

michael hill

Michael Hill International Limited half year report
to 31 December 2008

CONTENTS

Company Profile	2
Highlights of the Half Year	3
Results in Brief	5
Financial Calendar	5
Chairman's Report	6
Accountants' Report	10
Income Statement	12
Statement of Changes in Equity	13
Statement of Segmented Results	14
Balance Sheet	16
Cash Flow Statement	17
Notes to the Financial Statements	18
Corporate Directory	24



COMPANY PROFILE

Michael Hill International owns and operates the brand “Michael Hill” and operates a retail jewellery chain of 234 stores in Australia, New Zealand, Canada and United States as at 31 December 2008. The Company had its origins in 1979 when Michael and Christine Hill opened their first store in the New Zealand town of Whangarei, some 160 kilometres north of Auckland.

A unique retail jewellery formula that included dramatically different store designs, a product range devoted exclusively to jewellery and almost saturation levels of high impact advertising, elevated the company to national prominence.

The company grew steadily, expanding to 10 stores by 1987, the same year it listed on the New Zealand Stock Exchange. 1987 also saw expansion of Michael Hill into Australia with the opening of four stores in four weeks. In 2002, the Company expanded into Canada, opening its first stores in Vancouver. We now have a presence right across Canada in British Columbia, Alberta, Manitoba and Ontario.

In September 2008, the Company entered the United States market by acquiring 17 stores in Illinois and Missouri from Whitehall Jewelers who were in Chapter 11 Bankruptcy.

Today the group employs over 2,000 full and part time staff in retailing, manufacturing and administration. It has approximately 3,400 shareholders and is proud of its consistently high returns to shareholders. Our overall strategic goal is to grow shareholder wealth over time through our philosophy of controlled profitable growth.

Highlights of the half year

Operating revenue of \$226.976m up 8.5%

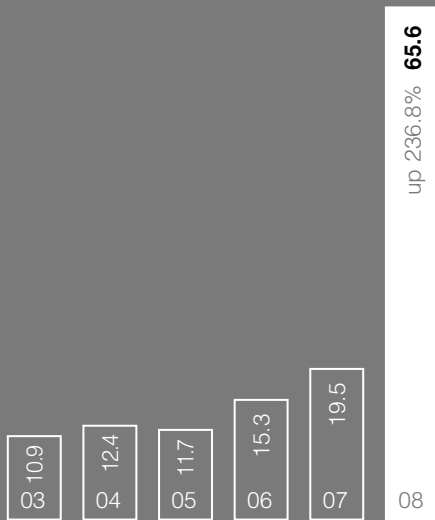
Net profit after tax of \$65.614m (includes the deferred tax credit of \$52.942m)

Same store sales 0.7% up on same period last year

Total of 234 stores open at 31 December 2008

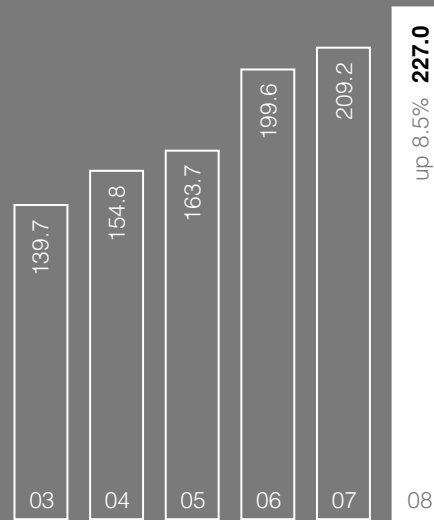
25 new stores opened during the six months, including 17 in the US, and 1 closed

Fully imputed interim dividend of 1.0 cent per share



GROUP PROFIT AFTER TAX

\$ millions to 31 December



GROUP OPERATING REVENUE

\$ millions to 31 December

December 2004 - 2008 figures are presented under NZ IFRS and are not directly comparable to prior periods as these are under previous NZ GAAP.

RESULTS IN BRIEF for the six months ended 31 December 2008

(NZ\$)	31 Dec 08	31 Dec 07	±%
Trading results (\$000's)			
Group revenue	226,976	209,191	8.5%
Earnings before interest and tax	21,317	30,798	-30.8%
Group profit after tax	65,614	19,480	236.8%
Net cash from operating activities	14,984	5,648	165.3%
Financial position at year end (\$000's)			
Contributed equity 382,468,900 ordinary shares	3,850	2,541	51.5%
Total equity	149,943	84,840	76.7%
Total assets	272,557	199,724	36.5%
Net debt	57,892	52,936	9.4%
Number of stores 31 December			
New Zealand	53	52	
Australia	140	136	
Canada	24	22	
United States	17	-	
Total	234	210	
Distribution to shareholders			
Interim dividend per ordinary share (¢)	1.0	1.2	
Key measures			
Share price 31 December	\$0.51	\$1.22	
Basic earnings per share (¢)	17.16	5.10	
Return on average shareholders' funds	55.9%	23.6%	
Interest expense cover (times)	6.0	12.5	
Equity ratio	55.0%	42.5%	
Current ratio	2.6:1	1.8:1	
Options Issued 4,750,000 - expiry date 30/9/2017, exercise price \$1.253			

Financial Calendar

Dividends Payable:

Interim - April,

Final - October

Financial Results Announced:

Half Year - February,

Annual - August

CHAIRMAN'S REPORT

Profit Announcement

Michael Hill International today announced an after tax profit of \$65.614m for the six months ended 31 December 2008 compared to \$19.480m for the previous corresponding period.

Summary of Key Points (all values stated in NZD unless stated otherwise)

- Operating revenue of \$226.976m up 8.5%
- Same store sales 0.7% up on same period last year
- EBIT of \$21.317m down 30.8% on last year
- Margin impacted by the 30% fall in the AUD:USD exchange rate in the last quarter of 2008
- US acquisition costs of \$1.001m incurred in the period
- US operating losses of \$2.379m for the period
- Restructure of group in December 2008 resulting in a deferred tax credit of \$52.942m
- Restructure consultancy costs of \$1.162m expensed in the period
- Net profit before tax of \$17.892m down 37.2% on last year
- Net profit after tax of \$65.614m (includes the deferred tax credit of \$52.942m)
- 25 new stores opened during the six months, including 17 in the US, and 1 closed
- Total of 234 stores open at 31 December 2008
- Fully imputed interim dividend of 1.0 cent per share

Reconciliation of profit before income tax for “abnormal” and “one-off” items	2008	2007
	\$000	\$000
Profit before income tax	17,892	28,481
Add back:		
US acquisition costs	1,001	0
US trading losses for 4 months	2,379	0
Restructure costs	1,162	0
Margin loss on Christmas inventory orders due to fall in USD	4,274	0
“Adjusted” profit before income tax	26,708	28,481



New Zealand Retail Operations

The New Zealand retail segment revenue decreased by 7.6% to \$49.585m for the six months with earnings before interest and tax (EBIT) of \$6.846m, a decrease of 24.8% on the corresponding period last year. Same store sales during the six months decreased by 9.3% (last year 3.0% decrease).

The operating surplus as a percentage of revenue decreased from 16.9% to 13.8%. Trading conditions continued to be difficult for the company throughout the six months as the economic conditions restrained retail spending. The company has focussed on cost control to limit the impact of reduced sales on the bottom line.

There were 53 stores operating in New Zealand as at 31 December 2008. One new store opened in Masterton during the period.

Australian Retail Operations

The Australian retail segment increased its revenue by 4.7% to A\$125.068m for the six months with EBIT of A\$15.504m compared to A\$15.728m for the previous corresponding period, a decrease of 1.4%. Same store sales in local currency increased by 1.0% for the six months (last year 1.6% decrease). The operating surplus as a percentage of revenue decreased from 13.2% to 12.4%.

The company is delighted at the performance of the Australian segment in light of such difficult trading conditions especially in the latter part of the half.

5 new stores were opened in Australia during the period, as follows:

- Toormina, New South Wales
- Narellan, New South Wales
- Marion, South Australia
- Ballarat, Victoria
- Bendigo, Victoria

One under performing store was closed during the period giving a total of 140 stores operating in Australia at 31 December 2008.

Canadian Retail Operations

The Canadian retail segment improved its revenue 3.5% for the six months to C\$13.966m. Same store sales in local currency decreased 10.7% for the six months (last year 3.7% decrease). There was an operating loss of C\$0.444m for the six months compared to a profit of C\$0.387m for the previous corresponding period.

Trading conditions in Canada have been difficult throughout the 6 months due to the worsening economic climate in North America. 2 new stores were opened during the period:

- Kildonan, Manitoba
- Pickering, Ontario

There were 24 stores open as at 31 December 2008.

US Retail Operations

The company acquired 17 stores in Illinois and Missouri on the 3rd September 2008 from Whitehall Jewelers who were in Chapter 11 Bankruptcy.

The US retail segment achieved revenue of US\$4.091m for the 4 months and there was an operating loss of US\$1.408m for the same period. Whilst trading conditions are difficult in the US the directors are still confident this acquisition represents a good opportunity for the future.

There were 17 stores open as at 31 December 2008.

Group Restructure

The transfer of the intellectual property comprising the Michael Hill Jeweller System from New Zealand to Australia was completed on 15 December 2008. The intellectual property was transferred from Michael & Co Ltd, to its Australian subsidiary, Michael Hill Franchise Pty Ltd, for \$294m. Consulting and advisory costs amounted to \$1.162m for the period ended 31 December 2008.

As a result of the transaction, a deferred tax asset of \$52.942m was recognised for future Australian taxation deductions available for certain intellectual property rights acquired. Further tax benefits relating to the inter company funding arrangements implemented for the transfer of the intellectual property, amounted to \$0.260m for the period ended 31 December 2008.



Interim Dividend

The Directors are pleased to announce an interim dividend of 1.0¢ per share (2008 – 1.2¢), with full imputation credits attached for New Zealand shareholders and full franking credits for Australian shareholders. The dividend will be paid on Thursday, 2nd April 2009 with the record date being Friday, 20th March 2009.

Due to the internal restructuring of the group in December 2008, the company is unlikely to be in a position to fully impute dividends beyond 2009. Naturally this will depend on the performance of each segment in the future and also on the level of dividend to be paid in future periods.

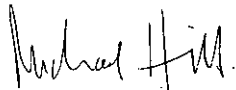
Cash Flows / Balance Sheets

The Group has reported net operating cash flows of \$14.984m for the six months, compared to \$5.648m for the previous year. The increased surplus from operations, compared to last year, is a direct result of managing our inventory levels more tightly. The Group's balance sheet continues to be sound with an equity ratio of 55.0% as at 31 December 2008 (42.5% in 2007) and a working capital ratio of 2.6:1 (1.8:1 in 2007).

Summary

The directors were satisfied with the result for the 6 months in light of the deteriorating economic conditions during the period. New Zealand and Canada in particular felt the brunt of the worsening global conditions however the Australia retail segment proved more resilient. The expansion into the US in September has adversely affected the half year result but the directors are confident this move will position the group well in the longer term.

The Group's philosophy of controlled profitable growth will continue and further new stores are being evaluated in all markets however in the current economic climate only the very best opportunities will be considered. As a consequence, store growth may slow over the next 12 months until there are signs of an economic turn around. The Directors remain confident in the continued growth and profitability of the group.



M. Hill, Chairman
18 February 2009

ACCOUNTANTS' REPORT

to the shareholders of Michael Hill International Limited

We have reviewed the interim condensed financial statements ("financial statements") on pages 12 to 22. The financial statements provide information about the past financial performance and cash flows of the Group, for the period ended 31 December 2008 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 18.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2008 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 31 December 2008 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as accountants conducting this review, auditors under the Companies Act 1993, consultants in tax compliance, international tax consulting and transfer pricing.

PricewaterhouseCoopers

ABN 52 780 433 757

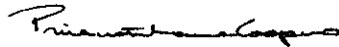
Riverside Centre
123 Eagle Street
Brisbane Qld 4000
GPO Box 150
Brisbane Qld 4001
DX 77 Brisbane

Australia
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999
www.pwc.com/au

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 December 2008 and its financial performance and cash flows for the period ended on that date.

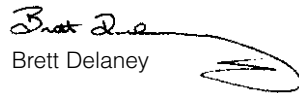
Our review was completed on 18 February 2009 and our review opinion is expressed as at that date.



Chartered Accountants
Brisbane

I, Brett Delaney, am currently a member of The Institute of Chartered Accountants in Australia and my membership number is 74795.

PricewaterhouseCoopers was the firm appointed to undertake the review of Michael Hill International Ltd for the half year ended 31 December 2008. I was responsible for the execution of the review and delivery of our firm's accountants' report. The review work was completed on 18 February 2009.



Brett Delaney



INCOME STATEMENT for the six months ended 31 December 2008

	Notes	31 Dec 08	31 Dec 07
		\$000	\$000
Revenue from continuing operations		226,976	209,191
Other income		769	1,565
Cost of goods sold		(89,820)	(78,292)
Employee benefits expense		(54,691)	(52,300)
Occupancy costs		(18,896)	(14,934)
Depreciation and amortisation expense		(4,835)	(4,090)
Loss on disposal of property, plant and equipment		(73)	(20)
Other expenses		(38,012)	(30,160)
Finance costs		(3,526)	(2,479)
Profit before income tax		17,892	28,481
Income tax credit / (expense)	3	47,722	(9,001)
Profit for the half-year		65,614	19,480
Profit attributable to members of Michael Hill International Ltd		65,614	19,480
Earnings per share for profit attributable to the ordinary equity holders of the Company during the year:			
Basic earnings per share		17.16¢	5.10¢
Diluted earnings per share		17.13¢	5.07¢

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

STATEMENT OF CHANGES IN EQUITY for the six months ended 31 December 2008

Attributable to equity holders of Michael Hill International Limited

	Notes	Contributed equity	Reserves	Retained profits	Total equity
		\$000	\$000	\$000	\$000
Balance at 1 July 2007		4,752	(649)	68,401	72,504
Currency translation differences arising during the half-year	5(a)	-	1,161	-	1,161
Option expense through share based payments reserve	5(a)	-	2	-	2
Profit for the half-year		-	-	19,480	19,480
Dividends paid	6	-	-	(6,096)	(6,096)
Total recognised income and expense for the half-year		-	1,163	13,384	14,547
Employee share scheme issue		149	-	-	149
Shares purchased through share buy-back		(2,360)	-	-	(2,360)
Balance at 31 December 2007		2,541	514	81,785	84,840
Balance at 1 July 2008		3,850	4,186	82,965	91,001
Currency translation differences arising during the half-year	5(a)	-	875	-	875
Option expense through share based payments reserve	5(a)	-	114	-	114
Profit for the half-year		-	-	65,614	65,614
Dividends paid	6	-	-	(7,661)	(7,661)
Total recognised income and expense for the half-year		-	989	57,953	58,942
Balance at 31 December 2008		3,850	5,175	140,918	149,943

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

STATEMENT OF SEGMENTED RESULTS for the six months ended 31 December 2008

	MHJ NEW ZEALAND			MHJ AUSTRALIA			MHJ CANADA			MHJ USA			GROUP		
	2008	2007	± %	2008	2007	± %	2008	2007	± %	2008	2007	± %	2008	2007	± %
	\$000	\$000		\$000	\$000		\$000	\$000		\$000	\$000		\$000	\$000	
Segment revenue															
Sales to customers	49,585	53,672	-7.6%	150,199	137,462	9.3%	19,667	17,691	11.2%	6,999	-	-	226,450	208,825	8.4%
Unallocated revenue													526	366	43.7%
Total operating revenue													226,976	209,191	8.5%
Segment results															
Operating surplus	6,845	9,097	-24.8%	18,573	18,048	2.9%	(561)	488	-215.0%	(2,379)	-	-	22,478	27,633	-18.7%
Unallocated revenue less unallocated expenses													(4,586)	848	-640.8%
Profit before income tax													17,892	28,481	-37.2%
Income tax credit (expense)													47,722	(9,001)	630.2%
Profit for the half year													65,614	19,480	236.8%
Segment assets															
Unallocated	37,587	38,343	-2.0%	96,611	90,234	7.1%	24,617	23,345	5.4%	15,503	-	-	174,318	151,922	14.7%
Total													98,239	47,802	105.5%
													272,557	199,724	36.5%
Segment liabilities															
Unallocated	7,899	9,685	-18.4%	12,917	12,484	3.5%	1,267	3,738	-66.1%	347	-	-	22,430	25,907	-13.4%
Total													100,184	88,977	12.6%
													122,614	114,884	6.7%
Segment acquisitions of property, plant & equipment and intangibles															
Unallocated	1,663	1,025	62.2%	3,354	4,328	-22.5%	415	1,759	-76.4%	-	-	-	5,432	7,112	-23.6%
Total													602	1,370	-56.1%
													6,034	8,482	-28.9%
Segment depreciation & amortisation expense															
Unallocated	827	769	7.5%	2,496	2,154	15.9%	497	273	82.1%	-	-	-	3,820	3,196	19.5%
Total													1,015	894	13.5%
													4,835	4,090	18.2%

- Notes:
1. The company operates in 4 geographical segments; New Zealand, Australia, Canada and the United States of America and is managed on a global basis.
 2. Michael Hill International Limited and its controlled entities operate predominantly in one business segment being the sale of jewellery and related services.
 3. Inter segment pricing is at arm's length or market value.
 4. Unallocated expenses include all expenses that do not relate directly to the relevant segment and include: manufacturing activities, warehouse and distribution, interest, company taxation and general corporate expenses.

This statement of segmented results should be read in conjunction with the accompanying notes.

BALANCE SHEET as at 31 December 2008

	Notes	31 Dec 08 \$000	31 Dec 07 \$000	30 June 08 \$000
ASSETS				
Current assets				
Cash and cash equivalents		19,935	8,651	10,013
Trade and other receivables		10,921	8,039	7,317
Inventories		143,290	139,925	143,708
Total current assets		174,146	156,615	161,038
Non-current assets				
Property, plant and equipment	2	35,950	33,945	35,291
Deferred tax assets	3	61,801	8,115	7,822
Intangible assets		660	1,049	884
Total non-current assets		98,411	43,109	43,997
Total assets		272,557	199,724	205,035
LIABILITIES				
Current liabilities				
Trade and other payables		39,790	45,840	36,487
Borrowings		24,583	33,624	23,320
Current tax liabilities		1,995	4,627	640
Provisions		1,922	1,777	1,773
Total current liabilities		68,290	85,868	62,220
Non-current liabilities				
Borrowings		53,244	27,963	50,927
Provisions		1,080	1,053	887
Total non-current liabilities		54,324	29,016	51,814
Total liabilities		122,614	114,884	114,034
Net assets		149,943	84,840	91,001
EQUITY				
Contributed equity	4	3,850	2,541	3,850
Reserves	5(a)	5,175	514	4,186
Retained profits	5(b)	140,918	81,785	82,965
		149,943	84,840	91,001
Total equity		149,943	84,840	91,001

This balance sheet should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT for the six months ended 31 December 2008

	Notes	31 Dec 08 \$000	31 Dec 07 \$000
Cash flows from operating activities			
Receipts from customers (incl. of goods and services tax)		245,010	229,220
Payments to suppliers and employees (incl. of goods and services tax)		(215,679)	(210,377)
		29,331	18,843
Interest received		101	165
Other revenue		556	474
Interest paid		(3,710)	(2,518)
Income tax paid		(4,365)	(3,261)
Net goods and services tax paid		(6,929)	(8,055)
Net cash inflow from operating activities	10	14,984	5,648
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		88	99
Payments for property, plant and equipment		(6,034)	(8,373)
Payments for intangible assets		-	(109)
Net cash (outflow) from investing activities		(5,946)	(8,383)
Cash flows from financing activities			
Proceeds from borrowings		48,152	35,844
Repayment of borrowings		(40,929)	(24,960)
Proceeds from sale of treasury stock		-	149
Share buy-back		-	(2,360)
Dividends paid to company's shareholders	6	(7,661)	(6,096)
Net cash (outflow) / inflow from financing activities		(438)	2,577
Net increase / (decrease) in cash and cash equivalents		8,600	(158)
Cash and cash equivalents at the beginning of the half-year		10,013	8,426
Effects of exchange rate changes on cash and cash equivalents		1,322	383
Cash and cash equivalents at end of the half-year		19,935	8,651

This cash flow statement should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half year reporting period ended 31 December 2008 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting, as appropriate for profit oriented entities.

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 2008. The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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 Group is an issuer in terms of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

These consolidated financial statements have been approved for issue by the Board of Directors on 18 February 2009. The reporting currency used in the preparation of these consolidated financial statements is New Zealand dollars, rounded to the nearest thousands.

2. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 31 December 2008, the Group acquired assets with a total cost of \$6,034,000 (31 December 2007 - \$8,373,000). Assets with a net book value of \$161,000 were disposed of during the six months ended 31 December 2008 (31 December 2007 - \$120,000), resulting in a net loss on disposal of \$73,000 (31 December 2007 - \$20,000 loss).

3. TAXATION

Income tax expense includes a credit of \$52,942,000 for the recognition of a deferred tax asset relating to future Australian tax deductions for intellectual property rights acquired.

In April 2007, the Government of New Zealand announced a reduction in the company income tax rate to 30% applicable from 2008/09 income tax year.

NOTES TO THE FINANCIAL STATEMENTS cont.

4. CONTRIBUTED EQUITY	31 Dec 08 Shares	31 Dec 07 Shares	30 June 08 Shares	31 Dec 08 \$000	31 Dec 07 \$000	30 June 08 \$000
Share capital						
Ordinary shares						
Fully paid (no par value)	383,053,190	381,053,190	383,053,190	4,141	2,832	4,141
Treasury stock held for employee share scheme	(584,290)	(584,290)	(584,290)	(291)	(291)	(291)
	382,468,900	380,468,900	382,468,900	3,850	2,541	3,850
Opening balance of ordinary shares issued	383,053,190	39,308,600	39,308,600	4,141	14,235	14,235
Issues of ordinary shares during the year						
Exercise of options	-	-	2,000,000	-	-	1,230
Transfer from option reserve	-	-	-	-	-	42
Employee share scheme issue	-	17,225	17,225	-	149	186
Transfer from treasury stock	-	(17,225)	(17,225)	-	(86)	(86)
Shares bought back in prior periods and cancelled during the half-year	-	(956,876)	(956,876)	-	(9,106)	(9,106)
Shares bought back on-market and cancelled	-	(246,405)	(246,405)	-	(2,360)	(2,360)
10 for 1 share issue	-	342,947,871	342,947,871	-	-	-
Closing balance of ordinary shares issued	383,053,190	381,053,190	383,053,190	4,141	2,832	4,141

NOTES TO THE FINANCIAL STATEMENTS cont.

5. RESERVES AND RETAINED PROFITS

	31 Dec 08	31 Dec 07	30 June 08
	\$000	\$000	\$000
(a) Reserves			
Share-based payments reserve	334	40	220
Foreign currency translation reserve	4,841	474	3,966
	5,175	514	4,186
(b) Retained profits			
Movements in retained profits were as follows:			
Balance 1 July	82,965	68,401	68,401
Profit for the half-year	65,614	19,480	25,232
Dividends	(7,661)	(6,096)	(10,668)
Balance 31 December	140,918	81,785	82,965

6. DIVIDENDS

	31 Dec 08	31 Dec 07
	\$000	\$000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2008 of 2.0 cents (2007 - 16 cents) per fully paid share paid on 13 October 2008 (2007 - 15 October 2007)	7,661	6,096
(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 1.0 cent per fully paid ordinary share (2007 - 1.2 cents), fully imputed based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 2 April 2009 out of retained profits at 31 December 2008, but not recognised as a liability at the end of the half-year, is	3,825	4,566

The dividends are fully imputed. Supplementary dividends of \$221,000 (2007: \$178,000) were paid to shareholders not tax-resident in New Zealand for which the Group received a foreign investor tax credit entitlement.

7. CONTINGENCIES

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2008 in respect of guarantees to bankers and other financial institutions of subsidiary companies' overdraft facilities and fixed assets at 31 December 2008 of \$112,000 (31 December 2007 - \$45,940,000).

No material losses are anticipated in respect of any of the above contingent liabilities.

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

(b) Contingent assets

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

8. RELATED PARTY TRANSACTIONS

There were no loans to directors by the company or associated persons at 31 December 2008.

The gross remuneration of the directors and key management personnel during the period was \$1,210,000 (31 December 2007 - \$1,987,000)

9. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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



NOTES TO THE FINANCIAL STATEMENTS cont.

10. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31 Dec 08 \$000	31 Dec 07 \$000
Profit for the half-year	65,614	19,480
Depreciation and amortisation	4,835	4,090
Non-cash employee benefits expense - share based payments	114	2
Net loss on sale of non-current assets	73	20
Deferred taxation	(53,978)	(177)
Net exchange differences	(3,488)	1,198
(Increase) in trade and other receivables	(3,604)	(2,471)
Decrease / (increase) in inventories	418	(38,333)
Increase in trade and other payables	3,303	15,888
Increase in current tax liabilities	1,355	5,490
Increase in provisions	342	461
Net cash inflow from operating activities	14,984	5,648





CORPORATE DIRECTORY

DIRECTORS

R.M. Hill, C.N.Z.M (Chairman)
M.R. Parsell (Chief Executive Officer)
G.J. Gwynne
L.W. Peters A.D.Bus, M.B.A., A.S.I.A., M.A.I.C.D.
M.R. Doyle
A.C. Hill Dip F.A.
E.J. Hill B.Com., M.B.A.

COMPANY SECRETARY

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

REGISTERED OFFICE

The Offices of Kensington Swan
Level 9
89 The Terrace
Wellington
(All communications to
GPO Box 2922, Brisbane, Australia)

AUSTRALIAN HEAD OFFICE

Metroplex on Gateway
7 Smallwood Place
Murarrie, Qld 4172
GPO Box 2922
Brisbane Qld 4001, Australia
Telephone 617 3399 0200
Fax 617 3399 0270

SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Rd
Takapuna
North Shore City
Investor Enquiries (09) 488 8777

SOLICITORS

Kensington Swan
PO Box 10246
Wellington
New Zealand

AUDITORS

PricewaterhouseCoopers
Riverside Centre, Level 15
123 Eagle Street
Brisbane, Qld 4000, Australia

BANKERS

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

WEBSITE

www.michaelhill.com

EMAIL

inquiry@michaelhill.com.au

michael hill