

MIRA INFORM REPORT

Report No. :	541570
Report Date :	30.11.2018

IDENTIFICATION DETAILS

Name :	MICHAEL HILL WHOLESALE PTY LTD
Registered Office :	7 Smallwood Place , Murarrie, Queensland 4172
Country :	Australia
Date of Incorporation :	16.04.1987
Legal Form :	Australian Proprietary Company
Line of Business :	The subject operates in the import and wholesale of jewellery.
No. of Employees :	25

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :	A+
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Credit Rating	Explanation	Rating Comments
A+	Low Risk	Business dealings permissible with low risk of default

Status :	Good
Payment Behaviour :	Slow but Correct
Litigation :	Clear

NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

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Country Name	Previous Rating (30.06.2018)	Current Rating (30.09.2018)
Australia	A1	A1

Risk Category	ECGC Classification
Insignificant	A1
Low Risk	A2
Moderately Low Risk	B1
Moderate Risk	B2
Moderately High Risk	C1
High Risk	C2
Very High Risk	D

AUSTRALIA - ECONOMIC OVERVIEW

Australia is an open market with minimal restrictions on imports of goods and services. The process of opening up has increased productivity, stimulated growth, and made the economy more flexible and dynamic. Australia plays an active role in the WTO, APEC, the G20, and other trade forums. Australia's free trade agreement (FTA) with China entered into force in 2015, adding to existing FTAs with the Republic of Korea, Japan, Chile, Malaysia, New Zealand, Singapore, Thailand, and the US, and a regional FTA with ASEAN and New Zealand. Australia continues to negotiate bilateral agreements with Indonesia, as well as larger agreements with its Pacific neighbors and the Gulf Cooperation Council countries, and an Asia-wide Regional Comprehensive Economic Partnership that includes the 10 ASEAN countries and China, Japan, Korea, New Zealand, and India.

Australia is a significant exporter of natural resources, energy, and food. Australia's abundant and diverse natural resources attract high levels of foreign investment and include extensive reserves of coal, iron, copper, gold, natural gas, uranium, and renewable energy sources. A series of major investments, such as the US\$40 billion Gorgon Liquid Natural Gas Project, will significantly expand the resources sector.

For nearly two decades up till 2017, Australia had benefited from a dramatic surge in its terms of trade. As export prices increased faster than import prices, the economy experienced continuous growth, low unemployment, contained inflation, very low public debt, and a strong and stable financial system. Australia entered 2018 facing a range of growth constraints, principally driven by the sharp fall in global prices of key export commodities. Demand for resources and energy from Asia and especially China is growing at a slower pace and sharp drops in export prices have impacted growth.

Source : CIA

REGISTERED NAME

MICHAEL HILL WHOLESALE PTY LTD
ACN: 003 274 600
ABN: 19 003 274 600

SUMMARY

Established	1987
Incorporated	1987
Line of Business	Jewellery Wholesale
Status	Trading
Adverse Listings	<u>Nil</u>

EXECUTIVE SUMMARY

Michael Hill International Ltd - consolidated

	As at 30 June 2018	As at 30 June 2017	Change (%)
Revenue	\$575,549,000.00	\$551,099,000.00	4.44%
Profit b/tax	\$47,467,000.00	\$59,183,000.00	-19.80%
Profit a/tax and a/disc. ops.	\$4,610,000.00	\$32,647,000.00	-85.88%
Net Profit Margin	0.80%	5.92%	-5.12%

The subject was noted to have entered into a Deed of Cross Guarantee pursuant to a Class Order with its Holding entity Michael Hill International Ltd.

For the same period the closed group recorded consolidated revenue of \$461,319,000 which resulted in an operating profit before tax of \$3,988,000 and an operating Loss after tax of \$301,000.

As at 30 June 2018 the closed group recorded consolidated working capital of \$332,681,000 and a current ratio of 5.76 to 1 indicating strong liquidity levels.

At the same date the closed group recorded consolidated Net Assets of \$477,592,000. After deducting intangibles of \$12,525,000 this results in a Net Worth of \$465,067,000.

CORPORATE SEARCH

Company Type	Australian Proprietary Company
Incorporation Date:	16 Apr 1987

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Incorporation State: New South Wales

Registered Office 7 SMALLWOOD Place
MURARRIE, Queensland 4172 Australia

Number of Shares Issued: 2

Paid Capital: 2

Shareholders MICHAEL HILL JEWELLER (AUSTRALIA) P
Number of Shares: 2

Directors LOWER, ANDREW KEITH – Appointed: 15.12.2017
72 WATSON ST
CAMP HILL QLD 4152

SPARROW, ANDREW DAVID
5 KIRKPATRICK ST, TINGALPA, QLD 4173
Appointment Date: 9 Aug 2016

HILL, EMMA JANE
Resident overseas
Appointment Date: 9 Aug 2016

TAYLOR, Philip Roy
129 Coutts St
BULIMBA QLD 4171
Appointment Date: 26 June 2009

Secretary HAMMON, KATHERINE ANNE
Appointment Date: 22.01.2018

SECURITY INTERESTS

Effective 30 January 2012 the Personal Property Securities Register (PPSR) was introduced to give the different Commonwealth, State and Territory laws and registers regarding security interests in personal property under one national system.

As a result of PPS Reform a number of existing Commonwealth, State and Territory personal property security registers will close. Interests registered on existing security interest registers will be migrated to the national PPS Register. Subsequently Registered Charges are no longer lodged with the Australian Securities and Investments Commission (ASIC).

BUSINESS STRUCTURE

HEAD OFFICE	7 Smallwood Pl GPO Box 2922 MURARRIE, QLD 4172
TELEPHONE	(617) 3399 0200
WEBSITE	www.michaelhill.com
EMAIL	inquiry@michaelhill.com.au
HOLDING ENTITY	MICHAEL HILL JEWELLER (AUSTRALIA) LIMITED
ULTIMATE HOLDING ENTITY	MICHAEL HILL INTERNATIONAL LTD
BANK	ANZ BANKING GROUP
EMPLOYEES	25 full time plus casuals

BACKGROUND

The subject was incorporated in New South Wales on 16 April 1987 as Lemvex P/L, changing name on 22 September 1987 to the current style.

The subject was formed to operate as the wholesale arm of the group.

The Group has its origins in 1979 when Michael Hill opened the first store in the New Zealand town of Whangarei.

OPERATIONS

The subject operates in the import and wholesale of jewellery.

The Group operates a chain of retail jewellery stores involved in the retail of jewellery and related products and services. The group maintains a total of 296 stores of which 167 are in Australia.

Activities are conducted from premises located at the above listed trading address.

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ADVERSE

A search of records on 23 November 2018 failed to trace any litigation listed against the subject at that date.

FINANCES

The subject is not required to lodge financial statements with the Australian Securities and Investments Commission.

Below is a summary of the Group's income results for the past two financial years.

	Michael Hill International Ltd - consolidated		
	As at 30 June 2018	As at 30 June 2017	Change (%)
Revenue	\$575,549,000.00	\$551,099,000.00	4.44%
Profit b/tax	\$47,467,000.00	\$59,183,000.00	-19.80%
Profit a/tax and a/disc. ops.	\$4,610,000.00	\$32,647,000.00	-85.88%
Net Profit Margin	0.80%	5.92%	-5.12%

The result for the last financial year included a loss from discontinued operations totalling \$30,208,000. This is of a result of a Group decision to completely exit its retail operations in the United States and to close all Emma & Roe stores and its associated online presence.

During 2018 the group recorded Net Cashflows from operating activities totalling \$54,893,000.

The subject was noted to have entered into a Deed of Cross Guarantee pursuant to a Class Order with its Holding entity Michael Hill International Ltd.

For the same period the closed group recorded consolidated revenue of \$461,319,000 which resulted in an operating profit before tax of \$3,988,000 and an operating Losst after tax of \$301,000.

As at 30 June 2018 the Group recorded total current assets of \$228,608,000. They included cash of \$7,220,000, receivables of \$25,381,000 and inventories of \$192,074,000.

Current liabilities at the same date totalled \$88,287,000 and included payables of \$49,339,000 and deferred revenue of \$26,476,000.

As at 30 June 2018 the Group recorded Working Capital of \$140,321,000 and a current ratio of 2.59 to 1 indicating sound liquidity levels.

At the same date the closed group recorded consolidated working capital of \$332,681,000 and a current ratio of 5.76 to 1 indicating strong liquidity levels.

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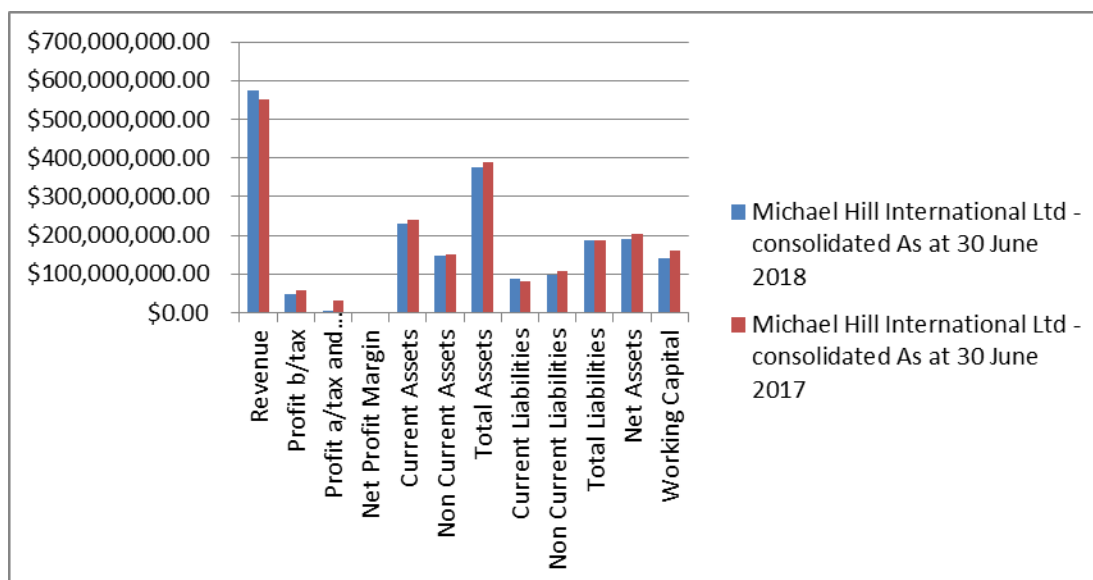
The Group entered into an agreement with ANZ on 26 June 2018 that provides for a \$110,000,000 multi option borrowing facility, the availability of which is adjusted throughout the year in line with business requirements. At balance date, \$70,000,000 was available.

Group Net Assets totalled \$189,221,000 as at 30 June 2018. At this date, the subject further recorded a Debt to Equity ratio of 0.98 to 1.

At the same date the closed group recorded consolidated Net Assets of \$477,592,000. After deducting intangibles of \$12,525,000 this results in a Net Worth of \$465,067,000.

Michael Hill International Ltd - consolidated

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Profit b/tax	\$47,467,000.00	\$59,183,000.00	-19.80%
Profit a/tax and a/disc. ops.	\$4,610,000.00	\$32,647,000.00	-85.88%
Net Profit Margin	0.80%	5.92%	-5.12%
Current Assets	\$228,608,000.00	\$238,581,000.00	-4.18%
Non Current Assets	\$146,740,000.00	\$150,541,000.00	-2.52%
Total Assets	\$375,348,000.00	\$389,122,000.00	-3.54%
Current Liabilities	\$88,287,000.00	\$79,653,000.00	10.84%
Non Current Liabilities	\$97,840,000.00	\$107,286,000.00	-8.80%
Total Liabilities	\$186,127,000.00	\$186,939,000.00	-0.43%
Net Assets	\$189,221,000.00	\$202,183,000.00	-6.41%
Working Capital	\$140,321,000.00	\$158,928,000.00	-11.71%
Current Ratio	2.59	3.00	-13.55%
Debt to Equity	0.98	0.92	6.39%



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TRADE SURVEY

During the current investigation, contact with the subject's principals was unable to be established.

Subsequently details pertaining to the company's suppliers were unable to be obtained and a trade survey could not be conducted.

FOREIGN EXCHANGE RATES

Currency	Unit	Indian Rupees
US Dollar	1	INR 69.92
UK Pound	1	INR 89.74
Euro	1	INR 79.58
AUD	1	INR 51.00

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

Analysis Done by :	NIY
Report Prepared by :	KET

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RATING EXPLANATIONS

Credit Rating	Explanation	Rating Comments
A++	Minimum Risk	Business dealings permissible with minimum risk of default
A+	Low Risk	Business dealings permissible with low risk of default
A	Acceptable Risk	Business dealings permissible with moderate risk of default
B	Medium Risk	Business dealings permissible on a regular monitoring basis
C	Medium High Risk	Business dealings permissible preferably on secured basis
D	High Risk	Business dealing not recommended or on secured terms only
NB	New Business	No recommendation can be done due to business in infancy stage
NT	No Trace	No recommendation can be done as the business is not traceable

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)