

HALF YEAR REPORT TO 31 DECEMBER 2014



michael hill[®]

INTERNATIONAL LIMITED



we're
for
love™

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Company Profile

Michael Hill International Limited owns the brands “Michael Hill” and “Emma & Roe” and operates a retail jewellery chain of 285 Michael Hill stores and eight Emma & Roe stores in Australia, New Zealand, Canada and the United States as at 31 December 2014.

The Company story began in 1979 when Sir Michael and his wife Christine opened their first store in the New Zealand town of Whangarei, some 160 kilometres north of Auckland. Since then, growth has been guided by a unique retail jewellery formula. Through dramatically different store designs, a product range devoted exclusively to jewellery and development of high impact advertising, the Company rose to national prominence. In 1987, the Company was listed on the New Zealand Stock Exchange, the same year the Group expanded into Australia.

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

In September 2008, the Group entered the United States market and now has 8 stores in Illinois, Ohio and Minnesota.

2014 saw the opening of the first Emma & Roe store, following a successful trial during the preceding 18 months in five South East Queensland outlets under the trading name ‘Captured Moments’. These stores carry unique jewellery collections consisting of bracelets and charms, along with matching jewellery. The two brands are viewed as being complementary within the jewellery sector, with the Michael Hill brand continuing to focus on diamonds, bridal and fine jewellery. The name Emma & Roe takes its inspiration from the Hill family; “Emma”, Sir Michael’s daughter, and “Roe”, Christine Lady Hill’s maiden name.

As at 31 December 2014, the Group operates 52 Michael Hill stores in New Zealand, 166 in Australia, 59 in Canada, and eight stores in the USA. In addition, there are seven Emma & Roe stores in Australia and one in New Zealand. Around the world, the Group employs approximately 2,400 permanent employees in retail sales, manufacturing and administration roles.

Highlights of the half year

- Operating revenue of \$283.189m up 4.6% on same period last year
- Same store sales were 0.9% up on same period last year
- Revenue collected from Professional Care Plans of \$19.924m up 13.4% on same period last year
- EBIT of \$34.980m up 17.6% on same period last year
- Net profit before tax of \$32.444m up 13.9% on same period last year
- Interim dividend of NZ 2.5 cents per share
- Equity ratio of 50.3% at 31 December 2014
- Eight new Michael Hill stores opened and one closed during the period
- Total of 285 Michael Hill stores open at 31 December 2014
- Total of eight Emma & Roe stores open at 31 December 2014

Key facts

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

31 Dec 14 31 Dec 13 ±%

TRADING RESULTS (AU\$'000's)

Group revenue	283,189	270,750	4.6%
Earnings before interest and tax	34,980	29,748	17.6%
Group profit after tax	23,697	16,245	45.9%
Net cash from operating activities	39,928	(2,258)	1,868.3%

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

Contributed equity 383,138,513 ordinary shares	3,760	3,651	3.0%
Total equity	196,551	185,373	6.0%
Total assets	390,992	371,186	5.3%
Net debt	33,835	46,148	(26.7%)

Financial Calendar

DIVIDENDS PAYABLE

Interim - April, Final - October

FINANCIAL RESULTS ANNOUNCED

Half Year - February, Annual - August

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

31 Dec 14 31 Dec 13

NUMBER OF STORES 31 DECEMBER

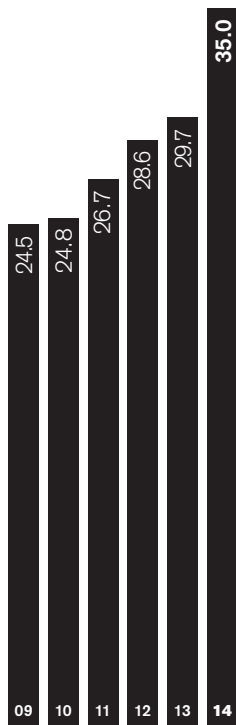
Australia	166	166
New Zealand	52	53
Canada	59	52
United States	8	8
Number of Michael Hill stores	285	279
Australia	7	5
New Zealand	1	-
Number of Emma & Roe stores	8	5

DISTRIBUTION TO SHAREHOLDERS

Interim dividend per ordinary share (NZ\$)	2.5	2.5
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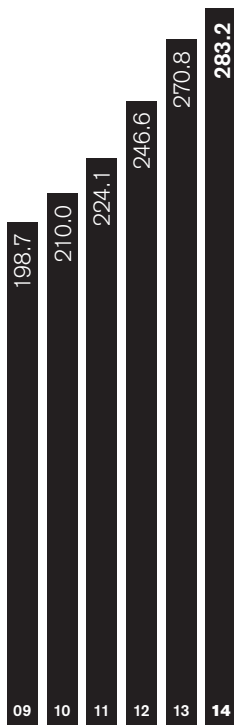
KEY MEASURES

Share price 31 December (NZ\$)	\$1.17	\$1.39
Basic earnings per share (AU\$)	6.19	4.24
Interest expense cover (times)	13.7	20.4
Equity ratio	50.3%	49.9%
Current ratio	2.4:1	1.7:1



**Earnings before interest
and tax up 17.6%**

AU\$ millions to 31 December



**Group revenue
up 4.6%**

AU\$ millions to 31 December



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

Directors' Report

Profit Announcement

Michael Hill International Limited today announced an after tax profit of AU\$23.697m for the six months ended 31 December 2014.

Australian Retail Segment

The Australian retail segment revenue decreased by 1.9% to \$168.540m for the six months, with an operating surplus of \$31.504m, an increase of 8.6% on the previous corresponding period. Same store sales decreased 1.9% for the six months. The operating surplus as a percentage of revenue was 18.7% (16.9% last year). The Australian market has continued to be challenging due to lower consumer confidence, especially in regions where the resource sector is prevalent. Costs have been a focus over the period and this has assisted with delivering an improved result.

Two new stores were opened in Australia during the period, giving a total of 166 stores operating at 31 December 2014.

New Zealand Retail Segment

The New Zealand retail segment revenue increased 3.8% to NZ\$63.238m for the six months, with an operating surplus of NZ\$13.960m, up 12.9% on the corresponding period last year. Same store sales in local currency during the six months increased by 4.2%. The operating surplus as a percentage of revenue was 22.1% (20.3% last year). The improved performance of the New Zealand segment is a continuation of the turnaround in this business which commenced in 2013/14.

No stores were opened or closed during the period giving a total of 52 stores operating at 31 December 2014.

Canadian Retail Segment

The Canadian retail segment revenue increased by 18.4% for the six months to CA\$44.854m, with an operating surplus of CA\$5.139m compared to CA\$2.854m for the previous corresponding period. Same stores sales increased 4.3% for the six months. The operating surplus as a percentage of revenue was 11.5% (7.5% last year). The Canadian segment continues to grow and improve due to the maturing of this business, which has now reached a critical mass allowing increased marketing spend and brand awareness.

Six new stores were opened and one closed during the period, giving a total of 59 stores operating at 31 December 2014.

Directors' Report cont.

US Retail Segment

The US retail segment increased its revenue by 18.1% to US\$5.942m for the six months, and there was an operating loss of US\$0.565m for the period (a loss of US\$0.559m last year). Same stores sales in local currency increased 9.1% for the six months. The continued improvement in this test market is encouraging and 2 further stores will be opened in the second half to expand the trial.

No stores were opened or closed during the period giving a total of eight stores operating at 31 December 2014.

Emma & Roe

As previously stated, the Emma & Roe brand is being tested with seven stores in Australia and one store now open in New Zealand. As this brand is still in test mode, the Company is not disclosing their financial results as a separate segment, and therefore their results and associated assets and liabilities are treated as "unallocated" in the half-year segment note.

Dividend

The Directors have announced an interim dividend of NZ 2.5¢ per share (2013 – NZ 2.5¢), with no imputation credits attached for New Zealand shareholders and full franking credits for Australian shareholders. The dividend will be paid on Thursday, 2 April 2015 with the record date being Thursday, 26 March 2015.

Cash Flows / Balance Sheets

The Group has reported a net operating cash inflow of \$39.928m for the six months, compared to a net operating cash outflow of \$2.258m for the previous period.

The surplus from operations is a result of:

Profit excluding non-cash items	\$29.546m
Increase in trade and other receivables	(\$5.015)m
Increase in inventory levels	(\$26.551)m
Increase in trade and other payables	\$26.331m
Increase in deferred revenue	\$9.568m
Increase in tax liabilities	\$6.118m
Other miscellaneous items	(\$0.069)m
Net cash inflow from operations surplus for the half-year	\$39.928m

The Group's balance sheet continues to be sound with an equity ratio of 50.3% as at 31 December 2014 (49.9% in 2013).

Outstanding Tax Matter

Discussions continue with the Inland Revenue Department within their dispute process framework. With the passage of time, the Board considers it is increasingly likely that the matter will require formal resolution through the courts, but it remains unclear when this might occur. The Board remains of the opinion that this tax matter does not require a provision in the Group's financial statements, nevertheless a tax pooling arrangement has been entered into which would mitigate some of the risks of an adverse outcome. Details of this contingent liability are available in note 35 of the 2014 financial statements.

Summary

While first half results were satisfactory, they should be viewed in context with the downturn in consumer confidence in our biggest market, Australia. Also of special note was the recent launch of our rebranding campaign "We're for Love" which will lead to a repositioning for our Michael Hill brand. This campaign will involve significant investment in the second half of the financial year.



Sir Michael Hill, Chairman
12/02/2015



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

We have reviewed the interim financial statements on pages 9 to 19, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with our engagement letter. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our review work, for this report, or for our findings.

Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of interim financial statements which comply with generally accepted accounting practice in New Zealand as

it relates to interim financial statements and for such internal controls as the Directors determine are necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Reviewer's Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). As the auditor of the Michael Hill International Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the review of the interim financial statements.

Basis of Statement

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

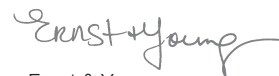
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

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

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 9 to 19, do not present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the six month period ended on that date in accordance with generally accepted accounting practice in New Zealand as it relates to interim financial statements.

Our review was completed on 12 February 2015 and our findings are expressed as at that date.



Ernst & Young
Brisbane

Condensed Statement of Comprehensive Income

For the six months ended 31 December 2014

	31 Dec 14 AU\$000	31 Dec 13 AU\$000
Revenue from continuing operations	283,189	270,750
Other income	66	305
Cost of goods sold	(101,780)	(95,893)
Employee benefits expense	(70,194)	(68,960)
Occupancy costs	(24,872)	(22,996)
Selling expenses	(12,640)	(14,111)
Marketing expenses	(17,663)	(15,720)
Depreciation and amortisation expense	(7,574)	(6,206)
Loss on disposal of property, plant and equipment	(123)	(597)
Other expenses	(13,406)	(16,631)
Finance costs	(2,559)	(1,456)
Profit before income tax	32,444	28,485
Income tax expense	(8,747)	(12,240)
Profit for the half-year	23,697	16,245
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedges	(609)	-
Currency translation differences arising during the half-year	5,748	7,319
Other comprehensive income for the half-year, net of tax	5,139	7,319
Total comprehensive income for the half-year	28,836	23,564
Total comprehensive income for the half-year is attributable to:		
Owners of Michael Hill International Limited	28,836	23,564
Earnings per share attributable to the ordinary equity holders of the Company during the half-year, attributable to continuing operations:		
Basic earnings per share	6.19¢	4.24¢
Diluted earnings per share	6.15¢	4.17¢

The above condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Statement of Financial Position

as at 31 December 2014

	Notes	31 Dec 14 AU\$'000	31 Dec 13 AU\$'000	30 June 14 AU\$'000
ASSETS				
Current assets				
Cash and cash equivalents		11,737	9,852	8,109
Trade and other receivables		30,527	25,627	25,143
Inventories		207,774	210,477	179,280
Current tax receivables		-	-	61
Other current assets		1,437	-	-
Total current assets		251,475	245,956	212,593
Non-current assets				
Trade and other receivables		584	1,976	480
Property, plant and equipment	3	64,727	54,578	55,400
Intangible assets	4	6,643	5,991	6,413
Deferred tax assets		65,042	60,216	62,324
Other non-current assets		2,521	2,469	2,608
Total non-current assets		139,517	125,230	127,225
Total assets		390,992	371,186	339,818
LIABILITIES				
Current liabilities				
Trade and other payables		68,489	61,273	42,034
Borrowings		-	56,000	-
Current tax liabilities		6,025	9,549	-
Provisions		4,737	4,506	4,235
Deferred revenue		25,510	17,297	24,736
Total current liabilities		104,761	148,625	71,005
Non-current liabilities				
Borrowings		45,572	-	56,000
Provisions		5,262	1,951	1,740
Deferred revenue		38,846	35,237	29,788
Total non-current liabilities		89,680	37,188	87,528
Total liabilities		194,441	185,813	158,533
Net assets		196,551	185,373	181,285
EQUITY				
Contributed equity	5	3,760	3,651	3,651
Reserves		11,021	9,806	5,796
Retained profits		181,770	171,916	171,838
Total equity		196,551	185,373	181,285

This condensed statement of financial position should be read in conjunction with the accompanying notes.

Condensed Statement of Changes in Equity for the six months ended 31 December 2014

	Notes	Attributable to owners of Michael Hill International Limited					
		Contributed equity	Options reserve	Foreign currency translation reserve	Cash flow hedge reserve	Retained profits	Total equity
		AU\$000	AU\$000	AU\$000	AU\$000	AU\$000	AU\$000
Balance at 1 July 2014		3,651	1,918	4,155	(277)	171,838	181,285
Profit for the period		-	-	-	-	23,697	23,697
Currency translation differences		-	-	5,748	-	-	5,748
Currency forward contracts		-	-	-	(11)	-	(11)
Interest rate swaps		-	-	-	(598)	-	(598)
		3,651	1,918	9,903	(886)	195,535	210,121
Transactions with owners in their capacity as owners:							
Dividends paid	6	-	-	-	-	(13,765)	(13,765)
Employee shares issued	5	109	-	-	-	-	109
Option expense through share based payments reserve		-	86	-	-	-	86
Balance at 31 December 2014		3,760	2,004	9,903	(886)	181,770	196,551
Balance at 1 July 2013		3,424	1,212	(84)	-	169,133	173,685
Profit for the period		-	-	-	-	16,245	16,245
Currency translation differences		-	-	7,319	-	-	7,319
		3,424	1,212	7,235	-	185,378	197,249
Transactions with owners in their capacity as owners:							
Dividends paid	6	-	-	-	-	(13,462)	(13,462)
Issue of share capital - exercise of options		102	-	-	-	-	102
Employee shares issued		113	-	-	-	-	113
Option expense through share based payments reserve	5	-	1,411	-	-	-	1,411
Cancellation of issued options	5	-	(40)	-	-	-	(40)
Transfer option reserve to contributed equity on exercise of options		12	(12)	-	-	-	-
Balance at 31 December 2013		3,651	2,571	7,235	-	171,916	185,373

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Statement of Cash Flows

for the six months ended 31 December 2014

	Notes	31 Dec 14 AU\$'000	31 Dec 13 AU\$'000
Cash flows from operating activities			
Receipts from customers (incl. of GST and sales taxes)		315,529	302,675
Payments to suppliers and employees (incl. of GST and sales taxes)		(253,659)	(286,021)
		61,870	16,654
Interest received		23	193
Other revenue		67	305
Interest paid		(2,395)	(1,232)
Income tax paid		(4,178)	(4,928)
Net goods and services tax paid		(15,459)	(13,250)
Net cash inflow / (outflow) from operating activities	9	39,928	(2,258)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		144	15
Payments for property, plant and equipment		(11,265)	(11,333)
Payments for intangible assets		(1,156)	(2,129)
Net cash inflow / (outflow) from investing activities		(12,277)	(13,447)
Cash flows from financing activities			
Proceeds from borrowings		68,507	66,000
Repayment of borrowings		(79,000)	(38,000)
Proceeds from sale of treasury stock		99	102
Proceeds from share options exercised		-	102
Dividends paid to Company's shareholders	6	(13,765)	(13,462)
Net cash inflow / (outflow) from financing activities		(24,159)	14,742
Net increase / (decrease) in cash and cash equivalents		3,492	(963)
Cash and cash equivalents at the beginning of the half-year		8,109	10,461
Effects of exchange rate changes on cash and cash equivalents		136	354
Cash and cash equivalents at end of the half-year		11,737	9,852

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

Notes to the Financial Statements

NOTE 1 Summary of significant accounting policies

The interim financial statements for the half-year ended 31 December 2014 have been prepared in accordance with NZ IAS 34 interim financial reporting and IAS 34 interim financial reporting.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Statutory base

Michael Hill International Limited is a public company registered under the Companies Act 1993 and is domiciled in New Zealand. The Company has its primary listing on the New Zealand Stock Exchange.

The interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Financial Markets Conducts Act 2013 and the Companies Act 1993. The interim financial statements of the Group are for the economic entity comprising Michael Hill International Limited and its subsidiaries.

These consolidated financial statements have been approved for issue by the Board of Directors on 12 February 2015.

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

Notes to the Financial Statements cont.

NOTE 2 Segment information

Identification and description of segments

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

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

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

Types of products and services

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

Major customers

Michael Hill International Limited and its controlled entities sells goods and provides services to a number of customers from which revenue is derived. There is no single customer from which the Group derives more than 10% of the total consolidated revenue.

Accounting policies and inter-segment transactions

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

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

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

	MHJ AUSTRALIA		
	2014 AU\$'000	2013 AU\$'000	± %
Operating revenue			
Sales to customers	168,540	171,737	(1.9%)
Unallocated revenue			
Total operating revenue			
Segment results			
Operating surplus / (loss)	31,504	29,002	8.6%
Unallocated revenue less unallocated expenses			
Profit before income tax			
Income tax expense			
Profit for the year			
Segment assets			
Unallocated			
Total	121,993	121,347	0.5%
Segment liabilities			
Unallocated			
Total	72,434	63,875	13.4%
Segment acquisitions of property, plant & equipment and intangibles			
Unallocated	1,749	3,953	(55.8%)
Total			
Segment depreciation & amortisation expense			
Unallocated	3,202	3,122	2.6%
Total			

MHJ NEW ZEALAND			MHJ CANADA			MHJ USA			GROUP		
2014	2013		2014	2013		2014	2013		2014	2013	
AU\$000	AU\$000	± %	AU\$000	AU\$000	± %	AU\$000	AU\$000	± %	AU\$000	AU\$000	± %
58,045	54,229	7.0%	45,835	39,392	16.4%	6,768	5,486	23.4%	279,188	270,844	3.1%
									4,001	(94)	4,356.4%
									283,189	270,750	4.6%
12,814	11,081	15.6%	5,251	2,978	76.3%	(644)	(596)	(8.1%)	48,925	42,465	15.2%
									(16,481)	(13,980)	(17.9%)
									32,444	28,485	13.9%
									(8,747)	(12,240)	28.5%
									23,697	16,245	45.9%
47,794	45,496	5.1%	67,432	70,949	(5.0%)	18,200	15,501	17.4%	255,419	253,293	0.8%
									135,573	117,893	15.0%
									390,992	371,186	5.3%
23,634	20,136	17.4%	17,777	13,640	30.3%	3,209	2,711	18.4%	117,054	100,362	16.6%
									77,387	85,451	(9.4%)
									194,441	185,813	4.6%
2,117	2,345	(9.7%)	3,708	4,846	(23.5%)	541	291	85.9%	8,115	11,435	(29.0%)
									4,306	2,027	112.4%
									12,421	13,462	(7.7%)
1,168	952	22.7%	1,447	1,116	29.7%	322	247	30.4%	6,139	5,437	12.9%
									1,435	769	86.6%
									7,574	6,206	22.0%

Notes to the Financial Statements cont.

NOTE 3 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2014, the Group acquired assets with a total cost of \$11,265,000 (31 December 2013 - \$11,333,000). Assets with a net book value of \$267,000 were disposed of during the six months ended 31 December 2014 (31 December 2013 - \$612,000), resulting in a net loss on disposal of \$123,000 (31 December 2013 - \$597,000 loss).

NOTE 4 Intangible assets

Acquisitions and disposals

During the six months ended 31 December 2014, the Group acquired assets with a total cost of \$1,156,000 (31 December 2013 - \$2,129,000). No assets were disposed of during the six months ended 31 December 2014 (31 December 2013 - nil).

NOTE 5 Contributed equity

	31 Dec 14 Shares	30 June 14 Shares	31 Dec 14 AU\$'000	30 June 14 AU\$'000
Share capital				
Ordinary shares				
Fully paid	383,153,190	383,153,190	3,767	3,702
Treasury stock held for employee share scheme	(14,677)	(111,584)	(7)	(51)
	383,138,513	383,041,606	3,760	3,651
Opening balance of ordinary shares issued	383,153,190	383,053,190	3,702	3,515
Issues of ordinary shares during the year				
Exercise of options	-	100,000	-	102
Transfer from option reserve	-	-	-	12
Employee share scheme issue	96,907	92,062	109	113
Transfer from treasury stock	(96,907)	(92,062)	(44)	(40)
Closing balance of ordinary shares issued	383,153,190	383,153,190	3,767	3,702

(a) Employee share scheme

During the half-year, 96,907 shares were issued to the Michael Hill International Limited Employee Share Scheme at an average price of NZ\$1.13. The shares will be held by a Trustee for a one year period during which time any dividends derived will be paid to the employee.

Michael Hill International Limited acquired nil shares through on-market purchases on the New Zealand Stock Exchange during the half-year.

(b) Options

The Board has resolved to issue 400,000 share options during the 2015 financial year, to subscribe for ordinary shares in the Company to senior executives. The options were issued with an exercise price of \$1.63, which was 30% above the volume weighted average market price of the Company's ordinary shares in the 20 business days following the announcement to the New Zealand Stock Exchange on 15 August 2014 of the Company's results for the year to 30 June 2014.

Notes to the Financial Statements cont.

NOTE 6 Dividends

	31 Dec 14 AU\$'000	31 Dec 13 AU\$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2014 of NZ 4.0¢ (2013 - NZ 4.0¢) per fully paid share paid on 3 October 2014 (2013 - 4 October 2013)	13,765	13,462
(b) Dividends not recognised at the end of the half-year		
In addition to the above dividends, since the end of the half-year the Directors have recommended the payment of an interim dividend of NZ 2.5¢ per fully paid ordinary share (2013 - NZ 2.5¢). The aggregate amount of the proposed dividend expected to be paid on 2 April 2015 out of retained profits at 31 December 2014, but not recognised as a liability at the end of the half-year, is	9,177	8,816

The dividends paid during the current financial period and corresponding previous financial period are not imputed out of existing imputation credits or out of imputation credits arising from the payment of income tax.

NOTE 7 Contingencies

Contingent liabilities – tax matters

The Group has one unresolved tax matter relating to the sale and financing of the intellectual property between New Zealand and Australian Group members, as reported in the 2014 Annual Report.

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

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

NOTE 8 Events occurring after the reporting period

There were no events occurring after balance date that would cause a material misstatement to the financial information presented in this interim financial report.

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

	31 Dec 14	31 Dec 13
	AU\$'000	AU\$'000
Profit for the half-year	23,697	16,245
Depreciation and amortisation	7,574	6,206
Non-cash employee benefits expense - share based payments	97	1,393
Other non-cash expenses	(18)	59
Net loss on sale of non-current assets	123	597
Net exchange differences	(1,927)	144
(Increase) / decrease in trade and other receivables	(5,015)	(8,937)
(Increase) / decrease in inventories	(26,551)	(47,171)
(Increase) / decrease in deferred tax asset	(2,759)	4,395
(Increase) / decrease in other current assets	(1,437)	-
(Increase) / decrease in other non-current assets	101	(413)
(Decrease) / increase in trade and other payables	26,331	18,618
(Decrease) / increase in current tax liabilities	6,118	(3,418)
(Decrease) / increase in provisions	4,026	814
(Decrease) / increase in deferred revenue	9,568	9,210
Net cash inflow / (outflow) from operating activities	39,928	(2,258)

Corporate directory

Directors

Sir Richard Michael Hill K.N.Z.M.
(Chairman)

E.J. Hill B.Com., M.B.A.
(Deputy Chair)

M.R. Parsell
(Chief Executive Officer)

G.J. Gwynne

G.W. Smith B.Comm., F.C.A., F.A.I.C.D.

Ann Christine Lady Hill Dip F.A.

R.I. Fyfe

Company Secretary

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

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for
love™



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