



21 September 2010

Premier maintains growth in tough trading conditions

Total FY2010 dividends of 66 cents per share
Reaffirms outlook for Just Group

Highlights

- Consolidated net profit after tax (NPAT) of \$79.6 million in line with recent guidance
- Just Group sales up 3 per cent to \$870 million and EBITA of \$84.3 million in challenging trading conditions
- FY2010 earnings per share of 52.8 cents
- Total FY2010 dividends of 66 cents per share (comprising fully franked ordinary dividends of 36 cents per share and fully franked special dividends of 30 cents per share)
- Premier maintains strong cash position
- Reaffirmed outlook for Just Group EBITA for FY2011 of \$100 million to \$110 million

Premier Investments Limited (“Premier”) today reported a \$79.6 million NPAT for the period ending 31 July 2010, in line with recent guidance. Despite tough economic conditions, Premier continues to generate strong shareholder returns, declaring a final fully franked dividend of 28 cents per share, comprising a fully franked ordinary dividend of 18 cents for the second half and a fully franked special dividend of 10 cents for the second half. This reaffirms the confidence Directors have in Premier’s future performance and underlines Premier’s commitment to enhancing shareholder value through capital management and business investment.

Premier’s Chairman, Mr. Solomon Lew, said that, *“Just Group’s diverse portfolio and strong brands position the Company well for an anticipated recovery in the retail apparel environment. Our robust balance sheet and substantial cash reserves enable us to continue to invest in growth – through the continued roll-out of strong performers such as Peter Alexander, by pursuing acquisitions and new concepts where appropriate, and to unlock the significant upside which we believe can be realised from a turnaround of Portmans.”*

Just Group: Operating and Earnings Performance

Just Group's sales (Australia and New Zealand) for the period ended 31 July 2010 were up 3 per cent on the previous corresponding period to \$870.4 million. Just Group earnings before interest, tax and amortisation (EBITA) for the full year was \$84.3 million. These results include a decrease of approximately \$5.8 million in the depreciation charge for FY2010, following a detailed review to more accurately align depreciation charges with the estimated useful lives of fixed assets.¹

Two major factors impacted Just Group's trading performance in FY2010 and particularly in 2H10: the challenging retail environment and Portmans.

As previously announced, retail trading in the second half was abnormally volatile. Successive interest rate rises had a clear adverse impact on consumer confidence and discretionary spending. The second half was also impacted by the cycling of the Australian Government economic stimulus and sustained abnormal weather conditions in each of Just Group's major markets. These factors in turn resulted in intensive industry wide discounting.

In light of the challenging environment, Just Group management continued to focus on sustainable cost savings. Pleasingly, Just Group also delivered gross margin improvement through effective currency management aided by tariff reductions.

Excluding Portmans result from Just Group's FY2010 and FY2009 EBITA's, Just Group's final FY2010 result was broadly in line with Just Group's FY2009 result. As announced in August, Portmans delivered a total loss for FY2010 of \$18.5 million. The transformation of Portmans represents a significant source of upside in the Just Group business.

Mr Lew said, *"Premier continues to have confidence in the fundamental value of the Portmans brand and Just Group management's ability to lift its performance to match the returns from other brands in our portfolio. Just Group management is working hard to make gains in the brand's core market, in line with the strategy detailed in Just Group's update to the market on 2 August 2010."*

Premier's financial performance

As Premier's core operating business, Just Group was the key contributor to Premier's FY2010 NPAT of \$79.6 million.

In addition to Just Group, the other contributors to Premier's financial performance in FY2010 were:

- Interest earned from cash on deposit (balance of \$316.6 million at 31 July 2010);
- A \$16.6 million one-off tax benefit in relation to the acquisition of Just Group; and
- Dividends received from Premier's investment in Breville Group Limited.

¹ In line with AASB 116

It is important to note that overall comparisons between FY2010 and FY2009 for Premier are problematic due to a range of abnormal factors, including:

- Premier's change of financial year date from FY2009 means there are fewer weeks in FY2010 than FY2009 (Premier moved its financial year end to July to align with Just Group, resulting in a 55+ week year in FY2009);
- Changes in depreciation charges following a comprehensive review of the Group's fixed assets¹; and
- Accounting, tax and interest earned matters relating to the acquisition of Just Group.

Dividend and Capital Management

Premier has declared a fully franked final dividend of 28 cents per share, comprising an ordinary dividend of 18 cents per share and a special dividend of 10 cents per share.

The final dividend will be payable on 9 November 2010. The record date will be 11 October 2010.

The ordinary dividend of 18 cents per share is in line with the final ordinary dividend for FY2009, while the special dividend of 10 cents per share is attributable to the one-off tax benefit of \$16.6m, referred above, which will be passed directly through to shareholders.

The Dividend Reinvestment Plan will be suspended for the final dividend.

Solid balance sheet will support future growth

Premier's strong balance sheet continues to provide the flexibility needed to pursue opportunities, and the company has maintained its robust cash position. As of 31 July 2010, Premier's consolidated cash balance was \$316.6 million (excluding Just Group's debt), at the same time as total liabilities were reduced.

Premier's investment in Breville has further bolstered the company's balance sheet, with Breville's improved share price resulting in the value of Premier's available-for-sale financial assets increasing by more than 150% to \$72.8 million.

Premier continues to actively assess new growth opportunities, while maintaining a disciplined approach through its established focus on long-term value creation.

Outlook

Premier reaffirms its expectation that Just Group is well positioned for significantly improved performance in FY2011. Premier believes that Just Group's improved performance will be driven by a number of factors including:

- An improved retail environment;
- The significant operating leverage in the Just Group business model;
- A more supportive gross margin environment;
- Continued cost management;
- Commencing the FY2011 financial year with a clean inventory position; and
- Progress in the transformation of Portmans.

Although Premier remains cautious about the broader macroeconomic environment, Just Group's current trading is in line with expectations and, therefore, Premier reaffirms its outlook that Just Group FY2011 EBITA will be in the range of \$100 million to \$110 million.

ENDS

For more information call

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Appendix 4E

Preliminary final report

Current Reporting Period: 26 July 2009 to 31 July 2010
Previous Corresponding Period: 1 July 2008 to 25 July 2009

Name of entity

PREMIER INVESTMENTS LIMITED
ABN 64 006 727 966

All numbering used within this document refers to the numbering used in the guidelines issued by the Australian Stock Exchange under Rule 4.3A

1. Reporting periods

Financial year ended
("Current period")

Financial year ended
("Previous corresponding period")

31 July 2010	25 July 2009
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2. Results for announcement to the market

2.1 Revenues from ordinary activities	up	2.33%	to \$904,156,000
2.2 Profit from ordinary activities after tax attributable to members	down	3.76%	to \$79,633,000
2.3 Net profit for the period attributable to members	down	3.76%	to \$79,633,000

2.4 Dividends (distributions)

		Amount per security	Franked amount per security
Final dividend	Record Date 11 October 2010	28.0 cents	28.0 cents
Interim dividend	Paid 22 April 2010	38.0 cents	38.0 cents

2.5 Record date for determining entitlements to the dividend

11 October 2010

The directors have declared a final dividend of 28 cents per share comprising an ordinary dividend of 18 cents per share and a special dividend of 10 cents per share.

2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood

The current reporting period is for the period beginning 26 July 2009 and ending 31 July 2010 (53 weeks), whereas the comparative amounts reflect the period 1 July 2008 to 25 July 2009 (55 weeks). For further explanation please refer to the investor's presentation accompanying this preliminary final report.

3. Income Statement

Please refer to the attached financial statements for the period ended 31 July 2010.

4. Balance Sheet

Please refer to the attached financial statements for the period ended 31 July 2010.

5. Cash Flow Statement

Please refer to the attached financial statements for the period ended 31 July 2010.

6. Dividends

Date the dividend is payable

9 th November 2010

Record date to determine entitlements to the dividend (distribution) (ie, on the basis of registrable transfers received by 5.00 pm if +securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)

11 th October 2010

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend: Current year	28.0 cents	28.0 cents	Nil
Previous year	38.0 cents	38.0 cents	Nil

Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	66.0 cents	75.0 cents
Preference +securities	Nil	Nil

Preliminary final report - final dividend on all securities

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities	43,408	55,858
Preference +securities	-	-
Total	43,408	55,858

7. Dividend reinvestment plans

The ⁺dividend plans shown below are in operation.

Dividend Reinvestment will be suspended for the final dividend

The last date(s) for receipt of election notices for the
⁺dividend plans

N/A

8. Statement of Changes in Equity

Please refer to the attached financial statements for the period ended 31 July 2010.

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ⁺ ordinary security	\$2.31	\$2.07

10. Control gained over entities having material effect

Name of entity (or group of entities)

N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was *acquired	N/a
Date from which such profit has been calculated	N/a
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/a

Loss of control of entities having material effect

Name of entity (or group of entities)

N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$N/A
Date to which the profit (loss) in item 14.2 has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$N/A
Contribution to consolidated profit (loss) from ordinary activities and extr Entity Net Profit/(Loss After Tax) 2010ordinary items from sale of interest leading to loss of control	\$N/A

11. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of Subsidiary/Joint Venture entity	Ownership Interest	Entity Net Profit (Loss) After Tax 2010	Entity Net Profit (Loss) After Tax 2009
Just Kor Fashion Group (Pty Ltd)	50%	\$492,000	(\$145,000)

12. Other significant information

Not applicable

13. Foreign Entities – accounting standards used in compiling the report

All entities comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

14. Commentary

For further explanation please refer to the investor's presentation accompanying this preliminary final report.

15. Compliance statement

This report should be read in conjunction with the attached financial statements for the period ended 31 July 2010. The attached financial statements are in the process of being audited.



Sign here:

Date 21 September 2010

Company Secretary

Print name: KIM DAVIS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD ENDED 31 July 2010

		CONSOLIDATED	
	NOTES	PERIOD 26 JULY 2009 TO 31 JULY 2010 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000
Continuing operations			
Revenue from sale of goods	3	878,494	850,469
Other revenue	3	18,016	25,908
Total revenue		896,510	876,377
Other income	3	7,646	7,163
Total income		904,156	883,540
Changes in inventories of finished goods and work in progress and raw materials used		(359,421)	(349,642)
Employee expenses		(196,851)	(175,993)
Operating lease rental expense	4	(168,386)	(156,013)
Depreciation, impairment and amortisation	4	(19,829)	(25,631)
Advertising and direct marketing		(12,131)	(13,611)
Finance costs	4	(7,869)	(9,094)
Other expenses		(50,786)	(42,779)
Total expenses		(815,273)	(772,763)
Share of profit (loss) of an associate	10	492	(145)
Profit from continuing operations before income tax		89,375	110,632
Income tax expense	5	(9,742)	(27,883)
Net profit for the period attributable to owners		79,633	82,749
Other comprehensive income			
Net fair value gains (loss) on available for sale financial assets		42,071	(4,506)
Cash flow hedges		2,003	(1,657)
Foreign currency translation		217	11
Income tax on items of other comprehensive income	5	(11,891)	197
Other comprehensive income for the period, net of tax		32,400	(5,955)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS		112,033	76,794
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:			
-basic and diluted for profit for the year (cents per share)		52.78	62.44
-basic and diluted for profit from continuing operations (cents per share)		52.78	62.44

The accompanying notes form an integral part of this Statement of Comprehensive Income.

STATEMENT OF FINANCIAL POSITION

AS AT 31 July 2010

	NOTES	CONSOLIDATED	
		2010 \$'000	2009 \$'000
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	13	316,644	328,670
Trade and other receivables		8,303	7,112
Inventories		71,739	69,574
Derivative financial instruments		1,433	5,650
Income tax receivable		5,047	-
Other current assets		3,550	3,794
Total current assets		406,716	414,800
<i>Non-current assets</i>			
Trade and other receivables		2,632	2,744
Available-for-sale financial assets		72,767	28,705
Plant and equipment	8	91,210	73,309
Intangible assets	9	854,173	850,076
Deferred tax assets	5	14,412	16,204
Investment in an associate	10	799	258
Derivative financial instruments		92	400
Total non-current assets		1,036,085	971,696
TOTAL ASSETS		1,442,801	1,386,496
LIABILITIES			
<i>Current liabilities</i>			
Trade and other payables		54,412	56,227
Interest-bearing liabilities		155	374
Derivative financial instruments		772	7,833
Income tax payable		-	17,177
Provisions		15,639	16,843
Other current liabilities	11	24,367	5,327
Total current liabilities		95,345	103,781
<i>Non-current liabilities</i>			
Interest-bearing liabilities		100,542	95,329
Deferred tax liabilities	5	18,924	3,342
Provisions		1,188	1,251
Derivative financial instruments		4	-
Other	11	14,303	28,766
Total non-current liabilities		134,961	128,688
TOTAL LIABILITIES		230,306	232,469
NET ASSETS		1,212,495	1,154,027
EQUITY			
Contributed equity		608,615	549,208
Reserves		27,533	(5,056)
Retained earnings		576,347	609,875
TOTAL EQUITY		1,212,495	1,154,027

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010

CONSOLIDATED			
	NOTES	PERIOD 26 JULY 2009 TO 31 JULY 2010 \$'000	PERIOD 1 JULY TO 25 JULY 2009 \$'000
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
Receipts from customers (inclusive of GST)		973,031	934,364
Payments to suppliers and employees (inclusive of GST)		(881,752)	(839,985)
Dividends received		2,492	1,931
Interest received		14,627	29,195
Borrowing costs paid		(7,788)	(8,524)
Income taxes paid		(25,993)	(39,619)
NET CASH FLOWS FROM OPERATING ACTIVITIES	13(b)	74,617	77,362
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Payment for available-for-sale financial investments		(2,042)	(7,206)
Proceeds from available-for-sale financial investments		-	4,199
Acquisition of subsidiary/investment		-	(424,184)
Payment for trademarks		(454)	(306)
Costs associated with acquisition of subsidiary		-	(9,323)
Payment for property, equipment and leasehold premiums		(34,814)	(29,879)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(37,310)	(466,699)
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>			
Equity dividends paid		(53,604)	(48,649)
Proceeds from borrowings		64,000	10,000
Repayment of borrowings		(59,000)	(33,464)
Transaction costs on issue of shares under DRP		(350)	(100)
Payment of finance lease liabilities		(203)	(218)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(49,157)	(72,431)
NET DECREASE IN CASH HELD		(11,850)	(461,768)
Cash at the beginning of the financial period		328,494	790,262
CASH AT THE END OF THE FINANCIAL PERIOD	13(a)	316,644	328,494

The accompanying notes form an integral part of this Statement of Cash Flows.

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 July 2010

CONSOLIDATED								
	CONTRIBUTED EQUITY \$'000	CAPITAL PROFITS RESERVE \$'000	PERFORMANCE RIGHTS RESERVE \$'000	CASH FLOW HEDGE RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	FAIR VALUE RESERVE \$'000	RETAINED PROFITS \$'000	TOTAL \$'000
<i>At 26 July 2009</i>	549,208	464	22	(1,552)	11	(4,001)	609,875	1,154,027
Net Profit for the period	-	-	-	-	-	-	79,633	79,633
Other comprehensive income	-	-	-	1,413	217	30,770	-	32,400
Total comprehensive income for the period	-	-	-	1,413	217	30,770	79,633	112,033
Transactions with owners in their capacity as owners								
Shares issued under dividend reinvestment plan	59,557	-	-	-	-	-	(59,557)	-
Transaction costs	(350)	-	-	-	-	-	-	(350)
Performance rights issued	-	-	389	-	-	-	-	389
Shares issued under performance rights plan	200	-	(200)	-	-	-	-	-
Dividends Paid	-	-	-	-	-	-	(53,604)	(53,604)
<i>Balance as at 31 July 2010</i>	608,615	464	211	(139)	228	26,769	576,347	1,212,495
<i>At 1 July 2008</i>	205,149	464	-	-	-	413	603,784	809,810
Net Profit for the period	-	-	-	-	-	-	82,749	82,749
Other comprehensive income	-	-	-	(1,552)	11	(4,414)	-	(5,955)
Total comprehensive income for the period	-	-	-	(1,552)	11	(4,414)	82,749	76,794
Transactions with owners in their capacity as owners:								
Shares issued for subsidiary	316,150	-	-	-	-	-	-	316,150
Shares issued under dividend reinvestment plan	28,009	-	-	-	-	-	(28,009)	-
Transaction costs	(100)	-	-	-	-	-	-	(100)
Performance rights issued	-	-	22	-	-	-	-	22
Dividends Paid	-	-	-	-	-	-	(48,649)	(48,649)
<i>Balance as at 25 July 2009</i>	549,208	464	22	(1,552)	11	(4,001)	609,875	1,154,027

The accompanying notes form an integral part of this Statement of Changes in Equity

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 JULY 2010

1 CORPORATE INFORMATION

The financial report of Premier Investments Limited for the period ended 31 July 2010 was authorised for issue in accordance with a resolution of the directors on 20 September 2010.

Premier Investments Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report is prepared for the period 26 July 2009 to 31 July 2010 (53 weeks).

(a) BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) under the option available to the company under Australian Securities and Investments Commission (ASIC) Class Order 98/0100. The Group is an entity to which the Class Order applies.

(b) STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 26 July 2009.

- (i) *AASB 101 Presentation of Financial Statements (as revised in September 2007)*
- (ii) *AASB 8 Operating Segments*
- (iii) *AASB 7 Financial Instruments: Disclosures*
- (iv) *AASB 123 Borrowing Costs (revised 2007)*
- (v) *AASB 2008-1 Amendments to Australian Accounting Standards – Share-based Payments: Vesting Conditions and Cancellations*
- (vi) *AASB 3 Business Combinations (revised 2008)*
- (vii) *AASB 127 Consolidated and Separate Financial Statements (revised 2008)*
- (viii) *AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*
- (ix) *AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB1 & AASB5]*
- (x) *AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- (xi) *AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance for the Group, its impact is described below:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 3 (revised 2008) introduces significant changes in the accounting of business combinations occurring after 26 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and the future reported results.

AASB 127 (revised 2008) requires that a change in ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interest. The change in accounting policy will be applied prospectively and has had no impact on the current or prior period results.

AASB 7 Financial Instruments: Disclosures

The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 12, including the related revised comparative information.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and include in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or two linked statements. The Group has elected to present one statement.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However, the receipt of such dividends requires an entity to consider whether there is an indicator of impairment of an investment in that subsidiary. The receipt of dividends by Premier Investments Limited during the year did not impact the recoverability of the investment in the subsidiary.

The amendments further clarify cases or reorganisations where a new parent is inserted above the existing parent of the group. It states that the cost of the subsidiary is the previous carrying amount of its share of equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Group, as the change in accounting policy will be applied prospectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 July 2010, outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	Addresses the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139.	1 January 2013	The Group has not yet determined the potential effects of the standard. Retrospective application is generally required, although there are some exceptions, particularly if the Group adopts the standards for the year ended 28 July 2012 or earlier.	28 July 2013
AASB 124	Related Party Disclosures	Simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from disclosure requirement for government related entities.	1 January 2011	When the amendments are applied, the Group and Parent will need to disclose any transactions between its subsidiaries. However, it has yet to put systems into place to capture the necessary information. Therefore it is not possible to disclose the financial impact, if any, of the amendment to related party disclosure.	31 July 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap).	1 July 2010	The Group has not yet determined the potential effect of the interpretation.	1 August 2010
AASB 2009-5	Further improvements to the Australian Accounting Standards arising from the Annual Improvements Process	Affects various AASBs resulting in minor changes to presentation, disclosure, recognition and measurement purposes.	1 February 2011	The amendments are not expected to have a significant impact on the financial statements.	31 July 2011

* Designates the beginning of the applicable annual reporting period unless otherwise stated.

(d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liability, revenue and expenses. Management bases its judgement and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimated under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

Impairment of non-financial assets other than goodwill and indefinite life intangibles

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through entering into a contractual sale agreement or through the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Taxation

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income

(ii) Significant accounting estimates and assumptions

Estimated impairment of goodwill and intangibles with indefinite useful lives

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(m). The recoverable amounts of cash-generating units have been determined based on value-in-us calculations. These calculations require the use of assumptions. Refer to note 9 for details of these assumptions and the potential impact of changes to the assumptions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Significant accounting estimates and assumptions (continued)

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined at grant date using the Black-Scholes Model taking into account the terms and conditions upon which the instruments were granted.

The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary as noted in note 6.

Depreciation charges are included in note 4.

Valuation of Investments

The Group has decided to classify investments in listed and unlisted securities as "available for sale" investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published quotations in an active market. The fair values of unlisted securities not traded in an active market are determined by an appropriately qualified independent valuer by projecting future cash flows from expected future dividends and subsequent disposal of the securities. These cash flows are then discounted back to their present values using a pre-tax risk adjusted discount rate.

(e) *BASIS OF CONSOLIDATION*

The consolidated financial statements are those of the consolidated entity, comprising Premier Investments Limited (the parent entity) and its subsidiaries ('the Group') as at the end of each financial year. A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities as at the end of the financial year.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Premier Investments Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment losses. The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) *BASIS OF CONSOLIDATION (CONTINUED)*

As discussed in note 2(c), the Group has adopted *AASB 3 Business Combinations (revised 2008)* and *AASB 127 Consolidated and Separate Financial Statements (revised 2008)* for acquisitions subsequent to 26 July 2009. In future acquisitions of subsidiaries will be accounted for using the acquisition method. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed will be measured at their acquisition date fair values. The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

(f) *OPERATING SEGMENTS*

As of 26 July 2009 the Group determines and presents operating segments based on the information that is internally provided and used by the chief operating decision maker in assessing the performance of the company and in determining the allocation of resources.

Whilst AASB 8 replaced AASB 114 Segment Reporting upon its effective date, the Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in note 12, including the related comparative information.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discreet financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(g) *FOREIGN CURRENCY TRANSLATION*

Both the functional and presentation currency of Premier Investments Limited and its Australian subsidiaries is in Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences in the consolidated financial report are taken to the statement of comprehensive income.

The New Zealand subsidiaries' functional currency is New Zealand dollars.

Just Kor Fashion Group (Pty) Ltd, the South African joint venture, has a functional currency of South African Rand.

As at the reporting date the assets and liabilities of the overseas subsidiary are translated into the presentation currency of Premier Investments Limited at the rate of exchange ruling at the reporting date and the statements of comprehensive incomes are translated at the weighted average exchange rates for the period.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash on hand and in banks, money market investments readily convertible to cash within two working days and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(i) TRADE AND OTHER RECEIVABLES

Trade receivables and lay-by debtors, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables and lay-by debtors is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

(j) INVENTORIES

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials - purchase cost on a first-in, first-out basis;
- Finished goods and work-in-progress - purchase cost plus a proportion of the purchasing department, freight, handling and warehouse costs incurred to deliver the goods to the point of sale.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated direct costs necessary to make the sale.

(k) PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Store plant and equipment 3 to 8 years
- Leased plant and equipment 2 to 5 years
- Other plant and equipment 2 to 10 years

The carrying values of plant and equipment are reviewed for impairment annually for events or changes in circumstances that may indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If an indication of impairment exists, and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) **GOODWILL**

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purposes of assessing impairment, goodwill acquired in a business combination is, from the date of acquisition, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised for goodwill are not subsequently reversed.

(m) **INTANGIBLE ASSETS (excluding goodwill)**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of intangibles with indefinite lives impairment is tested annually, either individually or at the cash-generating unit level.

Where the carrying amount of an intangible asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value-in-use.

It is determined for an individual asset, unless the asset's value-in-use cannot be estimated to be close to its fair value, less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.

A summary of the policies applied to the Group's intangible assets is as follows:

	Brands	Premiums paid on acquisition of leaseholds	Trademarks & Licences
Useful life	Indefinite	Finite	Finite
Method used	Not amortised or revalued	Amortised over the term of the lease	Amortised over the estimated useful life
Internally generated/acquired	Acquired	Acquired	Acquired
Impairment test/recoverable amount testing	Annually; for indicators of impairment	Amortisation method reviewed at each financial year end; reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year end; reviewed annually for indicators of impairment

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) *OTHER FINANCIAL ASSETS*

(i) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified as the following category. All available-for-sale investments are initially recognised at cost, being fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

(ii) Non-derivative financial assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at cost and amortised using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

(o) *INVESTMENT IN ASSOCIATE*

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor operating unincorporated joint ventures.

Under the equity method, investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate.

The Group's share of its associate's post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from the associate is recognised in the parent entity's statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting date of the associate is currently 30 June and the associate's accounting policies materially conform to those used by the Group for like transactions and events in similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) LEASES

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(q) TRADE AND OTHER PAYABLES

Liabilities for trade creditors and other amounts are recognised and carried at original invoice cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the consolidated entity.

Trade liabilities are normally settled on terms of between 7 and 45 days.

(r) INTEREST-BEARING LOANS AND BORROWINGS

All loans, borrowings and interest-bearing payables are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, such items are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Fees paid on the establishment of loan facilities are amortised over the life of the facility. On-going borrowing costs are expensed as incurred.

(s) PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time-value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time-value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) EMPLOYEE BENEFITS

(i) Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay, resulting from employees' services provided up to the reporting date. The provisions have been calculated at nominal amounts based on current wage and salary rates, and include related on-costs.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Related on-costs have also been included in the liability.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match as closely as possible the estimated cash outflow.

(ii) Retirement benefit obligations

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group operates a defined contribution plan. Contributions to the plan are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is made available.

(u) DEFERRED INCOME

(i) Lease Incentives

Lease incentives are capitalised in the financial statements when received and credited to revenue over the term of the store lease to which they relate.

(ii) Deferred rent

Operating lease expenses are recognised on a straight-line basis over the lease term, which includes the impact of annual fixed rate percentage increases.

(v) REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customer. Risks and rewards are considered passed to the customer at the point-of-sale in retail stores and at the time of delivery to catalogue and wholesale customers.

(ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iii) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(iv) Lay-by sales

The company has a history of most lay-by sales in retail stores being completed following receipt of an initial deposit. Therefore, the company has elected to recognise revenue on lay-by sales upon receipt of a deposit.

(v) Gift cards

Revenue from the sale of gift cards is recognised upon redemption of the gift card.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) INCOME TAX

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- when the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses, can be utilised except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- where the deductible temporary difference is associated with investments in subsidiaries, associates and interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Effective 1 July 2003 Premier Investments Limited and its wholly owned Australian controlled entities implemented a tax consolidation group. The head entity, Premier Investments Limited and the controlled entities continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach to determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Premier Investments Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amount receivable from or payable to other entities in the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) OTHER TAXES

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group uses derivative financial instruments (including forward currency contracts and foreign exchange options) to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-valued to fair value at subsequent reporting dates. Any derivative financial instruments acquired through business combinations are re-designated.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the period.

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect the statement of comprehensive income. The Group's cash flow hedges that meet the strict criteria for hedge accounting are accounted for by recognising the effective portion of the gain or loss on the hedging instrument directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedge transaction (finance costs or inventory purchases) when the forecast transaction occurs.

The Group tests each of the designated cash flow hedges for effectiveness on an ongoing basis both retrospectively and prospectively using the ratio offset method. If the testing falls within the 80% to 125% range, the hedge is considered to be highly effective and continues to be designated as a cash flow hedge.

At each reporting date, the Group measures ineffectiveness using the ratio offset method. For foreign currency cash flow hedges if the risk is over-hedged, the ineffective portion is taken immediately to other income/expense in the statement of comprehensive income.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the statement of comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to being ineffective), amounts previously recognised in equity remain in equity until the forecast transaction occurs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) BUSINESS COMBINATIONS

Business combinations pre 25 July 2009

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amount payable in the future is discounted to present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Business combinations subsequent to 26 July 2009

As a result of the Group adopting AASB 3 Business Combinations (revised 2008) (refer to note 2(c)) in the current financial year, future business combinations will be accounted for using the acquisition method. The consideration transferred in a business combination will be measured at fair value, which will be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs will be expensed as incurred.

When the Group acquires a business, it will assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating and accounting policies and other pertinent conditions as at the acquisition date. This will include the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree will be remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is to be classified as equity, it will not be remeasured.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (continued)

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) SHARE-BASED REMUNERATION SCHEMES

The Group provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The plans in place to provide these benefits are a long-term incentive plan known as the performance rights plan (PRP).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instrument at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

- (i) The grant date fair value of the award;
- (ii) The extent to which the vesting period has expired; and
- (iii) The current best estimate of the number of awards that will vest as at the grant date.

The charge to profit and loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

(bb) CONTRIBUTED EQUITY

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

(cc) COMPARATIVES

The current reporting period, 26 July 2009 to 31 July 2010, represents 53 weeks and the comparative reporting period is from 1 July 2008 to 25 July 2009 which represents 12 months and 25 days.

(dd) EARNINGS PER SHARE

Basic earnings per share are calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
	PERIOD 26 JULY 2009 TO 31 JULY 2010 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000
3 REVENUE		
<i>REVENUE</i>		
Revenue from sale of goods	870,385	844,853
Revenue from sale of goods to associate	8,109	5,616
Revenue from sale of goods	878,494	850,469
<i>OTHER REVENUE</i>		
Membership program fees	598	654
<i>INTEREST</i>		
Other persons	14,657	22,948
Associate	269	375
Total Interest	14,926	23,323
<i>DIVIDENDS</i>		
Other listed companies	2,492	1,931
Total Dividends	2,492	1,931
TOTAL OTHER REVENUE	18,016	25,908
TOTAL REVENUE	896,510	876,377
<i>OTHER INCOME</i>		
Profit from sale of securities	-	1,078
Amortisation of deferred income	6,375	2,832
Gain on ineffective cash flow hedges	-	2,896
Royalty and licence fees		
Associate	234	-
Other persons	105	-
Other	932	357
TOTAL OTHER INCOME	7,646	7,163
TOTAL INCOME	904,156	883,540

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED		
	PERIOD 26 JULY 2009 TO 31 JULY 2010 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	
4 EXPENSES AND LOSSES			
<i>EXPENSES</i>			
<i>DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS</i>			
Depreciation of plant and equipment	6,8	18,665	23,992
Amortisation of plant and equipment under lease	8	160	192
Impairment of available-for-sale investments		52	127
Impairment of plant and equipment	8	819	1,167
TOTAL DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS		19,696	25,478
<i>AMORTISATION OF NON-CURRENT ASSETS</i>			
Amortisation of leasehold premiums	9	133	153
TOTAL AMORTISATION OF NON-CURRENT ASSETS		133	153
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION		19,829	25,631
<i>FINANCE COSTS</i>			
Finance charges payable under finance leases		68	60
Bank loans and overdraft		7,477	8,662
Provision for discount adjustment on deferred acquisition purchase price		324	372
TOTAL FINANCE COSTS		7,869	9,094
<i>OPERATING LEASE EXPENSES</i>			
Minimum lease payments – operating lease		146,029	134,544
Contingent rentals		22,357	21,469
TOTAL OPERATING LEASE EXPENSES		168,386	156,013
<i>OTHER EXPENSES</i>			
Bad debts		19	18
Share-based payments expense		389	22
Foreign exchange losses		119	-
Loss on ineffective cash flow hedges		1,090	-
Net loss on disposal of plant and equipment		871	558

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
	PERIOD 26 JULY 2009 TO 31 JULY 2010 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000
5 INCOME TAX		
The major components of income tax expense are:		
(a) INCOME TAX RECOGNISED IN PROFIT AND LOSS		
CURRENT INCOME TAX		
Current income tax charge	22,451	34,082
Impact of adopting tax consolidation	(16,627)	-
Adjustment in respect of current income tax of previous years	488	-
DEFERRED INCOME TAX		
Relating to origination and reversal of temporary differences	3,430	(6,199)
INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	9,742	27,883

(b) STATEMENT OF CHANGES IN EQUITY

Deferred income tax related to items charged (credited) directly to equity:

Net deferred income tax on movements on cash-flow hedges	(590)	105
Unrealised gain on available-for-sale investments	(11,301)	92
INCOME TAX EXPENSE REPORTED IN EQUITY	(11,891)	197

**(c) NUMERICAL RECONCILIATION BETWEEN AGGREGATE TAX
EXPENSE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE
INCOME AND TAX EXPENSE CALCULATED PER THE STATUTORY
INCOME RATE**

A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit before income tax	89,375	110,632
At the Parent Entity's statutory income tax rate of 30% (2009: 30%)	26,812	33,190
Adjustment in respect of current income tax of previous years	488	-
Effect of tax concessions	(1,046)	(799)
Impact of adopting tax consolidation	(16,627)	(4,500)
Expenditure not allowable for income tax purposes	262	65
Income not assessable for tax purposes	(147)	(73)
AGGREGATE INCOME TAX EXPENSE	9,742	27,883

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
	PERIOD 26 JULY 2009 TO 31 JULY 2010 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000
5 INCOME TAX (CONTINUED)		
<i>(d) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES</i>		
<i>DEFERRED TAX LIABILITIES</i>		
Intangibles	962	983
Foreign currency balances	401	1,759
Expenditure deductible for tax purposes over five years	(7)	(19)
Potential capital gains tax on financial investments	11,286	-
Deferred income	317	227
Employee entitlements	(57)	(41)
Other receivables and prepayments	623	634
Plant and equipment	4,981	-
R&D depreciation equipment	333	-
Leased plant and equipment	85	(201)
TOTAL DEFERRED TAX LIABILITIES	18,924	3,342
<i>DEFERRED TAX LIABILITIES – STATEMENT OF COMPREHENSIVE INCOME (MOVEMENTS)</i>		
Plant and equipment	3,048	(1,472)
Potential capital gains on financial investments	11,286	-
R&D depreciation equipment	(73)	-
Intangibles	(21)	(2)
Foreign exchange gains and losses	(1,369)	1,812
Expenditure deductible for tax purposes over five years	12	12
Employees entitlements	(16)	-
Other receivables and current assets	81	(1,702)
Leased plant and equipment	(48)	(325)
	12,900	(1,677)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
	PERIOD 26 JULY 2009 TO 31 JULY 2010 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000
5 INCOME TAX (CONTINUED)		
<i>DEFERRED TAX ASSETS – STATEMENT OF FINANCIAL POSITION</i>		
Plant and equipment	674	880
Deferred gains and losses on foreign exchange contracts	233	2,350
Inventory provisions	456	318
Deferred rent gain	2,290	2,154
Deferred lease incentive income	4,182	3,010
Employee provisions	5,015	5,719
Capital expenditure deductible over five years	913	1,417
Other	557	214
Lease liability	92	142
TOTAL DEFERRED TAX ASSETS	14,412	16,204
<i>DEFERRED TAX ASSETS – STATEMENT OF COMPREHENSIVE INCOME (MOVEMENTS)</i>		
Plant and equipment	229	(1,540)
Deferred gains and losses on foreign exchange contracts	2,117	(1,206)
Inventory provisions	(138)	(25)
Deferred rent gain	(136)	(253)
Deferred lease incentive income	(1,172)	(426)
Employee provisions	354	(1,498)
Capital expenditure deductible over five years	504	502
Other provisions	6	(79)
Lease liability	50	3
	1,814	(4,522)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

5 INCOME TAX (CONTINUED)

TAX CONSOLIDATION

Effective 1 July 2003 for the purposes of income taxation, Premier Investments Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Premier Investments Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax-sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro rata basis. As at 10 October 2008 Just Group Limited and its subsidiaries became members of the Premier Investments Limited tax consolidation group upon the Company acquiring 100% of the issued capital of the Just Group. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At reporting date the possibility of default is remote.

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the Group is based upon the appropriate amount of current taxes due. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim amounts to assist with its obligations to pay tax instalments.

6 REVISION OF ESTIMATES – REVISION OF USEFUL LIVES OF PLANT AND EQUIPMENT

During the year the estimated useful lives of in-store assets were revised.

The net effect of the changes in the current financial year was a decrease in the depreciation expense of the Group of \$5,780,000

Assuming the assets are held until the end of their estimated useful lives, depreciation of the Group in future years in relation to these assets will increase (decrease) by the following amounts:

Year ending July	\$'000
2011	(\$4,777,000)
2012	(\$2,168,000)
2013	\$811,000
2014	\$4,153,000
After 2015	\$7,761,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
7 DIVIDENDS PAID AND PROPOSED		
<i>RECOGNISED AMOUNTS</i>		
Declared and paid during the year		
Interim franked dividends for 2010:		
38 cents per share (2009: 37 cents)	57,303	51,822
Final franked dividends for 2009:		
38 cents per share (2008: 18 cents)	55,858	24,836
<i>UNRECOGNISED AMOUNTS</i>		
Final franked dividend for 2010:		
28 cents per share (2009: 38 cents)	43,408	55,858
<i>FRANKING CREDIT BALANCE</i>		
The amount of franking credits available for the subsequent financial year are:		
- franking account balance as at the end of the financial year at 30% (2009: 30%)	243,981	265,925
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	(4,710)	17,748
- franking debits that will arise from the payment of dividends as at the end of the financial year	(18,603)	(23,939)
	220,668	259,734

The tax rate at which paid dividends have been franked is 30% (2009: 30%). Dividends proposed will be franked at the rate of 30% (2009: 30%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
NOTE	2010 \$'000	2009 \$'000
8 PLANT AND EQUIPMENT		
Plant and equipment – at cost	275,971	241,665
Less: accumulated depreciation and impairment	(185,046)	(168,801)
Total	90,925	72,864
Capitalised leased assets	809	637
Less: accumulated depreciation and impairment	(524)	(192)
Total	285	445
TOTAL PLANT AND EQUIPMENT	91,210	73,309

RECONCILIATIONS

Reconciliations of the carrying amounts for each class of plant and

Plant and equipment

At beginning of the financial period	72,864	-
Acquisition of subsidiary	-	69,302
Additions	38,449	28,913
Disposals	(871)	(558)
Exchange differences	(33)	366
Impairment	(819)	(1,167)
Depreciation	(18,665)	(23,992)
Net carrying amount at end of period	90,925	72,864
<i>Leased plant and equipment</i>		
At beginning of the financial period	445	-
Acquisition of subsidiary	-	467
Additions	-	170
Amortisation	(160)	(192)
Net carrying amount at end of period	285	445
TOTAL	91,210	73,309

IMPAIRMENT OF PLANT AND EQUIPMENT

On an individual store basis, identified to be the cash generating units of the Group's retail segment, the recoverable amount was estimated for certain items of plant and equipment. The recoverable amount estimation was based on a value in use calculation and was determined at the cash-generating unit level.

These calculations use cash flow projections based on financial budgets approved by management, covering a three year period. Cash flows beyond the three year period are extrapolated using the growth rate stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The discount rate applied to the cash flow projections is 11.5% and the cash flows beyond the ten year period are extrapolated using a growth rate of 3%. The discount rate used reflects managements estimate of the time value of money and risks specific to each unit not already reflected in the cash flow. In determining the appropriate discount rate, regard has been given to the weighted average cost of capital for the retail segment.

When considering the recoverable amount, the net present value of cash flows has been compared to reasonable earnings multiples for comparable companies. An impairment review was conducted based on a store by store review. As a result, an impairment loss of \$819,000 (2009:\$1,167, 000) was recognised during the financial year to reduce the carrying amount of plant and equipment to recoverable amount. This has been recognised in the statement of comprehensive income as depreciation, impairment and amortisation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

9 INTANGIBLES

RECONCILIATION OF CARRYING AMOUNTS AT THE BEGINNING AND END OF THE PERIOD

	CONSOLIDATED				
	GOODWILL \$'000	BRAND NAMES \$'000	TRADEMARK \$'000	LEASEHOLD PREMIUMS \$'000	TOTAL \$'000
<i>YEAR ENDED 31 July 2010</i>					
As at 26 July 2009 net of accumulated amortisation and impairment	473,343	376,179	306	248	850,076
Additions (i)	3,742	-	-	35	3,777
Trademark registrations	-	-	454	-	454
Amortisation	-	-	-	(133)	(133)
Exchange differences	-	-	-	(1)	(1)
As at 31 July 2010 net of accumulated amortisation and impairment	477,085	376,179	760	149	854,173
<i>AS AT 31 July 2010</i>					
Cost (gross carrying amount)	477,085	376,179	760	1,251	855,275
Accumulated amortisation and impairment	-	-	-	(1,102)	(1,102)
Net carrying amount	477,085	376,179	760	149	854,173
<i>YEAR ENDED 25 July 2009</i>					
As at 1 July 2008 net of accumulated amortisation and impairment	-	-	-	-	-
Acquisition of subsidiary	464,343	376,179	-	333	840,855
Additions (i)	9,000	-	-	60	9,060
Trademark registrations	-	-	306	-	306
Amortisation	-	-	-	(153)	(153)
Exchange differences	-	-	-	8	8
As at 25 July 2009 net of accumulated amortisation and impairment	473,343	376,179	306	248	850,076
<i>AS AT 25 July 2009</i>					
Cost (gross carrying amount)	473,343	376,179	306	1,216	851,044
Accumulated amortisation and impairment	-	-	-	(968)	(968)
Net carrying amount	473,343	376,179	306	248	850,076

- (i) Prior to Premier acquiring Just Group, a subsidiary of Just Group Limited had entered into an earn-out agreement to acquire a business. Under the terms of the agreement the balance of the acquisition price due, is calculated based on the average earnings of the business combination in 2009 and 2010 financial years. During the year the Group has increased the provision under this agreement by \$3.74m to \$18.40m.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

9 INTANGIBLES (CONTINUED)

GOODWILL AND BRAND NAMES

After initial recognition, goodwill and indefinite-life brand names acquired in a business combination are measured at cost less any accumulated impairment losses. Goodwill and brand names are not amortised but are subject to impairment testing on an annual basis or whenever there is an indication of impairment.

Brand names with a carrying value of approximately \$376,179,000 are assessed as having an indefinite useful life. The indefinite-useful life reflects management's intention to continue to operate these brands to generate net cash inflows into the foreseeable future.

IMPAIRMENT TESTING OF GOODWILL

Impairment of goodwill acquired in a business combination is determined by assessing the recoverable amount of the cash-generating units (CGU) to which it relates. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised.

The key factors contributing to the goodwill relate to the synergies existing within the acquired business and also synergies expected to be achieved as a result of combining Just Group Limited with the rest of the Group. Accordingly, goodwill is assessed at a retail segment level.

The recoverable amount of the CGU has been determined based upon a value in use calculation, using cash flow projections as at June 2010, based on financial estimates approved by the senior management and the Board covering a five year period. The post tax discount rate applied to these cash flow projections is 11.5%. Cash flows beyond the five year period are extrapolated using a growth rate of 3%.

Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

IMPAIRMENT TESTING OF BRAND NAMES

Brand names acquired through business combinations have been allocated to the following CGU groups (\$'000) as no individual Brand name is considered significant:

- Casual wear - \$188,975
- Women's wear - \$137,744
- Non Apparel - \$49,460

The recoverable amounts of Brand names acquired in a business combination are determined on an individual Brand basis based upon a value in use calculation. The value in use calculation has been determined based upon the relief from royalty method using cash flow projections as at June 2010. The cash flow projections are based on financial estimates approved by senior management and the Board covering a five year period. When the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. When considering the recoverable amount, the net present value of cash flows has been compared to reasonable earnings multiples for comparable companies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

9 INTANGIBLES (CONTINUED)

The post tax discount rate applied to the cash flow projections for each of the three CGU's is 11.5%. The extrapolated growth rates at which cash flows have been discounted beyond the five year period used for the individual Brands within each of the CGU's have been summarised below:

CGU	Average Growth Rate applied beyond 5 years	Terminal Value Growth Rate
Casual wear	3.5% - 4%	3%
Women's wear	4% - 6%	3%
Non-Apparel	6%	3%

Royalty rates have been determined for each brand within the CGU by considering the brand's history and future expected performance. Factors such as the profitability of the brand, market share and general conditions in the industry have also been considered in determining an appropriate royalty rate for each brand. Consideration is also given to the industry norms relating to royalty rates by analysing market derived data for comparable brands. The reasonableness of the royalty rates applied have been assessed by determining the notional royalty payments as a percentage of the earnings before interest and taxation generated by the division in which the brand names are used. Net royalty rates applied across the three CGU's range between 3% and 8.5%.

Management have considered the possible change in expected growth rates applied to individual brands within the CGU's each of which have been subject to sensitivities including changes in royalty rates. Management believe that the possible changes in the key assumptions would not cause the carrying value of the individual brands within each of the CGU's to materially exceed its recoverable amount.

In particular, the expected growth rates applied to the Portmans brand have been subject to sensitivities as a result of the brand's continuing transformation. Management have considered the impact on the fair value of the brand by reducing expected growth rates for Portmans as well as considering the impact of applying prior year projected growth rates. Management believe that the possible changes in the key assumptions would not cause the carrying value of the brand to materially exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
10 INVESTMENT IN ASSOCIATE		
Investment in associate	799	258

Just Jeans Group Pty Ltd, a subsidiary of Premier Investments Limited, has a 50% interest in a joint venture entity Just Kor Fashion Group (Pty) Ltd, which is involved in retailing of the Jay Jays concept in South Africa. This investment was acquired upon the acquisition of Just Group Limited and its subsidiaries.

Just Kor Fashion Group (Pty) Ltd is a small proprietary company incorporated in South Africa. Its functional currency is South African Rand.

There were no impairment losses relating to the investment in the associate and no capital commitments or other commitments relating to the associate.

The Group's share of the profit in its investment in the associate for the year was \$491,648 (2009: \$145,000 loss).

The following table illustrates summarised financial information relating to the Group's investment in Just Kor Fashion Group (Pty) Ltd:

<i>EXTRACT FROM THE ASSOCIATE'S STATEMENT OF FINANCIAL POSITION</i>	2010 \$'000	2009 \$'000
Current assets	3,147	2,108
Non-current assets	1,873	1,908
<i>Total assets</i>	5,020	4,016
Current liabilities	(1,590)	(1,124)
Non-current liabilities	(2,631)	(2,634)
<i>Total liabilities</i>	(4,221)	(3,758)
NET ASSETS		
Share of associates net assets	799	258

<i>EXTRACT FROM THE ASSOCIATE'S STATEMENT OF COMPREHENSIVE INCOME</i>	2010 \$'000	2009 \$'000
Revenue	11,717	7,875
Profit (loss) before income tax	492	(145)
Income tax expense	-	-
Profit (loss) after income tax	492	(145)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
	PERIOD 26 JULY 2009 TO 31 JULY 2010 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000
11 OTHER LIABILITIES		
<i>CURRENT</i>		
Deferred income	5,969	5,327
Deferred purchase consideration	18,398	-
TOTAL CURRENT	24,367	5,327
<i>NON-CURRENT</i>		
Deferred income	14,303	14,433
Deferred purchase consideration	-	14,333
TOTAL NON-CURRENT	14,303	28,766

12 OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker in assessing the performance of the company and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the business conducted. Discrete financial information about each of these operating businesses is reported to the chief operating decision maker on at least a monthly basis.

The reportable segments are based on aggregate operating segments determined by the similarity of the business conducted, as these are the sources of the Group's major risks and have the most effect on the rate of return.

Types of products and services

Retail

The retail segment represents the financial performance of a number of speciality retail fashion chains.

Investment

The investments segment represents investment in securities for both long term and short term gains and dividend income and interest. This includes available for sale financial instruments.

Accounting policies

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior periods except as detailed below:

Income tax expense

Income tax expense is calculated based on the segment operating net profit using the Group's effective income tax rate.

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

The following table presents revenue and profit information for reportable segments for the period ended 31 July 2010 and 25 July 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

12 OPERATING SEGMENTS (CONTINUED)

(a) OPERATING SEGMENTS

	RETAIL		INVESTMENT		ELIMINATION		TOTAL	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<i>REVENUE</i>								
Sale of goods	878,494	850,469	-	-	-	-	878,494	850,469
Interest revenue	625	867	14,301	22,456	-	-	14,926	23,322
Other revenue	600	654	53,350	18,037	(50,860)	(16,106)	3,090	2,586
Other income	7,646	3,588	-	1,078	-	2,497	7,646	7,163
Total Segment revenue	887,365	855,578	67,651	41,571	(50,860)	(13,609)	904,156	883,540
Total revenue per the statement of comprehensive income							904,156	883,540
<i>RESULTS</i>								
Depreciation and amortisation	18,958	24,336	-	1	-	-	18,958	24,337
Impairment	819	1,167	52	127	-	-	871	1,294
Interest expense	7,545	9,094	-	-	-	-	7,545	9,094
Share of profit (loss) of associate	492	(145)	-	-	-	-	492	(145)
Segment result	76,326	86,054	63,909	38,187	(50,860)	(13,609)	89,375	110,632
Income tax expense							(9,742)	(27,883)
Net profit after tax per the statement of comprehensive income							79,633	82,749
<i>ASSETS AND LIABILITIES</i>								
Segment assets	327,386	317,820	1,160,078	,113,339	(44,663)	(44,663)	,442,801	,386,496
Segment liabilities	211,660	222,965	18,646	9,504	-	-	230,306	232,469
Capital expenditure	38,449	28,913	-	-	-	-	38,449	28,913

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

12 OPERATING SEGMENT (CONTINUED)

(b) GEOGRAPHIC SEGMENTS

	AUSTRALIA		NEW ZEALAND		TOTAL		ELIMINATIONS		CONSOLIDATED	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<i>REVENUE</i>										
Sale of goods	763,655	746,937	114,839	103,532	878,494	850,469	-	-	878,494	850,469
Other revenue and income	24,543	32,494	1,119	577	25,662	33,071	-	-	25,662	33,071
Segment income	788,198	779,431	115,958	104,109	904,156	883,540	-	-	904,156	883,540
Segment non-current assets	1,042,700	967,439	13,631	12,849	1,056,331	980,288	(34,750)	(25,196)	1,021,581	955,092
Capital expenditure	32,924	24,533	5,525	4,380	38,449	28,913	-	-	38,449	28,913

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

	CONSOLIDATED	
	2010 \$'000	2009 \$'000
13 NOTES TO THE STATEMENT OF CASH FLOWS		
<i>(a) RECONCILIATION OF CASH AND CASH EQUIVALENTS</i>		
Cash at bank and in hand	30,406	43,370
Short-term deposits	286,238	285,300
Bank overdraft	-	(176)
TOTAL CASH ASSETS AND CASH EQUIVALENTS	316,644	328,494
<i>(b) RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS TO NET PROFIT AFTER INCOME TAX</i>		
Net profit	79,633	82,749
<i>Adjustments for:</i>		
Amortisation	293	345
Depreciation	18,665	23,992
Impairment and write-off of non-current assets	819	1,294
Impairment of investments	52	-
Foreign exchange loss (gain)	69	(392)
Share of associate's net loss (profit)	(492)	145
Provision discount adjustment on deferred payables	324	372
Finance charges on capitalised leases	68	60
Profit from sale of investments	-	(1,078)
Loss on sale of non-current assets	871	558
Bad debts	19	18
Performance rights expense	389	22
Movement in cash flow hedge reserve	1,413	(1,480)
Net exchange differences	30	(661)
<i>Changes in assets and liabilities net of the effects from acquisition and disposal of businesses:</i>		
Decrease in income tax receivable	(5,047)	-
Increase (decrease) in provisions	1,632	(3,205)
Increase (decrease) in deferred tax liabilities	4,280	(1,690)
Decrease in trade and other payables	(8,100)	(10,480)
(Decrease) increase in derivative financial liabilities	(7,057)	4,079
Decrease in current tax liabilities	(17,177)	(6,763)
Increase in deferred income	511	4,889
(Increase) decrease in trade and other receivables	(973)	3,483
Decrease (increase) in other current assets	243	(858)
(Increase) in inventories	(2,165)	(9,103)
Decrease (increase) in derivative financial assets	4,525	(4,830)
Decrease (increase) in deferred tax assets	1,792	(4,104)
NET CASH FLOWS FROM OPERATING ACTIVITIES	74,617	77,362

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

13 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

	CONSOLIDATED	
NOTES	2010 \$'000	2009 \$'000
<i>(c) NON CASH FINANCING AND INVESTING ACTIVITIES</i>		
Settlement of subsidiary purchase with shares	-	316,150
Acquisition of assets by means of finance lease	-	170
Dividend re-investment plan	59,557	28,009
<i>(d) FINANCE FACILITIES</i>		
Working capital and bank overdraft facility		
Used	-	-
Unused	12,000	12,000
	12,000	12,000
Finance facility		
Used	101,032	96,031
Unused	18,968	24,000
	120,000	120,031
Bank guarantee facility		
Used	1,202	3,346
Unused	3,798	1,654
	5,000	5,000
Leasing facility		
Used	308	477
Unused	-	-
	308	477
Total facilities		
Used	102,542	99,854
Unused	34,766	37,654
TOTAL	137,308	137,508

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 July 2010 (CONTINUED)

15 EVENTS AFTER THE REPORTING DATE

On 20 September 2010, the directors of Premier Investments Limited declared a final dividend in respect of the 2010 financial year. The total amount of the dividend is \$43,408,000 (2009: \$55,858,000) which represents a fully franked dividend of 28 cents per share (2009: 38 cents per share).

The Christchurch earthquake on 6th September 2010 has resulted in damage to and the temporary closure of a number of stores in the region of the earthquake. At the date of this report the financial impact of this event is not yet quantifiable, however, all stores and sites are insured and initial indicators are that amounts/losses would be immaterial.

16 CONTINGENT LIABILITIES

Under the terms of the shareholder agreement Just Kor Fashion Group (Pty) Ltd, the Group's associate operating in South Africa, has the right to call on each shareholder for additional funding of up to ZAR15.0 million each. The Group has not provided for this obligation in this financial report.

The Group has bank guarantees totalling \$1,202,402 (2009: \$3,345,677).