MICHAEL HILL INTERNATIONAL LIMITED ABN 25 610 937 598 APPENDIX 4D RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 26 DECEMBER 2021

| REPORTING PERIOD | |
|----------------------------|----------------------------------|
| Reporting period: | 28 June 2021 to 26 December 2021 |
| Previous reporting period: | 29 June 2020 to 27 December 2020 |

Revenue from contracts with customers Up 2.3% to 327,110 Earnings before interest and taxation (EBIT)* Down (1.9%) to 55,814

Down

(1.2%)

to

37,136

DIVIDENDS

| | Amount per security | Franked amount per security |
|---|------------------------|-----------------------------------|
| Interim dividend for financial year ended 26 June 2022 (cents per share)* | 3.5 | - |
| Interim dividend for financial year ended 27 June 2021 (cents per share) | 1.5 | - |

^{*}On 22 February 2022, the directors of Michael Hill International Limited declared an interim dividend for the period ended 26 December 2021. The record date for determining entitlements to the dividend is 11 March 2022 and payment date is 25 March 2022. There is no dividend reinvestment plan in operation for Michael Hill International Limited.

NET TANGIBLE ASSETS

Net profit after tax for the period attributable to members

| | AS AT | AS AT |
|--|-------------|-----------------------|
| | 26 December | 27 December |
| | 2021 | 2020 |
| | | RESTATED ¹ |
| Net tangible asset backing per ordinary security | \$0.49 | \$0.44 |

¹ Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 13(B) of the financial statements for details.

Net tangible assets were calculated including the Group's right-of-use assets and lease liabilities recognised under AASB16 Leases.

COMPLIANCE STATEMENT

The report is based on accounts which have been reviewed by the auditor of Michael Hill International Limited. There have been no matters of disagreement and a report of the auditor's review appears in the half-year financial report.

This report should be read in conjunction with the annual report for the year ended 27 June 2021 and any public announcements made by Michael Hill International Limited in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 (Cth), ASX Listing Rules and NZX Listing Rules.

Your directors present their report on the consolidated entity consisting of Michael Hill International Limited and the entities it controlled at the end of, or during, the half-year ended 26 December 2021.

R. I. Fyfe Chair

Brisbane

22 February 2022

^{*}EBIT is non-IFRS information and is unaudited. Please refer to non-IFRS information in the Directors' Report for an explanation of non-IFRS information.

DISCLAIMER

Certain statements in this announcement 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 Company). The words "targets," "believes," "expects," "aims," "intends," "plans," "seeks," "will," "may," "might," "anticipates," "would," "could," "should," "continues," "estimates" or similar expressions or the negatives thereof, identify certain of 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 Company'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, expansion into new markets, future product launches, points of sale and production facilities.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Company'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 Company'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 Company operates; the protection and strengthening of the Company's intellectual property rights, including patents and trademarks; the future adequacy of the Company's current warehousing, logistics and information technology operations; changes in laws and regulations or any interpretation thereof, applicable to the Company's business; increases to the Company's effective tax rate or other harm to the Company's business as a result of governmental review of the Company's transfer pricing policies, conflicting taxation claims or changes in tax laws; and other factors referenced to in this presentation.

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, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 pandemic.

The Company does not intend, and do not assume any obligation, to update any forward-looking statements contained herein, except as may be required by law. All subsequent written and oral forward-looking statements attributable to us or to persons acting on the Company's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this announcement.

MICHAEL HILL INTERNATIONAL LIMITED

ABN 25 610 937 598

DIRECTORS' REPORT AND FINANCIAL REPORT FOR THE HALF-YEAR ENDED 26 DECEMBER 2021

TABLE OF CONTENTS

| CORPORATE DIRECTORY | 1 |
|---|----|
| DIRECTORS' REPORT | 2 |
| AUDITOR'S INDEPENDENCE DECLARATION | 6 |
| FINANCIAL STATEMENTS | |
| CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 7 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 8 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 9 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 10 |
| NOTES TO THE FINANCIAL STATEMENTS | 11 |
| DIRECTORS' DECLARATION | 17 |
| INDEPENDENT AUDITOR'S REVIEW REPORT | 10 |

MICHAEL HILL INTERNATIONAL LIMITED

CORPORATE DIRECTORY

| DIRECTORS | R I Fyfe B.Eng, F.E.N.Z. <i>Chair</i> 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. J E Naylor D Bracken |
|--|---|
| COMPANY SECRETARIES | A Lowe BCom, LLB (Hons), MAppFin, CA, CTA E Bird LLB (Hons), BA (Psych), GradDipLegalPrac, GradDipAppCorpGov |
| PRINCIPAL REGISTERED OFFICE IN AUSTRALIA | Metroplex on Gateway 7 Smallwood Place Murarrie QLD 4172 Australia Telephone +61 7 3114 3500 Fax +61 7 3399 0222 |
| SHARE REGISTRAR | 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) |
| AUDITOR | Ernst & Young Level 51 111 Eagle Street Brisbane QLD 4000 |
| SOLICITOR | Allens Level 26 480 Queen Street Brisbane QLD 4000 |
| BANKERS | Australia and New Zealand Banking Group Limited ANZ Banking Group (New Zealand) Limited HSBC Australia Limited Bank of Montreal Bank of America |
| WEBSITES | www.michaelhill.com.au_ www.michaelhill.co.nz_ www.michaelhill.ca www.michaelhill.com www.medleyjewellery.com.au_ http://investor.michaelhill.com |
| EMAIL | online@michaelhill.com.au |

MICHAEL HILL INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 26 DECEMBER 2021

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 half-year ended 26 December 2021.

DIRECTORS

The following persons were directors of Michael Hill International Limited during the financial period and up to the date of this report:

R I Fyfe

Sir R M Hill

E J Hill

G W Smith

J E Naylor

D Bracken

PRINCIPAL ACTIVITIES

The Group operates predominately in the retail sale of jewellery and related services sector in Australia, New Zealand and Canada. There have been no significant changes in the nature of the Group's activities during the 26 week period ending 26 December 2021.

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 Operational Review and Strategic Update sections of this report.

REVIEW OF OPERATIONS

The Group's reported statutory earnings before interest and tax (EBIT*) was \$55.8m for the half year ended 26 December 2021. Comparable EBIT* was up 15.5% to \$51.6m for the half (FY21H1: \$44.6m), and up 63.1% over the two year period, resulting from both sales and margin expansion.

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

The Group achieved the following key outcomes for the half year ended 26 December 2021:

Key Financial Results

- Statutory net profit after tax was \$37.1m (FY21H1: \$37.6m (Restated1)).
- Group comparable EBIT increased by 15.5% to \$51.6m (FY21H1: \$44.6m, FY20H1: \$31.6m).
- Group same store sales were up 11.4% to \$306.5m (FY21H1: \$275.0m).
- Operating revenues increased by 2.3% to \$327.1m (FY21H1: \$319.9m), despite losing ~20% of store trading days.
- Gross margin increased by 240 bps to 65.1% (FY21H1: 62.7%, FY20H1: 61.7%).
- Strong working capital management resulted in a closing net cash position of \$99.1m (FY21H1: \$90.3m).
- Agile inventory management with stable and reliable supply chain arrangements delivered a healthy closing balance of \$175.8m (FY21H1: \$170.6m).
- Interim dividend payment of AU3.5 cents per share, unfranked and fully imputed with conduit foreign income.
- ¹ Restated as required for changes introduced by IFRIC Agenda Decision Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 13(B) for details.

Operational Performance

- Digital sales increased by 37% to \$26.7m, representing 8.2% of revenue for the half (FY21H1: 6.3%, FY20H1: 2.8%).
- Click & collect went live for Christmas in all markets as part of the Group's customer-led digital strategy.
- Loyalty program Brilliance by Michael Hill exceeded 1 million members.
- · New Canadian 3PL distribution centre opened, further demonstrating the focus on supply chain excellence.
- 9,777 lost store trading days across all markets for the half, due to government mandated store closures (FY21H1: 3,709).
- Stable store network of 285 stores across all markets with no stores opened or closed for the half.

As a result of Government mandated lockdowns, the Michael Hill global store network suffered 9,777 lost store trading days (FY21H1: 3,709), representing ~20% of store trading days for the half. Despite the ongoing impacts of the global pandemic, the Company experienced strong growth of 11.4% in same store sales and an increase of 2.3% of group revenue to \$327.1m for the half (FY21H1: \$319.9m). This performance was a credit to our teams and the culmination of our ongoing focus on retail fundamentals, digital initiatives, and a strong brand-led marketing Christmas campaign as the elevation of the Michael Hill brand continues.

Gross margin grew by 240 bps to 65.1% for the half (FY21H1: 62.7%, FY20H1: 61.7%) and by 340 bps over the two year period, proving the Company's brand elevation strategy and ongoing focus on margin expansion continues to deliver.

Pleasingly, the Company's omni-channel strategy saw the launch of click & collect in all markets for the all-important Christmas trading period. In the last eighteen months, the Company has rolled out a number of customer-led omni-channel offerings comprising click & reserve; digital appointments; virtual selling; ship from store; and most recently click & collect.

During the half, the business opened its Canadian 3PL distribution centre in Ontario, creating a cost-efficient flow of inventory from vendors, improving speed of delivery to customers and ensuring reliable continuity of supply and optimal stock levels. The opening of this facility has reinforced our already stable and reliable global supply chain which is built on a strong foundation of long-standing vendor relationships, together with our in-house Australian manufacturing facility.

At the end of the half, the Company had nil bank debt and a cash position of \$99.1m (FY21H1: \$90.3m), reflecting a continued focus on costs and strong working capital management.

The global store network remained stable for the half, with 285 stores at 26 December 2021.

SEGMENT RESULTS

The operational segments below reflect the performance of the Group's retail operations in each geographic segment. The segments include trading activity from our online channels presence and our Canadian in-house credit function. The segments exclude revenue and expenses that do not relate directly to the relevant retail segments, and are treated as unallocated. These predominately relate to corporate costs and Australian based support costs, but also include the manufacturing activities, warehouse and distribution, interest and company

The results below are expressed in local currency.

| Australian Retail Performance | HALF-YEAR ENDED | |
|--------------------------------|-----------------|-------------|
| | 26 December | 27 December |
| OPERATING RESULTS (AU \$'000) | 2021 | 2020 |
| Revenue | 161,486 | 175,145 |
| Gross margin | 104,538 | 107,582 |
| Gross margin as a % of revenue | 64.7% | 61.4% |
| Comparable EBIT | 33,505 | 35,298 |
| As a % of revenue | 20.7% | 20.2% |

In Australia, same store sales increased by 6.4%, but government mandated lockdowns saw the retail segment revenue decline by 7.8% to \$161.5m for the half. During the half, temporary store closures across Victoria, South Australia, ACT and New South Wales resulted in the Australian segment losing 7,505 store trading days (FY21H1: 2,567), ~27% of the store trading days for the half. Additionally, four underperforming stores have been permanently closed, when compared to the first half of the prior year.

Gross margin for the half increased significantly by 330 bps to 64.7% (FY21H1: 61.4%), as the business benefited from investments in loyalty, digital and personalised marketing.

At half year end, there were 150 stores trading (FY21H1: 154).

| New Zealand Retail Performance | HALF-YEAR ENDED | |
|--------------------------------|-----------------|-------------|
| | 26 December | 27 December |
| OPERATING RESULTS (NZ \$'000) | 2021 | 2020 |
| Revenue | 67,030 | 69,309 |
| Gross margin | 42,534 | 42,331 |
| Gross margin as a % of revenue | 63.5% | 61.1% |
| Comparable EBIT | 18,586 | 19,082 |
| As a % of revenue | 27.7% | 27.5% |

In New Zealand, same store sales increased by 14.8%. However, due to government mandated lockdowns, the retail segment revenue declined by 3.3% to NZ\$67.0m for the half. During the period, lockdowns resulted in 2,138 lost store trading days (FY21H1: 304), ~24% of the store trading days for the half. The lift in sales productivity was driven by a significant focus on increasing average transaction value and conversion rates in the period.

Gross margin for the half increased by 240 bps to 63.5% (FY20H1: 61.1%), as the business continued to elevate the brand and reduce the focus on promotions.

At half year end, there were 49 stores trading (FY21H1: 49).

| Canada Retail Performance | HALF-YEAR ENDED | |
|--------------------------------|-----------------|-------------|
| | 26 December | 27 December |
| OPERATING RESULTS (CA \$'000) | 2021 | 2020 |
| Revenue | 92,997 | 75,231 |
| Gross margin | 60,103 | 46,265 |
| Gross margin as a % of revenue | 64.6% | 61.5% |
| Comparable EBIT | 22,196 | 11,987 |
| As a % of revenue | 23.9% | 15.9% |

In Canada, same store sales increased by 13.8% and retail segment revenue increased by 23.6% to CA\$93.0m for the half, a record first half revenue for Michael Hill Canada. These stellar results were underpinned by the Company's strategies across brand, digital, loyalty, product and operational excellence, as well as a heightened focus on productivity, leadership and retail fundamentals within the Canadian segment, which has seen Canadian profitability levels lift to Australian and New Zealand standards. During the period, lockdowns resulted in 134 lost store trading days (FY21H1: 838), ~1% of the store trading days for the half.

Gross margin for the half increased by 310 bps to 64.6% (FY21H1: 61.5%).

At half year end, there were 86 stores trading (FY21H1: 86).

STRATEGIC UPDATE: EMPHASIS ON GROWTH AND MARGIN

Much of the Company's strong first half performance can be attributed to the strategic transformation of the brand, with an emphasis on sales and margin growth. The strategic framework has evolved and continues to underpin future growth for the business.

Brand & Loyalty

The Company's increased focus on the Michael Hill brand and Brilliance by Michael Hill loyalty program are resonating with customers, delivering results and gaining traction in the market. This is best evidenced by increasing ATV, margin expansion, increasing frequency of loyalty member purchasing and larger basket sizes. Both brand and loyalty are key to driving medium to long term sustainable growth in both sales and margin for the group.

Digital and Omni-channel

Michael Hill digital platforms delivered another strong performance with increased traffic and higher conversion, and now represent over 8% of total company sales. The successful deployment of click & collect enhanced our omni-channel capabilities as the Company continues its customer-led digital transformation journey. Customers embraced these new service offerings in the key Christmas trading period, driving incremental sales and meeting the needs of our purposeful modern-day consumer. Additionally, the Company is continuing to evolve its marketplace strategy across its three core markets and is introducing new payment platforms to suit the needs of our customers.

Retail Fundamentals

With more than 90% of Company sales from the store network, our focus on retail fundamentals sits at the core of the Michael Hill transformation strategy. An unwavering focus on people and performance, operational excellence, visual presentation and effective labour management underpin our retail initiatives. Elevating the customer experience in our stores will continue to be a priority for the business, the success of which is best evidenced by continued improvement in productivity, comparative store sales and margin expansion. A new senior leadership structure is now firmly in place across all markets and delivering strong results.

Product Evolution

Product evolution is at the centre of a customer-led retail strategy, and is critical to achieve sales and margin growth. Laboratory grown diamonds are gaining momentum in the business, delivering increased quality and higher margins while providing customers with a certified Sustainable and Climate Neutral choice. Elevated quality and craftmanship are essential to our aspirational brand journey, and this will be delivered through the evolution of our supply chain, and further investment in the artisanal capabilities of our Australian manufacturing facility. The Company's ongoing focus on product mix continues to be a key enabler for sustained margin expansion. Product newness is critical to achieve higher inventory turn and frequency of purchase, which most recently has seen the successful relaunch of our Sir Michael Hill Designer Bridal collection, our most premium range.

New Territories & Services

With the transformation program now well established in the business, the opportunity to stretch the brand into new territories, markets and services is now being explored. The Company is conducting the appropriate market analysis to evaluate new territories that are most suitable for the Michael Hill Brand to enter via marketplace and dot.com channels. To drive incremental revenue streams, new service offerings with a focus on sustainability, underpinned by a new digital eco-system are under consideration.

Cost Conscious Culture

Our cost conscious culture is relevant to every facet of our business and has been critical to the success of the Company navigating the global pandemic. Our new Canadian 3PL distribution centre is delivering an improved customer experience and incremental financial benefits for the business. Strong landlord partnerships have always been important to our business but never more so than during a global pandemic. Significant improvements have been made in our consumer credit offerings in all markets and we will continue to access new customers, in new channels, on a lower cost base, in what is increasingly a highly competitive segment undergoing significant structural disruption, which presents additional opportunities going forward.

Capital Management

Given the current strength of the balance sheet, the Company has undertaken a captial management review. This review incorporates the release of a new dividend policy, with a view to providing a consistent dividend that aligns with the Company's growth profile. In addition, consideration has been given to the Group's capital requirements for organic growth and investment opportunities. It is noted the Company is actively exploring a number of investment opportunities across the jewellery sector.

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:

- Same store sales reflect sales through store and online channels on a comparable trading day basis
- Earnings before interest, tax, depreciation and amortisation (EBITDA)
- Earnings before interest and tax (EBIT)
- Comparable EBIT excludes the impact of AASB16 Leases and IFRIC SaaS guidance, and normalisations for wage subsidies
- Significant item

DIVIDENDS

The Board has updated and released to market the Company's Dividend Distribution Policy, which establishes a target range for dividends of 50% to 75% of adjusted annual NPAT. In updating the Policy, the Board has also introduced greater flexibility on weightings between interim and final dividends, given the seasonal nature of the Company's earnings.

After taking into consideration first half earnings, current sales performance trend and the strength of the balance sheet, the Board has declared an interim dividend of AU3.5 cents per share (FY21H1: AU1.5 cents per share) unfranked, fully imputed with conduit foreign income.

AUDITOR'S INDEPENCE 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 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.

This report is made on 22 February 2022 in accordance with a resolution of directors.

R. I. Fyfe Chair

Brisbane 22 February 2022



Ernst & Young 111 Eagle Street Brisbane QLD 4000 Australia GPO Box 7878 Brisbane QLD 4001 Tel: +61 7 3011 3333 Fax: +61 7 3011 3100 ey.com/au

Auditor's independence declaration to the Directors of Michael Hill International Limited

As lead auditor for the review of the half-year financial report of Michael Hill International Limited for the half-year ended 26 December 2021, 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 review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst & young
Ernst & Young

Wan Kenzie

Kellie McKenzie Partner

22 February 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Revenue from contracts with customers Other income Cost of goods sold | NOTES 2 3 | 26 December 2021 \$'000 327,110 2,951 | 27 December 2020 \$'000 RESTATED ¹ 319,884 |
|---|-------------|---|---|
| Other income | 2 | \$'000 327,110 2,951 | \$'000 RESTATED ¹ |
| Other income | 2 | 327,110 2,951 | RESTATED ¹ |
| Other income | | 2,951 | |
| Other income | | 2,951 | 319,884 |
| | 3 | · | |
| Cost of goods sold | | | 17,239 |
| | | (114,188) | (119,400) |
| Employee benefits expense | | (75,340) | (79,210) |
| Occupancy costs | | (4,894) | (11,374) |
| Marketing expenses | | (23,426) | (17,131) |
| Selling expenses | | (9,330) | (9,443) |
| Impairment of property, plant and equipment | 6 | (53) | (1,214) |
| Impairment of other assets | | (457) | (349) |
| Depreciation and amortisation expense | | (25,958) | (24,186) |
| Loss on disposal of property, plant and equipment | | - | (23) |
| Other expenses | | (20,601) | (17,905) |
| Finance expenses | | (3,739) | (3,760) |
| Profit before income tax | | 52,075 | 53,128 |
| Income tax expense | | (14,939) | (15,554) |
| Profit for the half-year | | 37,136 | 37,574 |
| Other comprehensive income | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Gains/(losses) on cash flow hedges | | - | 34 |
| Currency translation differences arising during the half-year | | (1,647) | (2,290) |
| Other comprehensive income for the half-year, net of tax | | (1,647) | (2,256) |
| Total comprehensive income for the half-year | | 35,489 | 35,318 |
| Total comprehensive income for the half-year is attributable to: | | | |
| Owners of Michael Hill International Limited | | 35,489 | 35,318 |

Earnings per share for profit attributable to the ordinary equity holders of the Company:

| | cents | cents |
|----------------------------|-------|-----------------------|
| | | RESTATED ¹ |
| Basic earnings per share | 9.56 | 9.69 |
| Diluted earnings per share | 9.44 | 9.67 |

¹ Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 13(B) for details.

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

| | | AS AT | AS AT | AS AT | |
|---|-------|-------------|-------------|-----------------------|--|
| | | 26 December | 27 December | 27 June | |
| | | 2021 | 2020 | 2021 | |
| | NOTES | \$'000 | \$'000 | \$'000 | |
| | | | RESTATED 1 | RESTATED ¹ | |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 99,138 | 90,315 | 72,361 | |
| Trade and other receivables | 5 | 10,741 | 27,861 | 8,352 | |
| Inventories | | 175,753 | 170,612 | 171,246 | |
| Assets held for sale | 5 | 17,733 | - | 14,397 | |
| Current tax receivables | | - | 2,011 | 732 | |
| Contract assets | 2 | 886 | 718 | 406 | |
| Other current assets | | 4,188 | 2,911 | 3,576 | |
| Total current assets | | 308,439 | 294,428 | 271,070 | |
| Non-current assets | | | | | |
| Trade and other receivables | | - | 7,228 | - | |
| Right-of-use assets | 4 | 113,944 | 112,841 | 105,882 | |
| Property, plant and equipment | | 40,178 | 37,647 | 36,453 | |
| Intangible assets | | 8,654 | 3,981 | 6,013 | |
| Deferred tax assets | | 66,036 | 70,088 | 68,329 | |
| Contract assets | 2 | 599 | 865 | 739 | |
| Other non-current assets | | 854 | 487 | 537 | |
| Total non-current assets | | 230,265 | 233,137 | 217,953 | |
| Total assets | | 538,704 | 527,565 | 489,023 | |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Trade and other payables | 5 | 86,133 | 95,268 | 73,961 | |
| Lease liabilities | 4 | 35,735 | 33,411 | 34,304 | |
| Contract liabilities | 2 | 25,194 | 25,585 | 24,157 | |
| Provisions | 8 | 13,752 | 26,949 | 14,854 | |
| Liabilities directly associated with assets held for sale | 5 | 1,401 | - | 1,607 | |
| Current tax liabilities | | 7,800 | 1,371 | 1,886 | |
| Deferred revenue | | 521 | 541 | 753 | |
| Total current liabilities | | 170,536 | 183,125 | 151,522 | |
| Non-current liabilities | | | | | |
| Lease liabilities | 4 | 104,787 | 107,229 | 99,382 | |
| Contract liabilities | 2 | 58,579 | 55,565 | 56,393 | |
| Provisions | 8 | 6,565 | 7,074 | 7,413 | |
| Total non-current liabilities | | 169,931 | 169,868 | 163,188 | |
| Total liabilities | | 340,467 | 352,993 | 314,710 | |
| Net assets | | 198,237 | 174,572 | 174,313 | |
| EQUITY | | | | | |
| Contributed equity | 9 | 11,388 | 11,204 | 11,285 | |
| Reserves | | 2,498 | 2,194 | 4,216 | |
| Retained profits | | 184,351 | 161,174 | 158,812 | |
| Total equity | | 198,237 | 174,572 | 174,313 | |

Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements.

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 | NOTES | CONTRIBUTED EQUITY | SHARE BASED PAYMENTS RESERVE | FOREIGN CURRENCY TRANSLATION RESERVE | CASH FLOW HEDGE RESERVE | RETAINED PROFITS | TOTAL EQUITY |
|---|-------|-----------------------|------------------------------------|---|-------------------------------|---------------------|-----------------|
| Michael Hill International Limited | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 29 June 2020 | | 11,016 | 697 | 3,757 | (34) | 138,370 | 153,806 |
| Accounting policy change - SaaS implementation costs ¹ | | - | - | (1) | - | (14,770) | (14,771) |
| Restated total equity as at 29 June 2020 | | 11,016 | 697 | 3,756 | (34) | 123,600 | 139,035 |
| Profit for the half-year ¹ | | - | - | - | - | 37,574 | 37,574 |
| Currency translation differences | | - | - | (2,290) | - | - | (2,290) |
| Derivative fair value changes | | - | - | - | 34 | - | 34 |
| Total comprehensive income for the half-year | | - | - | (2,290) | 34 | 37,574 | 35,318 |
| Transactions with members in their capacity as owners: | | | | | | | |
| Issue of share capital on exercise of share rights | 9 | 188 | (188) | - | - | - | - |
| Share-based payments expense | | - | 219 | - | - | - | 219 |
| Balance at 27 December 2020 | | 11,204 | 728 | 1,466 | - | 161,174 | 174,572 |
| Balance at 28 June 2021 | | 11,285 | 637 | 3,584 | - | 177,895 | 193,401 |
| Accounting policy change - SaaS implementation costs ¹ | | - | - | (5) | - | (19,083) | (19,088) |
| Restated total equity as at 28 June 2021 | | 11,285 | 637 | 3,579 | - | 158,812 | 174,313 |
| Profit for the half-year | | | - | _ | - | 37,136 | 37,136 |
| Currency translation differences | | - | - | (1,647) | - | - | (1,647) |
| Total comprehensive income for the half-year | | - | - | (1,647) | - | 37,136 | 35,489 |
| Transactions with members in their capacity as owners: | | | | | | | |
| Dividends provided | 10 | - | - | - | - | (11,649) | (11,649) |
| Issue of share capital on exercise of share rights | 9 | 103 | (103) | - | - | - | - |
| Transfer option reserve on forfeiture of options | | - | (52) | - | - | 52 | - |
| Share-based payments expense | | - | 84 | - | - | - | 84 |
| | | 103 | (71) | - | - | (11,597) | (11,565) |
| Balance at 26 December 2021 | | 11,388 | 566 | 1,932 | - | 184,351 | 198,237 |

Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 13(B) for details.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

| | | | 27 December |
|--|-------|-----------|-------------|
| | | 2021 | 2020 |
| | NOTES | \$'000 | \$'000 |
| | | | RESTATED 1 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST and sales taxes) | | 374,260 | 380,970 |
| Payments to suppliers and employees (inclusive of GST and sales taxes) | | (286,687) | (253,333) |
| | | 87,573 | 127,637 |
| Interest received | | - | 2 |
| Other revenue received | | 3,907 | 13,868 |
| Interest paid | | (348) | (531) |
| Leasing interest paid | 4 | (3,347) | (3,439) |
| Income tax paid | | (5,723) | (4,255) |
| Net GST and sales taxes paid | | (11,010) | (18,494) |
| Net cash inflow from operating activities | | 71,052 | 114,788 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from sale of property, plant and equipment | | - | 1 |
| Payments for property, plant and equipment | 6 | (8,299) | (1,351) |
| Payments for intangible assets | 7 | (3,454) | (996) |
| Net cash (outflow) from investing activities | | (11,753) | (2,346) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | _ | 2,000 |
| Repayment of borrowings | | - | (12,681) |
| Principal portion of lease payments | 4 | (21,114) | (22,594) |
| Dividends paid to Company's shareholders | 10 | (11,649) | - |
| Net cash (outflow) from financing activities | | (32,763) | (33,275) |
| Net increase in cash and cash equivalents | | 26,536 | 79,167 |
| Cash and cash equivalents at the beginning of the financial year | | 72.361 | 11,204 |
| Effects of exchange rate changes on cash and cash equivalents | | 241 | (56) |
| Cash and cash equivalents at the end of the half-year | | 99,138 | 90,315 |

Cash and cash equivalents at the end of the half-year 99,318 90,318

Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 13(B) for details.

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

HALF-YEAR ENDED

NOTES TO THE FINANCIAL STATEMENTS

- Segment information
- 2 Revenue
- 3 Other income
- 4 Leases
- 5 Financial assets and liabilities
- 6 Property, plant and equipment
- Intangible assets
- 8 Provisions
- 9 Contributed equity
- 10 Dividends
- 11 Commitments
- 12 Events occurring after the end of the reporting period
- 13 Summary of accounting policies and significant estimates and judgements

1 SEGMENT INFORMATION

Management have determined the operating segments based on the reports reviewed by the Board and Executive Management team 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 retail segments. These predominately relate to corporate costs and Australian based support costs, but also include manufacturing activities, warehouse and distribution, interest and company tax. Intersegment pricing is at arm's length or market value.

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 AND SERVICES

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 |
|----------------------------------|-----------|-------------|---------|-------------------|---------------------------|-------------|----------|
| Half-year ended 26 December 2021 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating revenue | 161,486 | 63,937 | 101,126 | 561 | 327,110 | - | 327,110 |
| Gross profit | 104,538 | 40,575 | 65,360 | 2,449 | 212,922 | - | 212,922 |
| Gross profit % | 64.7% | 63.5% | 64.6% | | 65.1% | | 65.1% |
| EBITDA* | 36,749 | 18,816 | 29,530 | (21,826) | 63,269 | 18,503 | 81,772 |
| Depreciation and amortisation | (3,244) | (1,096) | (2,562) | (1,952) | (8,854) | (17,104) | (25,958) |
| Segment EBIT* | 33,505 | 17,720 | 26,968 | (23,778) | 54,415 | 1,399 | 55,814 |
| EBIT as a % of revenue | 20.7% | 27.7% | 26.7% | <u> </u> | 16.6% | _ | 17.1% |
| Finance costs | (22) | (1) | - | (369) | (392) | (3,347) | (3,739) |
| Net profit before tax | 33,483 | 17,719 | 26,968 | (24,147) | 54,023 | (1,948) | 52,075 |
| Income tax expense | | | | | | | (14,939) |
| Net profit after tax | | | | | | | 37,136 |

| | Australia | New Zealand | Canada | Corporate & other | Group pre- adjustments | Adjustments | Group |
|----------------------------------|-----------|-------------|---------|-------------------|---------------------------|-------------|-----------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Half-year ended 27 December 2020 | | | | | | RESTATED1 | RESTATED1 |
| Operating revenue | 175,145 | 64,897 | 79,053 | 789 | 319,884 | - | 319,884 |
| Gross profit | 107,582 | 39,632 | 48,620 | 4,651 | 200,485 | - | 200,485 |
| Gross profit % | 61.4% | 61.1% | 61.5% | | 62.7% | | 62.7% |
| EBITDA* | 46,767 | 19,874 | 17,376 | (16,479) | 67,538 | 13,534 | 81,072 |
| Depreciation and amortisation | (2,882) | (886) | (2,481) | (1,919) | (8,168) | (16,018) | (24,186) |
| Segment EBIT* | 43,885 | 18,988 | 14,895 | (18,398) | 59,370 | (2,484) | 56,886 |
| EBIT as a % of revenue | 25.1% | 29.3% | 18.8% | | 18.6% | | 17.8% |
| Interest income | - | - | - | 2 | 2 | - | 2 |
| Finance costs | 2 | 38 | - | (361) | (321) | (3,439) | (3,760) |
| Net profit before tax | 43,887 | 19,026 | 14,895 | (18,757) | 59,051 | (5,923) | 53,128 |
| Income tax expense | | | | | | | (15,554) |
| Net profit after tax | | | | | | | 37,574 |

Restated as required for changes introduced by IFRIC Agenda Decision - Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 13(B) for details. *EBIT and EBITDA are non-IFRS, unaudited information. Please refer to non-IFRS information in the Directors' Report for an explanation of non-IFRS information.

2 REVENUE

| | HALF-YEA | R ENDED |
|---|-------------|-------------|
| | 26 December | 27 December |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Revenue from sale of goods and repair services | 309,466 | 302,590 |
| Revenue from Professional Care Plans (PCP) | 15,937 | 15,436 |
| Interest and other revenue from in-house customer finance program | 1,368 | 1,559 |
| Revenue from Lifetime Diamond Warranty (LTDW) | 339 | 299 |
| Total revenue from contracts with customers | 327,110 | 319,884 |
| 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:

| Half-year ended 26 December 2021 | Australia | New Zealand | Canada | Corporate & other | Total |
|----------------------------------|-----------|----------------|---------|-------------------|---------|
| Timing of revenue recognition | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At a point in time | 153,092 | 61,035 | 94,841 | 498 | 309,466 |
| Over time | 8,394 | 2,902 | 6,285 | 63 | 17,644 |
| | 161,486 | 63,937 | 101,126 | 561 | 327,110 |
| Half-year ended 27 December 2020 | | | | | |
| Timing of revenue recognition | | | | | |
| At a point in time | 167,137 | 62,251 | 72,598 | 604 | 302,590 |
| Over time | 8,008 | 2,646 | 6,455 | 185 | 17,294 |
| | 175,145 | 64,897 | 79,053 | 789 | 319,884 |

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

| | AS AT 26 December 2021 | AS AT 27 June 2021 |
|-----------------------------|------------------------------|--------------------------|
| | \$'000 | \$'000 |
| Right of return assets | 578 | 58 |
| Deferred PCP bonuses | 907 | 1,087 |
| Total contract assets | 1,485 | 1,145 |
| | | |
| Deferred service revenue | 77,870 | 76,581 |
| Right of return liabilities | 1,469 | 148 |
| Lifetime Diamond Warranty | 4,434 | 3,821 |
| Total contract liabilities | 83,773 | 80,550 |

3 OTHER INCOME

| | HALF-YEAR ENDED | |
|----------------------------|-----------------|-------------|
| | 26 December | 27 December |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Net foreign exchange gains | - | 1,965 |
| Government grants | 2,844 | 14,729 |
| Other items | 107 | 545 |
| | 2,951 | 17,239 |

Government grants include performance-based wage and rent assistance from regional governments in which the Group operates due to the impact of COVID-19.

4 LEASES

| | AS AT | AS AT |
|--------------------------------|-------------|----------|
| | 26 December | 27 June |
| | 2021 | 2021 |
| RIGHT-OF-USE ASSETS | \$'000 | \$'000 |
| Right-of-use assets | 206,806 | 179,524 |
| Less: Accumulated depreciation | (92,190) | (72,925) |
| Less: Accumulated impairment | (672) | (717) |
| | 113,944 | 105,882 |
| | | |
| | AS AT | AS AT |
| | 00.0 | 07.1 |

| | AS AT | AS AT |
|-------------------|-------------|---------|
| | 26 December | 27 June |
| | 2021 | 2021 |
| LEASE LIABILITIES | \$'000 | \$'000 |
| Current | 35,735 | 34,304 |
| Non-current | 104,787 | 99,382 |
| | 140,522 | 133,686 |
| | | |

| | Right-of-use assets Total | Lease liabilities Total |
|--|---------------------------------|-------------------------------|
| AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION | \$'000 | \$'000 |
| Balance at 28 June 2021 | 105,882 | 133,686 |
| Additions | 18,494 | 19,161 |
| Lease modifications agreed during the half-year | 8,971 | 8,971 |
| Depreciation and amortisation expense | (19,069) | - |
| COVID-19 practical expedient on rent concessions | (812) | (812) |
| Interest expense | - | 3,347 |
| Lease repayments | - | (24,461) |
| Foreign currency translation | 478 | 630 |
| Balance at 26 December 2021 | 113,944 | 140,522 |

FINANCIAL ASSETS AND LIABILITIES

Set out below is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 26 December 2021 and 27 June 2021:

| | AS AT | AS AT |
|---|-------------|---------|
| | 26 December | 27 June |
| | 2021 | 2021 |
| Financial assets at amortised cost: | \$'000 | \$'000 |
| Trade and other receivables | 10,741 | 8,352 |
| Financial liabilities at amortised cost: | | |
| Trade and other payables | 86,133 | 73,961 |
| | | |
| | AS AT | AS AT |
| | 26 December | 27 June |
| | 2021 | 2021 |
| Assets held for sale and directly associated liabilities | \$'000 | \$'000 |
| Canadian in-house customer finance debtors | 17,733 | 14,397 |
| Total assets held for sale | 17,733 | 14,397 |
| | _ | |
| Liabilities directly associated with the sale of the Canadian in-house customer finance debtors | 1,401 | 1,607 |
| Total liabilities directly associated with assets held for sale | 1,401 | 1,607 |

At reporting date, as the sale is considered probable and expected to be completed by the end of FY22, it is presented as held for sale. The carrying value of the credit book is held at management's best estimate of net proceeds of sale and estimated costs of disposal. This resulted in an expense of \$178,000 in the period being recognised as a fair value loss. This estimate is based on unobservable inputs (Level 3 under AASB13 Fair Value Measurement Hierarchy) which includes assumptions in relation to the terms of the eventual sale which may differ from this estimate. The loss recognised on this asset is included in the Canada segment in note 1.

PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the 26 weeks ended 26 December 2021, the Group acquired assets with a total cost of \$8,299,000 (27 December 2020: \$1,351,000). No assets were disposed of during the 26 weeks ended 26 December 2021 (27 December 2020: \$33,000, resulting in net loss of \$32,000).

An impairment loss of \$53,000 (27 December 2020: \$1,214,000) was recognised during the 26 weeks ended 26 December 2021.

INTANGIBLE ASSETS

Acquisitions and disposals

During the 26 weeks ended 26 December 2021, the Group acquired assets, primarily software development with a total cost of \$3,454,000 (27 December 2020: \$996,000 (Restated1)). There were no assets disposed of during the 26 weeks ended 26 December 2021 (27 December 2020: \$9,000, resulting in a net gain of \$9,000).

Restated as required for changes introduced by IFRIC Agenda Decision – Configuration or Customisation Costs in Cloud Computing Arrangements. Refer to note 13(B) for details.

Impairment

No impairment loss in relation to intangibles was recognised for the half-year ended 26 December 2021 (27 December 2020: no loss).

PROVISIONS

| | | | AS AT | | | AS AT |
|---------------------------|---------|-------------|-------------|---------|-------------|---------|
| | | | 26 December | | | 27 June |
| | | | 2021 | | | 2021 |
| | Current | Non-current | Total | Current | Non-current | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Employee benefits | 9,919 | 1,950 | 11,869 | 13,074 | 1,732 | 14,806 |
| Assurance-type warranties | 1,057 | 280 | 1,337 | 1,082 | 280 | 1,362 |
| Make good provision | 2,470 | 4,335 | 6,805 | 306 | 5,401 | 5,707 |
| Restructuring costs | 126 | - | 126 | 152 | - | 152 |
| Diamond warranty | 180 | - | 180 | 240 | - | 240 |
| | 13,752 | 6,565 | 20,317 | 14,854 | 7,413 | 22,267 |

9 CONTRIBUTED EQUITY

| shares 7,769,105 211,583 980,688 | \$'000 11,016 188 11,204 |
|---|--|
| 211,583 | 188 |
| , | |
| 200 600 | 11 204 |
| 900,000 | 11,204 |
| | |
| 3,142,149 | 11,285 |
| 143,225 | 103 |
| | 11,388 |
| | 143,225 ,285,374 |

10 DIVIDENDS

| | HALF-YEAF | HALF-YEAR ENDED | |
|---|-------------|-----------------|--|
| | 26 December | 27 December | |
| | 2021 | 2020 | |
| Ordinary shares | \$'000 | \$'000 | |
| Final ordinary dividend for the year ended 27 June 2021 of 3.0 cents (2020: no dividend paid) per fully paid share paid on 24 September 2021. | 11,649 | - | |

| | HALF-YEAR ENDED | |
|--|-----------------|-------------|
| | 26 December | 27 December |
| | 2021 | 2020 |
| Dividends not recognised at the end of the reporting period | \$'000 | \$'000 |
| On 22 February 2022, the directors recommended the payment of an interim dividend of 3.5 cents (2020: 1.5 cents) per fully paid share, expected to be paid on 25 March 2022. | 13,590 | 5,816 |

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

As the dividend was declared subsequent to the half-year end, no provision has been made as at 26 December 2021

11 COMMITMENTS

The following sets out the various lease contracts that the Group has entered into and have yet to commence as at 26 December 2021

| | Within one | One to five years | Greater than | Total |
|---|------------|-------------------|--------------|--------|
| | year | | five years | |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Future lease payments for these non-cancellable lease contracts | 1,087 | 10,186 | 10,558 | 21,831 |

12 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

No other matters or circumstances have occurred subsequent to half-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.

13 SUMMARY OF ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES AND JUDGEMENTS

(A) BASIS OF PREPARATION

The consolidated financial statements of Michael Hill International Limited and its subsidiaries (collectively, the Group) for the half year ended 26 December 2021 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001 (Cth)*.

These consolidated 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 27 June 2021 and any public announcements made by Michael Hill International Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001 (Cth)*, ASX Listing Rules and NZX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Michael Hill International Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activity is the sale of jewellery and related services.

The financial statements have been prepared on a historical cost basis, except for assets held for sale 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 26 week reporting period ended on 26 December 2021.

Due to the seasonal nature of selling jewellery and related services, higher revenues and operating profits are usually expected in the first half of the financial year. Accordingly, inventory levels and working capital levels are higher at the end of the first half of the financial year rather than at the end of the financial year. A comparative half-year balance sheet has been included in the consolidated statement of financial position. This information is provided to allow for a better understanding of the results. However, management has concluded that this is not 'highly seasonal' in accordance with AASB 134.

Where necessary, the comparative information has been reclassified from the financial statements previously presented to conform to the presentation of the financial statements for the period ended 26 December 2021. There is no change to net profit/loss for the period as a result of this reclassification.

These consolidated financial statements of Michael Hill International Limited and its subsidiaries (collectively, the Group) for the 26 weeks ended 26 December 2021 were authorised for issue in accordance with a resolution of directors on 22 February 2022.

(B) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IFRIC agenda decision - Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. The Group has changed its accounting policy in relation to configuration and customisation costs incurred in implementing SaaS arrangements. The nature and effect of the changes as a result of changing this policy is described below.

Accounting Policy - Software-as-a Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement.

Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise SaaS arrangements do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract. Previously some costs had been capitalised and amortised over its useful life.

The following tables show the adjustments recognised for each individual line items. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the amounts provided.

| | 27 December 2020 As originally presented | Impact of accounting policy | 27 December 2020 Restated | 27 June 2021 As originally presented | Impact of accounting policy | 27 June 2021 Restated |
|--|---|-----------------------------|---------------------------------|---|---|---|
| Consolidated statement of financial position | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| ASSETS | | | | | | |
| Intangible assets | 27,075 | (23,094) | 3,981 | 32,845 | (26,832) | 6,013 |
| Deferred tax assets | 63,174 | 6,914 | 70,088 | 60,585 | 7,744 | 68,329 |
| Total assets | 543,745 | (16,180) | 527,565 | 508,111 | (19,088) | 489,023 |
| EQUITY | | | | | | |
| Reserves | 2,195 | (1) | 2,194 | 4,221 | (5) | 4,216 |
| Retained profits | 177,353 | (16,179) | 161,174 | 177,895 | (19,083) | 158,812 |
| Total equity | 190,752 | (16,180) | 174,572 | 193,401 | (19,088) | 174,313 |
| Consolidated statement of profit or loss and other cor | nprehensive income | | | 27 December 2020 As originally presented \$'000 | Impact of accounting policy | 27 December 2020 Restated \$'000 |
| Other expenses | | | | (14,443) | (3,462) | (17,905) |
| Depreciation and amortisation expense | | | | (25,656) | 1,470 | (24,186) |
| Profit before income tax | | | | 55,120 | (1,992) | 53,128 |
| Income tax expense | | | | (16,137) | 583 | (15,554) |
| Profit after income tax | | | | 38,983 | (1,409) | 37,574 |
| Total comprehensive income for the half-year attribute | able to: | | | 36 727 | (1409) | 35.318 |
| Total comprehensive income for the half-year attributed Owners of Michael Hill International Limited | able to: | | | 36,727 | (1,409) | 35,318 27 December |
| | able to: | | | 36,727 27 December 2020 As originally presented | (1,409) Impact of accounting policy | 35,318 27 December 2020 Restated |
| | able to: | | | 27 December 2020 As originally | Impact of accounting | 27 December 2020 |
| Owners of Michael Hill International Limited | able to: | | | 27 December 2020 As originally presented \$'000 (249,871) | Impact of accounting policy | 27 December 2020 Restated |
| Owners of Michael Hill International Limited Consolidated statement of cash flows | able to: | | | 27 December 2020 As originally presented \$'000 | Impact of accounting policy \$'000 | 27 December 2020 Restated \$'000 |
| Owners of Michael Hill International Limited Consolidated statement of cash flows Payments to suppliers and employees | able to: | | | 27 December 2020 As originally presented \$'000 (249,871) | Impact of accounting policy \$'000 (3,462) (3,462) 3,462 | 27 December 2020 Restated \$'000 (253,333) |
| Consolidated statement of cash flows Payments to suppliers and employees Net cash inflow from operating activities | able to: | | | 27 December 2020 As originally presented \$'000 (249,871) 118,250 | Impact of accounting policy \$1000 (3,462) | 27 December 2020 Restated \$'000 (253,333) 114,788 |
| Consolidated statement of cash flows Payments to suppliers and employees Net cash inflow from operating activities Payments for intangible assets | able to: | | | 27 December 2020 As originally presented \$'000 (249,871) 118,250 (4,458) (5,808) 27 December 2020 As originally | Impact of accounting policy \$'000 (3,462) (3,462) 3,462 | 27 December 2020 Restated \$'000 (253,333) 114,788 (996) |
| Consolidated statement of cash flows Payments to suppliers and employees Net cash inflow from operating activities Payments for intangible assets | | Company: | | 27 December 2020 As originally presented \$'000 (249,871) 118,250 (4,458) (5,808) 27 December 2020 | Impact of accounting policy \$'000 (3,462) (3,462) 3,462 Impact of accounting | 27 December 2020 Restated \$'000 (253,333) 114,788 (996) (2,346) 27 December 2020 |
| Consolidated statement of cash flows Payments to suppliers and employees Net cash inflow from operating activities Payments for intangible assets Net cash outflow from investing activities | | Company: | | 27 December 2020 As originally presented \$'000 (249,871) 118,250 (4,458) (5,808) 27 December 2020 As originally presented | Impact of accounting policy \$'000 (3,462) (3,462) 3,462 Impact of accounting policy | 27 December 2020 Restated \$'000 (253,333) 114,788 (996) (2,346) 27 December 2020 Restated |
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Critical accounting estimates, assumptions and judgements

In the process of applying the above policy, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

- Determining whether cloud computing arrangements contain a software licence intangible asset
 - The Group evaluates a cloud computing arrangement to determine if it provides a resource that the Group can control.
 - The Group determines that a software licence intangible asset exists in a cloud computing arrangement when both of the following are met at the inception of the arrangement:
 - The Group has the contractual right to take possession of the software during the hosting period without significant penalty.
 - It is feasible for the Group to run the software on its own hardware or contract with another party unrelated to the supplier to host the software.

Determining whether configuration and customisation costs provide a distinct service to access to the SaaS The Group applies judgement in determining whether costs incurred provide a distinct service, aside from access to the SaaS. Where it is determined that no distinct service is identifiable, the related costs are recognised as expenses over the duration of the service contract.

No other new standards or amendments became effective in the current reporting period that have a material impact on the Group.

(C) 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

Accounting judgements that relate to this are accounting for COVID-19 related lease concessions (note 4) and assets held for sale (note 5) and the significant accounting estimates were in relation to the pattern of PCP revenue recognition (note 2) and the valuation of the assets held for sale (note 5).

DIRECTORS' DECLARATION

For the purposes of section 303(4) of the Corporations Act 2001 (Cth) and for all other purposes, the directors declare that in their opinion:

- the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - 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 26 December 2021 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that Michael Hill International Limited will be able to pay its debts as (b) and when they become due and payable.

This declaration is made on 22 February 2022 in accordance with a resolution of the directors.

R. I. Fyfe Chair

Brisbane

22 February 2022



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Independent Auditor's Review Report to the Members of Michael Hill International Limited

Conclusion

We have reviewed the accompanying half-year 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 26 December 2021, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the Corporations Act 2001, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 26 December 2021 and of its consolidated financial performance for the half-year ended on that date: and
- b. Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's consolidated financial position as at 26 December 2021 and its consolidated performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst a young

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Kellie McKenzie

Partner Brisbane

22 February 2022