entity had no material contingent liabilities as at balance date.

I. UNRECOGNISED ITEMS

I1. CONTINGENCIES AND COMMITMENTS

CONTINGENT LIABILITIES

From time to time, Companies within the Group are party to various legal actions as well as inquiries from regulators and government bodies that have arisen in the normal course of business. The Directors have given consideration to such matters which are or may be subject to claims or litigation at year end and are of the opinion that that any liabilities arising over and above already provided in the financial statements from such action would not have a material effect on the Group's financial performance.

I1. CONTINGENCIES AND COMMITMENTS, CONTINUED.

CONTINGENT LIABILITIES, CONTINUED.

The Group is not aware of any significant events occurring subsequent to balance date that have not been disclosed.

The Group had no material contingent liabilities as at balance date.

CONTINGENT ASSETS

The Group has no material contingent assets existing as at balance date.

COMMITMENTS

The following sets out the various lease contracts that the Group has entered into and have yet to commence as at 30 June 2024.

	Within one year	One to five years	Greater than five years	Total
	$'000	$'000	$'000	$'000
Future lease payments for these non-cancellable lease contracts	**568**	**458**	**777**	**1,803**

I2. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

In July 2024, it was agreed with ANZ Banking Group and HSBC Australia for the facility to increase by $40 million for the four-month period from 15 September 2024 to support seasonal working capital requirements for Christmas trade.

The Supreme Court of New South Wales handed down its judgment in Gispac Pty Ltd v Michael Hill Jeweller (Australia) Pty Ltd on 31 January 2024, which involved a dispute in relation to the supply of packaging in the years 2014 to 2018. The Supreme Court ordered Michael Hill Jeweller (Australia) Pty Ltd to pay damages of $2,259,971 plus interest and costs, for which the Group provided $4,500,000 for in the consolidated interim financial report for the period ended 31 December 2023. The Group subsequently appealed that decision to the NSW Court of Appeal. On 27 August 2024, the NSW Court of Appeal handed down its judgement for the appeal and has reduced the damages amount to $359,858, plus interest. Gispac was ordered to pay the Group's costs of the appeal, however the initial trial costs are subject to further determination by the Court. Gispac has a right to apply for leave to appeal to the High Court within 28 days of the judgement. As the initial trial costs are subject to further Court determination and the decision still remains subject to appeal, the Group has maintained the existing provision amount noted above in the consolidated annual financial report for the year ended 30 June 2024

On 30 August 2024, Claudia Batten was appointed a non-executive director of Michael Hill International Limited.

No other matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

J. SUMMARY OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES AND JUDGEMENTS

J1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

(A) BASIS OF PREPARATION

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements provide comparative information in respect of the previous period.

For reporting purposes, the Group adopts a weekly 'retail calendar' closing each Sunday. The current 52 week reporting period ended on 30 June 2024.

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

J1. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION, CONTINUED.

(B) PRINCIPLES OF CONSOLIDATION

Subsidiaries are all entities (including special purpose) over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power to direct the activities of the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Michael Hill International Limited. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the transferred asset.

(C) FOREIGN CURRENCY TRANSLATION

Functional currency translation

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group financial statements are presented in Australian dollars, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Net foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end of monetary assets and liabilities denominated in foreign currencies are recognised as other income or other expenses, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Group companies

The results and financial position of all the Group entities (none of which have the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

(D) TAXES

Current income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Tax consolidation group

Michael Hill International Limited and its wholly-owned Australian controlled entities form a tax consolidation group. As a consequence, one income tax return is completed for the Australian tax group and is treated for income tax purposes as one taxpayer.

The tax balances have been attributed for reporting purposes to each of the entities on the basis of their individual results. Amounts of tax due to and receivable from the Australian Taxation Office are made by Michael Hill International Limited as nominated member of the Australian tax consolidated group. The current tax balance for the Australian tax group has been allocated between the members based on each entity's current tax movement for the period. Where tax losses are incurred by Australian tax group members, these are offset within the group.

(E) GOODS AND SERVICES TAX (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; or
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

(F) IMPAIRMENT OF ASSETS

At each annual reporting date (or more frequently if events or changes in circumstances indicate that they might be impaired), the Group assesses whether there is any indication that an asset may be impaired. Where such an indication is identified, the Group estimates the recoverable amount of the asset and recognises an impairment loss where the recoverable amount is less than the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use.

Where the recoverable amount exceeds the carrying amount of an asset, an impairment loss is recognised. Right-of-use assets are also incorporated into the calculation. Subsequent to an impairment occurring, if the recoverable amount from assets exceeds the carrying value, the impairment loss is reversed to the extent that it has been recognised.

(G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position when utilised.

(H) INVENTORIES

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Management review stock holdings based on recoverability at a product level and write-down as appropriate.

(I) FINANCIAL INSTRUMENTS - INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through Other Comprehensive Income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under AASB15 *Revenue from Contracts with Customers.* Refer to the accounting policies in note A2.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'Solely Payments of Principal and Interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

Whilst there are four categories, two are relevant in the current reporting period for the Group, being:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables included under current and non-current financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through OCI.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in note F3.

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB9 *Financial Instruments.* Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB9 *Financial Instruments* are satisfied. The Group has not designated anu financial liability as at fair value through profit and loss.

Loans and borrowings at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note C1.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(J) PROPERTY PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives (note F4).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note J1(F)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(K) INTANGIBLE ASSETS AND GOODWILL

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non- controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Brand

Brand names are acquired as part of business combinations and are recognised initially at fair value. Where they have an indefinite useful life, they are not subject to amortisation but are tested annually for impairment or more frequently if events or changes in circumstances indicate they may be impaired. Key factors taken into account in assessing useful life of brands are:

- The brands are well established and protected by trademarks; and
- There are currently no legal, technical or commercial obsolescence factors applying to the brands which indicate that the life should be considered limited.

Loyalty program

Loyalty programs associated to brands operate a customer loyalty program which attributes value to the business by offering a returning customer base. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated with developing or maintaining software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available;
- it can be demonstrated how the software will generate probable future economic benefits; and
- the expenditure attributable to the software during its development can be reliably measured.

In respect to cloud computing arrangements, the Group assesses whether the arrangement contains a lease and if not, whether the arrangement provides the Group with a resource that it can control. Costs associated with implementation are then assessed as to whether they can be capitalised in accordance with relevant accounting standards.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding ten years).

Useful life

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life i.e. three years for customer loyalty program and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

(L) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Present obligations arising from onerous contracts are required to be recognised and measured as a provision. An onerous contract is considered to exist where the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(M) EMPLOYEE ENTITLEMENTS

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for employee benefits are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the Milliman G100 discount rates at the end of the reporting period. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting year, regardless of when the actual settlement is expected to occur.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Retirement benefit obligations

The Group provides retirement benefits to employees through a defined contribution superannuation fund. Contributions are recognised as expenses as they become payable.

(N) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses. At the acquisition date, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values, except deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements which are recognised and measured in accordance with AASB 112 I*ncome Taxes* and AASB 119 *Employee Benefits* respectively.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

(O) CONTRIBUTED EQUITY

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Michael Hill International Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Michael Hill International Limited.

(P) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(Q) EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note F2).

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares (note F2).

(R) ROUNDING OF AMOUNTS AND COMPARATIVES

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Some comparative amounts included within these financial statements have been reclassified, to allow greater transparency when comparing current period to prior period. The reclassification adjustments have had no impact on the prior period Profit Before Tax, Profit After Tax, or Net Assets.

(S) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Several other amendments and interpretations apply for the first time from 1 July 2023, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Certain new accounting standards and interpretations have been published that are not mandatory or effective for the 30 June 2024 year end. The Group is in the process of determining the impact of these new standards and amendments, which are summarised below:

AASB 2020-1 Amendments to AASs - Classification of liabilities as current or non-current and AASB 2022-6 Amendment to AASs - Non-current liabilities with covenants

In January 2020, the AASB issued amendments to paragraphs 69 to 76 of AASB 101 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement;
- that a right to defer settlement must exist at the end of the reporting period; and
- that classification is unaffected by the likelihood that an entity will exercise its deferral right that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments were originally effective for annual reporting periods beginning on or after 1 January 2023, however the AASB has now issued AASB 2022-6 Amendments to AASs - Non-Current Liabilities with Covenants which has changed the effective date of AASB 2020-1 to annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. This means that it will be applied in the reporting period ending 30 June 2025.

The amendments in AASB 2022-6 clarify:

- that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non- current; and
- specific situations in which an entity does not have a right to defer settlement for at least 12 months after the reporting date.

The amendments in AASB 2022-6 also add presentation and disclosure requirements for non-current liabilities subject to compliance with future covenants within the next 12 months.

The group is still assessing the impacts of the new disclosure requirements.

AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 has been issued to improve how entities communicate in their financial statements, with particular focus on information about financial performance in the statement of profit or loss. The key presentation and disclosure requirements established by AASB 18 are:

- the presentation of newly defined subtotals in the statement of profit or loss;
- the disclosure of management defined performance measures (MPM); and
- enhanced requirements for grouping information (ie. aggregation and disaggregation).

AASB 18 is accompanied with limited consequential amendments to the requirements in other accounting standards, including AASB 107

Statement of Cash Flows

AASB 18 introduces three new categories for classification of all income and expenses in the statement of profit or loss: operating, investing and financing. Additionally, entities will be required to present subtotals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.

For the purpose of classifying income and expenses into one of the three new categories, entities will need to assess their main business activity, which will require judgement. There may be more than one main business activity.

AASB 18 also requires several disclosures in relation to MPMs, such as how the measure is calculated, how it provides useful information and a reconciliation to the most comparable subtotal specified by AASB 18 or another standard.

AASB 18 will replace AASB 101 *Presentation of Financial Statements.*

The group is still assessing the impacts of the new disclosure requirements.

There are no other standards that have been issued but are not yet effective and that are expected to have a material financial impact on the Group in the current or future reporting periods.

J2 SIGNIFICANT ESTIMATES AND JUDGEMENTS

Significant estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are incorporated within the relevant note.

The significant accounting judgements relate to the pattern of PCP revenue recognition (note A2) and accounting for the acquisition of Bevilles (note G2).

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

			Bodies corporate		Tax residency	
ENTITY NAME	**Entity type**	**Trustee, Partner or JV Participant**	**Place formed or incorporated**	**% of share capital held (i)**	**Australian or foreign**	**Foreign jurisdiction**
Michael Hill International Limited	Body corporate	No	Queensland	N/A	Australian	N/A
Durante Holdings Pty Ltd	Body corporate	Yes - partner	Queensland	100%	Australian	N/A
MH Bespoke Diamonds AU Pty Ltd	Body corporate	No	Queensland	100%	Australian	N/A
Michael Hill Franchise Pty Ltd	Body corporate	No	Queensland	100%	Australian	N/A
Michael Hill Franchise Services Pty Ltd	Body corporate	No	Queensland	100%	Australian	N/A
Michael Hill Jeweller (Canada) Ltd	Body corporate	No	Canada	100%	Foreign	Canada
Michael Hill Charms Pty Ltd	Body corporate	No	Queensland	100%	Australian	N/A
Fine Jewellery Retail AU Pty Ltd	Body corporate	No	Queensland	100%	Australian	N/A
Medley Jewellery Pty Ltd	Body corporate	No	Queensland	100%	Australian	N/A
Michael Hill Group Services Pty Ltd	Body corporate	No	Queensland	100%	Australian	N/A
Michael Hill Manufacturing Pty. Limited	Body corporate	No	Queensland	100%	Australian	N/A
Michael Hill Wholesale Pty Ltd	Body corporate	No	New South Wales	100%	Australian	N/A
Michael Hill Jeweller (Australia) Pty Ltd	Body corporate	Yes - partner	New South Wales	100%	Australian	N/A
Michael Hill Finance	Partnership	N/A	Queensland	N/A	Australian	N/A
Michael Hill New Zealand Limited	Body corporate	No	New Zealand	100%	Foreign	New Zealand
Michael Hill Jeweller Limited	Body corporate	No	New Zealand	100%	Foreign	New Zealand
Michael Hill Finance (NZ) Limited	Body corporate	No	New Zealand	100%	Foreign	New Zealand
Emma & Roe NZ Limited	Body corporate	No	New Zealand	100%	Foreign	New Zealand
MHJ (US) Limited	Body corporate	No	New Zealand	100%	Foreign	New Zealand
Michael Hill LLC	Body corporate	No	Delaware, US	100%	Foreign	Delaware, US

The above Consolidated Entity Disclosure Statement should be read in conjunction with the accompanying notes.

BASIS OF PREPARATION

The consolidated entity disclosure statement has been prepared in accordance with subsection 295(3A)(a) of the *Corporations Act 2001.* The entities listed in the statement are Michael Hill International Limited and all the entities it controls in accordance with AASB 10 *Consolidated Financial Statements.*

The percentage of share capital disclosed for bodies corporate included in the statement represents the economic interest consolidated in the consolidated financial statements controlled by Michael Hill International Limited either directly or indirectly.

In relation to the tax residency information included in the statement, judgement may be required in the determination of residency of the entities listed.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the financial statements and notes of the Group for the financial year ended 30 June 2024, are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements,

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the financial year ended on that date, and

(iii) the consolidated entity disclosure statement required by section 295(3A) of the *Corporations Act* is true and correct;

(c) as at the date of this declaration, there are reasonable grounds to believe that the members of the extended group identified in note H1 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee described in note H2.

Note J1(A) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.

R I Fyfe
Chair

Brisbane
30 August 2024

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICHAEL HILL INTERNATIONAL LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

OPINION

We have audited the financial report of Michael Hill International Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024 , the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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EXISTENCE OF INVENTORIES

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
As at 30 June 2024 the Group's inventories balance totals $196 million or 36% of the Group's total assets. Inventories are primarily kept in the Group's 300 retail stores located in Australia, New Zealand and Canada and the distribution and manufacturing centres. Inventories comprise a large number of physically small but high value items which are subject to misappropriation and loss. The Group accounts for inventories in accordance with the policy disclosed in Note J1(H) and further disclosure is included in Note A4 of the financial report. Inventory is considered a key audit matter due to the nature, size and geographic spread of locations where items are held.	Our audit procedures included the following: • Attended a sample of stocktakes conducted at retail stores across Australia, New Zealand and Canada. • In addition to the retail stores, we attended the stocktakes completed at each of the distribution and manufacturing centres in June 2024 prior to year end. • Tested the operating effectiveness of key controls relevant to the conduct of physical stocktakes, the review and evaluation of inventory variances, and the approval of adjustments made to inventory quantities. • At these stocktakes for the retail stores, distribution and manufacturing centres, we observed compliance with the stocktake instructions (including the suspension of inventory movements during the stocktake process) and selected a sample of items to re-count to assess the accuracy of the counts performed by the Group. • For each of the locations attended, and for a further representative sample of retail stores, we inspected that stocktakes had been conducted in accordance with Group policies, inventory variances identified had been reviewed and approved, and that the adjustments were accurately recorded. • Where stocktakes were completed prior to the year end date, we performed an inventory movement analysis. On a sample basis we evidenced changes in inventory quantities to evaluate the movement of inventories between the stocktake date and year end date. For retail locations not attended at stocktake, we performed analytical procedures in relation to the year on year movements and further analysed where the year end balances were outside our set expectations. • Obtained details of stock-in-transit at year end, as well as movements before and after year end date and assessed the risk of incorrect cut-off of inventory quantities at year end. • Assessed the adequacy of the disclosures included in the Notes to the financial report.

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PROFESSIONAL CARE PLAN (PCP) REVENUE RECOGNITION

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
The balance of the deferred PCP revenue liability at 30 June 2024 was $66 million, and PCP revenue recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2024 was $33 million as disclosed in Note A2 of the financial report. The recognition of PCP revenue involves a significant degree of estimation in determining the appropriate revenue recognition pattern for lifetime, 10 year and 3 year plans offered to the Group's customers. Under these plans, revenue is deferred on receipt of the payment from the customer and recognised over time in a manner that reflects the proportion of actual services used by customers relative to the total amount of expected services to be provided under the PCPs. The estimation process for PCP revenue is based on an analysis of actual services (through historical cleaning, repairs and re-sizing service data) performed under these plans since inception, with management judgement applied to take account of emerging trends in customer behaviour, industry data and exceptional circumstances. The result of the estimation process is reviewed by the Group on at least an annual basis. As circumstances change over time, the Group updates its measure of progress, and any adjustments are recognised as a cumulative catch up in revenue recognition (or reversal) in the current year results. Accordingly, this is considered a key audit matter.	Our audit procedures included the following: • Assessed the Group's PCP revenue recognition accounting policies and compliance in accordance with the requirements of Australian Accounting Standards. • Assessed the accuracy of the data used in the PCP revenue estimation calculation and challenged the reasonableness of the key judgements including: - Obtained details of the sales of PCP products to customers during the year, and on a sample basis, we vouched the cash receipts to bank statements and tested that the revenue was appropriately deferred. - Obtained details of the actual cleaning, repairs and resizing services during the year and tested a sample of transactions to understand if repairs are accurately tagged to the associated PCP plan date. - Performed analysis over the historic repairs data, to determine whether the assumptions made by the Group were supportable, including the length of the lookback period. • Tested the mathematical accuracy of the PCP revenue estimation model and re-performed the Group's calculation supporting the estimate relating to PCP revenue recognition. • Re-performed management's sensitivity analysis over the assumptions using reasonable alternative scenarios to assess whether there would be a material impact on revenue recognised in the year. • Assessed the adequacy of disclosures included in the Notes to the financial statements of PCP revenue recorded and deferred at year-end and the associated estimation uncertainty.

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INFORMATION OTHER THAN THE FINANCIAL REPORT AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of:

a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

b. The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*; and for such internal control as the directors determine is necessary to enable the preparation of:

   i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

   ii. The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE AUDIT OF THE REMUNERATION REPORT

OPINION ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Michael Hill International Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

RESPONSIBILITIES

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

K McKenzie

Kellie McKenzie
Partner

Brisbane
30 August 2024

ADDITIONAL SHAREHOLDER INFORMATION

AS AT 21 AUGUST 2024

The Company has one class of shares on issue (being ordinary shares). The Company's shares are listed on the Australian Securities Exchange and the New Zealand Stock Exchange.

	Number
Issued Capital	384,623,963
Number of shareholders	4,269
Minimum parcel price	$0.520
Holders with less than a marketable parcel	499

TWENTY LARGEST SHAREHOLDERS

Rank	Shareholder Name	Number of Fully Paid Ordinary Shares	% of Fully Paid Ordinary Shares
1	HOGLETT HAMLETT LIMITED*	145,740,600	37.89
2	CITICORP NOMINEES PTY LIMITED	37,261,472	9.69
3	SQUEAKIDIN LIMITED*	19,156,926	4.98
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,615,901	4.06
5	PETER KARL CHRISTOPHER HULJICH + JOHN HAMISH BONSHAW IRVING	14,277,336	3.71
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,544,554	3.52
7	NEW ZEALAND CENTRAL SECURITIES DEPOSITORY LTD	8,244,419	2.14
8	MOLE HILL LIMITED*	7,991,786	2.08
9	MOLE HILL LIMITED*	5,000,000	1.30
10	CHRISTOPHER PETER HULJICH + CONSTANCE MARIA F HULJICH + PETER KARL CHRISTOPHER HULJICH	3,488,861	0.91
11	FORSYTH BARR CUSTODIANS LIMITED	3,225,456	0.84
12	NEW ZEALAND DEPOSITORY NOMINEE LIMITED	2,845,751	0.74
13	HOGLETT HAMLETT LIMITED*	2,590,000	0.67
14	BNP PARIBAS NOMINEES PTY LTD	2,577,648	0.67
15	HWM (NZ) HOLDINGS LIMITED	2,458,570	0.64
16	FNZ CUSTODIANS LIMITED	2,452,737	0.64
17	VANWARD INVESTMENTS LIMITED	2,036,974	0.53
18	MONKEY TRUSTEE LIMITED +PETER DENNIS BROWN +COLIN JOHN BROWN	1,946,433	0.51
19	CUSTODIAL SERVICES LIMITED	1,540,923	0.40
20	BNP PARIBAS NOMINEES PTY LTD	1,320,072	0.34
Total		**293,316,419**	**76.26**
Total Remaining Holders Balance		**91,307,544**	**23.74**

*Denotes entities in which a member or members of the Hill family have an interest.

DISTRIBUTION OF SECURITY HOLDERS		
Range	Number of holders of fully paid ordinary shares	Number of fully paid ordinary shares
1 - 1,000	698	404,032
1,001 - 5,000	1,318	3,979,090
5,001 - 10,000	781	6,389,225
10,001 - 100,000	1,312	42,404,958
Over 100,001	160	331,446,658
Total	**4,269**	**384,623,963**

UNMARKETABLE PARCELS			
	Minimum Parcel Size	Number of Holders	Number of Units
Minimum $500.00 parcel at $0.52 per unit	962	499	205,351

As at 21 August 2024, there are five substantial shareholders that the Company is aware of:

SUBSTANTIAL HOLDERS		
Name	Latest Notice Date	Shares
Hoglett Hamlett Limited and others*	13 October 2016	148,330,600
Mark Simon Hill	3 September 2021	163,487,902
Emma Jane Hill	13 October 2016	167,487,526
Spheria Asset Management Pty Ltd	26 June 2024	48,465,930
Pinnacle Investment Management Group Limited	1 July 2024	19,263,299

* Includes: Hoglett Hamlett Limited (New Zealand incorporated company with company number 5994887), Sir Richard Michael Hill, Lady Ann Christine Hill and Veritas Hill Limited (New Zealand incorporated company with company number 2303840).

The above table sets out the number of securities held by substantial shareholders in the Company as disclosed in their last substantial shareholder's notice. Those shareholders may have acquired or disposed of securities in the Company since the date of that notice. A substantial shareholder is only required to disclose acquisition or disposals where there has been a movement of at least 1% in their shareholding.

SHARE OPTIONS AND RIGHTS

The Company has 500,000 unlisted share options and 7,434,253 share rights on issue. As at 21 August 2024 there was 1 holder of share options and 39 holders of share rights.

CORPORATE DIRECTORY

DIRECTORS
R I Fyfe B.Eng, F.E.N.Z., C.N.Z.M. Chair
Sir R M Hill K.N.Z.M.
E J Hill B.Com, M.B.A.
G W Smith B.Com, F.C.A., F.A.I.C.D.
D Whittle B.A., B.Com (appointed 2 August 2023)
J E Naylor M.A.I.C.D. (resigned 8 April 2024)
C Batten LLB (Hons), B.Com (appointed 30 August 2024)
D Bracken

COMPANY SECRETARIES
A Lowe BCom, LLB (Hons), MAppFin, CA, CTA
K Palethorpe LLB (Hons), BSc (Biochemistry) (Hons), GradDipLegalPrac, GradDipACGRM

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Computershare Investor Services Pty Ltd
Level 1,
200 Mary Street,
Brisbane QLD 4000
1300 552 270 (within Australia)
+61 3 9415 4000 (outside of Australia)

STOCK EXCHANGE LISTING
Michael Hill International Limited shares are listed on the Australian Securities Exchange as its primary listing (ASX:**MHJ**), and on the New Zealand Stock Exchange as a secondary listing (NZX:**MHJ**).

AUDITOR
Ernst & Young
Level 51,
111 Eagle Street,
Brisbane QLD 4000

SOLICITOR
Allens Linklaters
Level 26,
480 Queen Street,
Brisbane QLD 4000

BANKERS
ANZ Australia
ANZ New Zealand
HSBC Australia
Royal Bank of Canada
Bank of Montreal
Commonwealth Bank of Australia

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