



19 SEPTEMBER 2011

PREMIER INVESTMENTS FULL YEAR PROFIT RESULT

Profit in line with recent guidance
Final dividend of 18 cents per share fully franked

HIGHLIGHTS

- Underlying profit before tax of \$73.3 million, in line with recent guidance
- Underlying profit after tax of \$51.5 million with reported profit after tax of \$40.5m
- Premier Retail (comprising The Just Group) sales up 1.1 percent¹ to \$866 million and underlying EBIT of \$65.3 million, in line with recent guidance
- Implementation of Premier Retail Strategy well advanced
- Total FY2011 ordinary dividends of 36 cents per share fully franked (maintains FY2010 Ordinary dividends of 36 cents per share fully franked)
- Premier maintains strong balance sheet and cash position

GROUP PROFIT

Premier Investments Limited (“Premier”) today reported an underlying profit before tax of \$73.3 million for the 52 weeks ended 30 July 2011, in line with recent guidance. The underlying profit after tax for the period was \$51.5 million.

As previously advised to the market, Premier incurred one-off costs after tax of \$11.0 million as a result of the comprehensive Premier Retail Strategic Review. In light of this, the consolidated reported group profit was \$40.5 million.

Premier’s Chairman, Mr Solomon Lew, said that *“The result reflects the very challenging retail environment and costs of the recently announced strategic review.*

During the year the Board moved quickly to appoint Mark McInnes as CEO of Premier Retail. Under his leadership, the retail business has implemented a range of initiatives identified from a strategic review of its diverse portfolio of strong brands and is currently working to rejuvenate and reinvigorate the core apparel brands and grow both Peter Alexander and Smiggle. Despite

¹ Based on a 52 week comparable basis

the current retail environment the Board take the view that improved operational performance can still deliver results in a tough market to the benefit of shareholders.”

It is important to note that the overall comparisons between FY2011 and FY2010 will be impacted by a range of factors including:

- FY2011 was a 52 week year and FY2010 was a 53 week year
- Included in the FY2010 result was a significant one-off tax benefit arising from the acquisition of Just Group
- The one-off costs incurred in FY2011 associated with the Premier Retail Strategic Review (as above)

Premier Retail underlying EBIT of \$65.3 million was in line with recent guidance. Premier Retail total sales were \$866 million – up 1.1% compared to the same 52 weeks period for the FY2010 year (down 0.5% on the 53 week period ended 31 July 2010). Gross margins improved by 53bps to 60.2% notwithstanding the difficult environment.

The result reflects the very challenging retail environment, characterised by very low levels of consumer confidence, weak clothing and apparel sales, consequent extensive industry discounting and the natural disasters in Queensland, Victoria and New Zealand.

Within that environment, Jay Jays and Dotti were most affected. Encouragingly, the Portmans turnaround has progressed well. Peter Alexander and Smiggle delivered the strongest performance of the group’s brands and Premier will continue to invest in their growth.

Outside of the Premier Retail Division, Premier’s investment earnings improved strongly with higher interest on its cash reserves and improved dividends from its investment in Breville Group.

PROGRESS OF PREMIER RETAIL STRATEGIC REVIEW

In July 2011, CEO Premier Retail, Mark McInnes outlined a strategic review of Premier’s retail assets and opportunities. The review highlighted the unique strengths within the Just Group’s platform and a broad range of opportunities for Premier Retail.

The review identified six key EBIT performance initiatives for The Just Group:

1. **Rejuvenate and reinvigorate all five core apparel brands.** Specific opportunities were identified across each of Just Group’s five core apparel brands. Across the board, The Just Group is investing in its brands.
2. **Organisation-wide cost efficiency program.** The Just Group has implemented a 100 Point project plan that focuses on offsetting all price increases without impacting customers.
3. **Two phase gross margin expansion program.** In FY12, The Just Group is focussing on better sourcing, reduced inventory levels and mark-downs and better performance from factory outlets. Long term, The Just Group is targeting gross margin expansion.
4. **Expand and grow the internet business.** The internet is already Just Group’s largest store, with Peter Alexander in particular having a strong online business. The Just Group’s brands are proprietary to it, creating opportunities to leverage and expand The Just Group’s unique social networking database of 1 million customers.

5. **Grow Peter Alexander significantly.** Peter Alexander is a high value brand with significant growth potential. 15-30 new stores are planned for Australia over the next three years.
6. **Grow Smiggle significantly.** Smiggle is a unique brand in a highly attractive market, but it is underrepresented in Australia and New Zealand (30-50 new stores are planned over the next three years). In addition, following a successful launch of Smiggle in Singapore, 12-20 new stores are planned for Singapore over the next two years. Additional opportunities exist to expand Smiggle in Asia and beyond over the medium term.

CEO Premier Retail, Mark McInnes, said that, *"The implementation of the six point plan is on track to deliver the forecast benefits under a strengthened and re-invigorated senior management team."*

In addition the review outlined three unique opportunities open to Premier Retail for strategic growth:

1. Build or acquire new brands in the retail market that are unique and that can be rolled out using The Just Group platform
2. Opportunistic acquisitions where the unique combination of Premier's balance sheet and the Just Group's management can provide material shareholder growth
3. Rapid expansion of Smiggle following the success of Smiggle Singapore

SMIGGLE INTERNATIONAL

Smiggle's performance in Singapore is exceptional. The Just Group opened its third store in September and has three more to open before Christmas. The group will continue to invest resources to speed up the store rollout to reach the 12 to 20 store target. The success of Singapore has given the group great confidence to continue with the broader Asian expansion strategy.

PREMIER RETAIL TRADING OUTLOOK

CEO Premier Retail, Mark McInnes, said that, *"The Macro economic environment and consumer confidence has continued to deteriorate in August. As a result, trading for the first six weeks of the season has been very challenging."*

We are focussed on the reinvigoration of our product and brands and improving gross margin through better sourcing. Given the macro environment we have reacted quickly with an accelerated cost reduction program. Our inventory is clean in all brands, and all our new Peter Alexander and Smiggle stores are on track to open pre Christmas."

Based on the successful implementation to date of the strategic initiatives, and subject to the macro environment stabilising and Christmas trading, we re-affirm our guidance that the EBIT for Premier Retail for FY2012 is expected to be in the range of \$80million to \$95 million.

BALANCE SHEET, DIVIDEND AND CAPITAL MANAGEMENT

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 30 July 2011, Premier's cash balance was \$308 million (excluding Just Group's debt).

Premier's balance sheet has been further strengthened by the performance of the investment in Breville Group Limited valued at \$105 million at year end. Premier maintains a year end franking credit pool of \$229 million.

The Premier balance sheet is a significant asset in these difficult retailing times and provides a comparative advantage in relation to future growth opportunities.

Premier has declared a final fully franked ordinary dividend of 18 cents per share in line with the final ordinary dividend for FY2010, which will be payable on 21 November 2011. The record date will be 10 October 2011. The Dividend Reinvestment Plan will not be activated for this dividend.

Therefore, the total fully franked dividend for the year of 36 cents per share is also in line with the prior year.

The Board made the decision to maintain strong dividend returns as a sign of its confidence in the Premier Retail Strategic Review, whilst also maintaining adequate cash reserves to actively assess new growth opportunities.

Chairman of Premier Investments, Mr Solomon Lew, said: *"The Board decided to maintain the final dividend despite a very challenging year given our confidence in the new leadership of Mark McInnes and the potential of the strategic plan to deliver improved business performance."*

ENDS

For further information call:

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Appendix 4E

Preliminary final report

Current Reporting Period: 52 weeks ending 30 July 2011

Previous Corresponding Period: 53 weeks ending 31 July 2010

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")

30 July 2011	31 July 2010
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2. Results for announcement to the market

2.1 Revenues from ordinary activities	up	0.2%	to \$906,015,000
2.2 Profit from ordinary activities after tax attributable to members	down	49.12%	to \$40,517,000
2.3 Net profit for the period attributable to members	down	49.12%	to \$40,517,000

2.4 Dividends (distributions)

		Amount per security	Franked amount per security
Final dividend	Record Date 10 October 2011	18.0 cents	18.0 cents
Interim dividend	Paid 6 May 2011	18.0 cents	18.0 cents

2.5 Record date for determining entitlements to the dividend

10 October 2011

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 1 August 2010 and ending 30 July 2011 (52 weeks), whereas the comparative amounts reflect the period 26 July 2009 to 31 July 2010 (53 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 30 July 2011.

4. Balance Sheet

Please refer to the attached financial statements for the period ended 30 July 2011.

5. Cash Flow Statement

Please refer to the attached financial statements for the period ended 30 July 2011.

6. Dividends

Date the dividend is payable

21 November 2011

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)

10 October 2011

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend: Current year	18.0 cents	18.0 cents	Nil
Previous year	28.0 cents	28.0 cents	Nil

Total dividend per security (interim plus final)

	Current year	Previous year
Ordinary securities	36.0 cents	66.0 cents
Preference +securities	Nil	Nil

Preliminary final report - final dividend on all securities

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities	27,911	43,408
Preference +securities	-	-
Total	27,911	43,408

7. Dividend reinvestment plans

The ⁺dividend plans shown below are in operation.

Dividend Reinvestment plan does not apply to 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 2011.

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ⁺ ordinary security	\$2.19	\$2.31

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	\$
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	\$
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	\$

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) 2011	Entity Net Profit/(Loss After Tax) 2010
Just Kor Fashion Group (Pty Ltd)	50%	\$1,198,000	\$492,000

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 30 July 2011. The attached financial statements are in the process of being audited.



Sign here:

Company Secretary

.....

Date 19 September 2011

Print name:

KIM DAVIS

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010**

		CONSOLIDATED	
	NOTES	2011 \$'000	2010 \$'000
Continuing operations			
Revenue from sale of goods	3	875,610	878,494
Other revenue	3	22,592	18,016
Total revenue		898,202	896,510
Other income	3	7,813	7,646
Total income		906,015	904,156
Changes in inventories of finished goods and work in progress and raw materials used		(354,508)	(359,421)
Employee expenses		(205,722)	(196,851)
Operating lease rental expense	4	(177,529)	(168,386)
Depreciation, impairment and amortisation	4	(21,733)	(19,829)
Advertising and direct marketing		(13,462)	(12,131)
Finance costs	4	(9,614)	(7,869)
Strategic review costs	4	(15,771)	-
Other expenses		(51,278)	(50,786)
Total expenses		(849,617)	(815,273)
Share of profit of an associate	9	1,178	492
Profit from continuing operations before income tax		57,576	89,375
Income tax expense	5	(17,059)	(9,742)
Net profit for the period attributable to owners		40,517	79,633
Other comprehensive income			
Net fair value gains on available for sale financial assets		31,780	42,071
Cash flow hedges		(15,181)	2,003
Foreign currency translation		(214)	217
Income tax on items of other comprehensive income		(4,928)	(11,891)
Other comprehensive income for the period, net of tax		11,457	32,400
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS		51,974	112,033
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:			
- basic for profit for the year (cents per share)		26.13	52.78
- diluted for profit for the year (cents per share)		25.92	52.53
- basic for profit from continuing operations (cents per share)		26.13	52.78
- diluted for profit from continuing operations (cents per share)		25.92	52.53

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 July 2011 and 31 July 2010

	NOTES	CONSOLIDATED	
		2011 \$'000	2010 \$'000
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	12	307,808	316,644
Trade and other receivables		6,066	8,303
Inventories		73,399	71,739
Derivative financial instruments		-	1,433
Income tax receivable		3,829	5,047
Other current assets		3,140	3,550
Total current assets		394,242	406,716
<i>Non-current assets</i>			
Trade and other receivables		2,360	2,632
Available-for-sale financial assets		104,547	72,767
Plant and equipment	7	84,777	91,210
Intangible assets	8	854,480	854,173
Deferred tax assets	5	19,808	14,412
Investment in an associate	9	1,754	799
Derivative financial instruments		-	92
Total non-current assets		1,067,726	1,036,085
TOTAL ASSETS		1,461,968	1,442,801
LIABILITIES			
<i>Current liabilities</i>			
Trade and other payables		46,306	54,412
Interest-bearing liabilities	10	133,784	155
Derivative financial instruments		14,829	772
Provisions		25,613	15,639
Other current liabilities		6,293	24,367
Total current liabilities		226,825	95,345
<i>Non-current liabilities</i>			
Interest-bearing liabilities	10	6	100,542
Deferred tax liabilities	5	28,516	18,924
Provisions		1,187	1,188
Derivative financial instruments		636	4
Other		11,060	14,303
Total non-current liabilities		41,405	134,961
TOTAL LIABILITIES		268,230	230,306
NET ASSETS		1,193,738	1,212,495
EQUITY			
Contributed equity		608,615	608,615
Reserves		39,578	27,533
Retained earnings		545,545	576,347
TOTAL EQUITY		1,193,738	1,212,495

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

STATEMENT OF CASH FLOWS

FOR THE 52 weeks ENDED 30 July 2011 and 53 weeks ended 31 July 2010

	NOTES	CONSOLIDATED	
		2011 \$'000	2010 \$'000
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
Receipts from customers (inclusive of GST)		975,030	973,031
Payments to suppliers and employees (inclusive of GST)		(900,568)	(881,752)
Dividends received		4,853	2,492
Interest received		16,679	14,627
Borrowing costs paid		(8,805)	(7,788)
Income taxes paid		(16,150)	(25,993)
NET CASH FLOWS FROM OPERATING ACTIVITIES	12(b)	71,039	74,617
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Payment for available-for-sale financial investments		-	(2,042)
Payment for settlement of Smiggle deferred payment		(18,398)	-
Payment for trademarks		(237)	(454)
Proceeds from sale of plant and equipment		19	-
Payment for property, equipment and leasehold premiums		(22,768)	(34,814)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(41,384)	(37,310)
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>			
Equity dividends paid		(71,319)	(53,604)
Proceeds from borrowings		70,500	64,000
Repayment of borrowings		(37,500)	(59,000)
Transaction costs on issue of shares under DRP		-	(350)
Payment of finance lease liabilities		(172)	(203)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(38,491)	(49,157)
NET DECREASE IN CASH HELD		(8,836)	(11,850)
Cash at the beginning of the financial period		316,644	328,494
CASH AT THE END OF THE FINANCIAL PERIOD	12(a)	307,808	316,644

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

STATEMENT OF CHANGES IN EQUITY

FOR THE 52 weeks ENDED 30 July 2011 and 53 weeks 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 1 August 2010</i>	608,615	464	211	(139)	228	26,769	576,347	1,212,495
Net Profit for the period	-	-	-	-	-	-	40,517	40,517
Other comprehensive income	-	-	-	(10,628)	(214)	22,299	-	11,457
Total comprehensive income for the period	-	-	-	(10,628)	(214)	22,299	40,517	51,974
Transactions with owners in their capacity								
Performance rights issued	-	-	588	-	-	-	-	588
Dividends Paid	-	-	-	-	-	-	(71,319)	(71,319)
<i>Balance as at 30 July 2011</i>	608,615	464	799	(10,767)	14	49,068	545,545	1,193,738
<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								
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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010

1 CORPORATE INFORMATION

The financial report of Premier Investments Limited for the 52 weeks ended 30 July 2011 was authorised for issue in accordance with a resolution of the directors on 16 September 2011.

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 52 weeks beginning 1 August 2010 to 30 July 2011.

(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 1 August 2010.

(i) *AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process*

(ii) *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

(iii) *AASB Interpretation 19 Extinguishing Liabilities with Equity Instruments*

Application of these Standards has not had any material effect on the amounts reported in the financial statements, but may affect the accounting for future transactions or arrangements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

Accounting Standards and Interpretations issued but not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the group in the period of initial application. They have been issued and are available for early adoption at 30 July 2011, but have not been applied in preparing this financial report.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments (December 2010), AASB 2009-11 Amendments to Australian Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	A revised version of AASB 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over of the existing derecognition requirements from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . New requirements apply where an entity chooses to measure a liability at fair value through profit or loss. In these cases, the gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	1 January 2013	The Group has not yet determined the potential effects of the standard. Retrospective application is generally required.	27 July 2013
AASB 1054	Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. The standard relocates all Australian specific disclosures from other standards to one place and revises certain disclosures to other areas.	1 July 2011	The Group has not yet determined the potential effects of the standard.	28 July 2012
AASB 124	Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards	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.	28 July 2012

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 2010-4	Further improvements to the Australian Accounting Standards arising from the Annual Improvements Project	Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements. Key amendments include the clarification of content of the statement of changes in equity (AASB101), financial instrument disclosures (AASB 7) and significant events and transactions in interim reports (AASB 134).	1 January 2011	The amendments are not expected to have a significant impact on the financial statements.	28 July 2012
AASB 2010-5	Amendments to Australian Accounting Standards	Numerous editorial amendments to a range of Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	The amendments are not expected to have a significant impact on the financial statements.	28 July 2012

* 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(d) *SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(d) *SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)*

(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 2(l). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 8 for details of these assumptions and the potential impact of changes to the assumptions.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(d) *SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)*

Restructuring provisions as a result of the strategic review

The Group's strategic review resulted in restructuring provisions in which significant judgements and estimations were made. The Group follows the guidance of AASB 137: Provisions, Contingent Liabilities and Contingent Assets to determine whether a provision is required.

(i) Redundancy provisions

A redundancy provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation in those affected that it will carry out the plan by implementation or announcing its main features to those affected by it.

(ii) Onerous lease provisions

The Group provides for onerous contracts when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Group considers whether a lease is potentially onerous by reference to the profitability and projected profitability of a store, and whether the store has been identified for closure prior to lease expiry. The Group estimates the present value of the future lease payments that the Group is presently obligated to make under non-cancellable onerous lease contracts.

(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 entity, 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. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment.

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. 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 liabilities assumed are measured at their acquisition date fair values. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(e) *BASIS OF CONSOLIDATION (CONTINUED)*

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*

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 entity and in determining the allocation of resources.

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. The Singapore subsidiaries' functional currency is Singapore 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(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 discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

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 post-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 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (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 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (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. Ongoing 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.

(t) *RESTRUCTURING PROVISIONS*

Restructuring provisions are only recognised when general recognition criteria provisions are fulfilled. Additionally, the Group needs to follow a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and appropriate time line. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(u) *ONEROUS LEASE PROVISIONS*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

(v) *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.

(iii) 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.

(w) *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(x) 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 Group has a history of most lay-by sales in retail stores being completed following receipt of an initial deposit. Therefore, the Group 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.

(y) 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

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.

(z) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

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.

(aa) *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 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(bb) *BUSINESS COMBINATIONS*

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall 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 are expensed as incurred.

When the Group acquires a business, it assesses 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 includes 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 is 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 should not be remeasured until it is finally settled within equity.

(cc) *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.

(dd) *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

(ee) *COMPARATIVES*

The current reporting period, 1 August 2010 to 30 July 2011, represents 52 weeks and the comparative reporting period is from 26 July 2009 to 31 July 2010 which represents 53 weeks.

(ff) *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.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for costs of servicing equity, the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses, and other non-discretionary changes in revenue or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
3		
REVENUE		
<i>REVENUE</i>		
Revenue from sale of goods	866,045	870,385
Revenue from sale of goods to associate	9,565	8,109
Revenue from sale of goods	875,610	878,494
<i>OTHER REVENUE</i>		
Membership program fees	425	598
<i>INTEREST</i>		
Other persons	17,084	14,657
Associate	230	269
Total Interest	17,314	14,926
<i>DIVIDENDS</i>		
Other listed companies	4,853	2,492
Total Dividends	4,853	2,492
TOTAL OTHER REVENUE	22,592	18,016
TOTAL REVENUE	898,202	896,510
<i>OTHER INCOME</i>		
Amortisation of deferred income	5,027	6,375
Royalty and licence fees		
Associate	616	234
Other persons	313	105
Other	1,857	932
TOTAL OTHER INCOME	7,813	7,646
TOTAL INCOME	906,015	904,156

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED		
	NOTES	2011 \$'000	2010 \$'000	
4	EXPENSES AND LOSSES			
	<i>EXPENSES</i>			
	<i>DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS</i>			
	Depreciation of plant and equipment	7	20,986	18,665
	Amortisation of plant and equipment under lease	7	133	160
	Impairment of available-for-sale investments		-	52
	Impairment of plant and equipment	7	564	819
	TOTAL DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS		21,683	19,696
	<i>AMORTISATION OF NON-CURRENT ASSETS</i>			
	Amortisation of leasehold premiums	8	50	133
	TOTAL AMORTISATION OF NON-CURRENT ASSETS		50	133
	TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION		21,733	19,829
	<i>FINANCE COSTS</i>			
	Finance charges payable under finance leases		48	68
	Bank loans and overdraft		9,566	7,477
	Provision for discount adjustment on deferred acquisition purchase price		-	324
	TOTAL FINANCE COSTS		9,614	7,869
	<i>OPERATING LEASE EXPENSES</i>			
	Minimum lease payments – operating leases		153,611	146,029
	Contingent rentals		23,918	22,357
	TOTAL OPERATING LEASE EXPENSES		177,529	168,386
	<i>OTHER EXPENSES INCLUDES</i>			
	Bad debts		21	19
	Share-based payments expense		588	389
	Foreign exchange losses		523	119
	Loss on ineffective cash flow hedges		1,031	1,090
	Net loss on disposal of plant and equipment		1,120	871

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED	
		2011 \$'000	2010 \$'000
4	EXPENSES AND LOSSES (CONTINUED)		
	<i>STRATEGIC REVIEW COSTS</i>		
	Redundancies	2,356	-
	Onerous leases	10,134	-
	Impairment of plant and equipment	2,427	-
	Asset write off	559	-
	Other Costs	295	-
	TOTAL STRATEGIC REVIEW COSTS	15,771	-

During the year ended 30 July 2011, Premier Retail committed to adopt a strategic review undertaken to implement a six point EBIT improvement plan which includes rejuvenate and reinvigorate five core apparel brands, organisation-wide cost efficiency program, expand and grow the internet business and a gross margin expansion program.

Following the announcement of the strategic review the Group recognised a provision for \$15,771,000 for expected costs including employee termination benefits and onerous leases

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED	
		2011 \$'000	2010 \$'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	17,584	22,451
	Adjustment in respect of current income tax of previous years	208	488
	Impact of adopting tax consolidation	-	(16,627)
	DEFERRED INCOME TAX		
	Relating to origination and reversal of temporary differences	(733)	3,430
	INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	17,059	9,742
(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	(4,553)	590
	Unrealised gain on available-for-sale investments	9,481	11,301
	INCOME TAX EXPENSE REPORTED IN EQUITY	4,928	11,891
(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	57,576	89,375
	At the Parent Entity's statutory income tax rate of 30% (2010: 30%)	17,273	26,812
	Adjustment in respect of current income tax of previous years	208	488
	Effect of tax concessions	-	(1,046)
	Impact of adopting tax consolidation	-	(16,627)
	Expenditure not allowable for income tax purposes	151	262
	Income not assessable for tax purposes	(573)	(147)
	AGGREGATE INCOME TAX EXPENSE	17,059	9,742

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED	
		2011 \$'000	2010 \$'000
5	INCOME TAX (CONTINUED)		
(d)	<i>RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES</i>		
	<i>DEFERRED TAX LIABILITIES</i>		
	Intangibles	972	962
	Foreign currency balances	(59)	401
	Expenditure deductible for tax purposes over five years	(6)	(7)
	Potential capital gains tax on financial investments	20,767	11,286
	Deferred income	-	317
	Employee entitlements	(64)	(57)
	Other receivables and prepayments	447	623
	Plant and equipment	6,162	4,981
	R&D depreciation equipment	267	333
	Leased plant and equipment	30	85
	TOTAL DEFERRED TAX LIABILITIES	28,516	18,924
	<i>DEFERRED TAX LIABILITIES – STATEMENT OF COMPREHENSIVE INCOME (MOVEMENTS)</i>		
	Plant and equipment	1,181	3,048
	Potential capital gains on financial investments	9,481	11,286
	R&D depreciation equipment	(66)	(73)
	Intangibles	10	(21)
	Foreign exchange gains and losses	(460)	(1,369)
	Expenditure deductible for tax purposes over five years	1	12
	Deferred income	(317)	-
	Employee entitlements	(7)	(16)
	Other receivables and current assets	(176)	81
	Leased plant and equipment	(55)	(48)
		9,592	12,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
5 INCOME TAX (CONTINUED)		
<i>DEFERRED TAX ASSETS – STATEMENT OF FINANCIAL POSITION</i>		
Plant and equipment	609	674
Deferred gains and losses on foreign exchange contracts	4,639	233
Inventory provisions	324	456
Deferred rent gain	2,287	2,290
Deferred lease incentive income	2,894	4,182
Employee provisions	4,892	5,015
Capital expenditure deductible over five years	464	913
Other	3,668	557
Lease liability	31	92
TOTAL DEFERRED TAX ASSETS	19,808	14,412
<i>DEFERRED TAX ASSETS – STATEMENT OF COMPREHENSIVE INCOME (MOVEMENTS)</i>		
Plant and equipment	(65)	229
Deferred gains and losses on foreign exchange	4,406	2,117
Inventory provisions	(132)	(138)
Deferred rent gain	(3)	(136)
Deferred lease incentive income	(1,288)	(1,172)
Employee provisions	(123)	354
Capital expenditure deductible over five years	(449)	504
Other provisions	3,111	6
Lease liability	(61)	50
	5,396	1,814

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED	
		2011 \$'000	2010 \$'000
6	DIVIDENDS PAID AND PROPOSED		
	<i>RECOGNISED AMOUNTS</i>		
	Declared and paid during the year		
	Interim franked dividends for 2011:		
	18 cents per share (2010: 38 cents)	27,911	57,303
	Final franked dividends for 2010:		
	28 cents per share (2009: 38 cents)	43,408	55,858
	<i>UNRECOGNISED AMOUNTS</i>		
	Final franked dividend for 2011:		
	18 cents per share (2010: 18 cents)	27,911	43,408
	<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% (2010: 30%)	228,977	243,981
	- franking credits that will arise from the payment of income tax payable as at the end of the financial year	(2,965)	(4,710)
	- franking debits that will arise from the payment of dividends as at the end of the financial year	(11,962)	(18,603)
		214,050	220,668

The tax rate at which paid dividends have been franked is 30% (2010: 30%). Dividends proposed will be franked at the rate of 30% (2010: 30%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED	
	NOTE	2011 \$'000	2010 \$'000
7	PLANT AND EQUIPMENT		
	Plant and equipment – at cost	144,970	132,329
	Less: accumulated depreciation and impairment	(60,294)	(41,404)
	Total	84,676	90,925
	Capitalised leased assets – at cost	708	809
	Less: accumulated depreciation and impairment	(607)	(524)
	Total	101	285
	TOTAL PLANT AND EQUIPMENT	84,777	91,210

RECONCILIATIONS

Reconciliations of the carrying amounts for each class of
Plant and equipment

At beginning of the financial period		90,925	72,864
Additions		18,975	38,449
Disposals		(1,139)	(871)
Exchange differences		(108)	(33)
Impairment	5	(2,991)	(819)
Depreciation	5	(20,986)	(18,665)
Net carrying amount at end of period		84,676	90,925
<i>Leased plant and equipment</i>			
At beginning of the financial period		285	445
Disposals		(51)	-
Amortisation	5	(133)	(160)
Net carrying amount at end of period		101	285
TOTAL		84,777	91,210

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 post tax discount rate applied to the cash flow projections is 11.5% and the cash flows beyond the five year period are extrapolated using a growth rate of 3%. The discount rate used reflects management's 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 \$2,991,000 (2010:\$819, 000) was recognised during the financial year to reduce the carrying amount of plant and equipment to recoverable amount. \$564,000 has been recognised in the statement of comprehensive income as depreciation, impairment and amortisation and a further \$2,427,000 has been recognised within the costs associated with strategic initiatives line.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

8 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
YEAR ENDED 30 JULY 2011					
<i>As at 1 August 2010 net of accumulated amortisation and impairment</i>	477,085	376,179	760	149	854,173
Additions	-	-	-	121	121
Trademark registrations	-	-	237	-	237
Amortisation	-	-	-	(50)	(50)
Exchange differences	-	-	-	(1)	(1)
<i>As at 30 July 2011 net of accumulated amortisation and impairment</i>	477,085	376,179	997	219	854,480
AS AT 30 JULY 2011					
Cost (gross carrying amount)	477,085	376,179	997	723	854,984
Accumulated amortisation and impairment	-	-	-	(504)	(504)
Net carrying amount	477,085	376,179	997	219	854,480
YEAR ENDED 31 JULY 2010					
<i>As at 26 July 2009 net of accumulated amortisation and impairment</i>	473,343	376,179	306	248	850,076
Additions	3,742	-	-	35	3,777
Trademark registrations	-	-	454	-	454
Amortisation	-	-	-	(133)	(133)
Exchange differences	-	-	-	(1)	(1)
<i>As at 31 July 2010 net of accumulated amortisation and impairment</i>	477,085	376,179	760	149	854,173
AS AT 31 JULY 2010					
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

8 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 July 2011, 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 11.3%. Cash flows beyond the five year period are extrapolated using a growth rate of 3%.

An adverse change in forecast sales volumes or EBITDA could have the potential to give rise to a circumstance where the recoverable amount may be materially lower than the carrying 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 July 2011. 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 a Brand 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 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

8 INTANGIBLES (CONTINUED)

The post tax discount rate applied to the cash flow projections for each of the three CGU's is 10.2%. Cash flows beyond the five year period for each of the CGU's are extrapolated using a growth rate of 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 3.5% 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. An adverse change in forecast sales volumes or EBITDA could have the potential to give rise to a circumstance where the recoverable amount may be materially lower than the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

	CONSOLIDATED	
	2011 \$'000	2010 \$'000
9 INVESTMENT IN ASSOCIATE		
Investment in associate	1,754	799

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.

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 \$1,178,435 (2010: \$491,648).

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>	2011 \$'000	2010 \$'000
Current assets	4,082	3,147
Non-current assets	2,628	1,873
<i>Total assets</i>	6,710	5,020
Current liabilities	(2,596)	(1,590)
Non-current liabilities	(2,360)	(2,631)
<i>Total liabilities</i>	(4,956)	(4,221)
NET ASSETS		
Share of associates net assets	1,754	799
<i>EXTRACT FROM THE ASSOCIATE'S STATEMENT OF COMPREHENSIVE INCOME</i>	2011 \$'000	2010 \$'000
Revenue	15,386	11,717
Profit before income tax	878	492
Income tax expense	(300)	-
Profit after income tax	1,178	492

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED	
	NOTES	2011 \$'000	2010 \$'000
10	INTEREST-BEARING LIABILITIES		
	<i>CURRENT</i>		
	Lease liability	97	155
	Bank loans* unsecured ^	118,000	-
	Bank loans* unsecured (NZ\$20.0 million) ^	15,979	-
		133,979	-
	Less directly attributable borrowing costs	(292)	-
	Net bank loans	133,687	-
	TOTAL CURRENT	133,784	155
	<i>NON-CURRENT</i>		
	Lease liability	6	153
	Bank loans* unsecured	-	85,000
	Bank loans* unsecured (NZ\$20.0 million)	-	16,035
		-	101,035
	Less directly attributable borrowing costs	-	(646)
	Net bank loans	-	100,389
	TOTAL NON-CURRENT	6	100,542

^ Details regarding the subsequent year end extension of the Just Group Ltd finance facilities is disclosed in Note 13.

* Bank loans are subject to a negative pledge and cross guarantee within the Just Group Ltd group. Premier Investments Limited is not a participant or guarantor of the Just Group Ltd financing facilities.

(a) *Fair values*

The carrying value of the Group's current and non-current borrowings approximates their fair value.

(b) *Defaults and breaches*

During the current and prior years, there were no defaults or breaches on any of the loans.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED	
		2011	2010
		\$'000	\$'000

11 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 30 July 2011 and 31 July 2010.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

11 OPERATING SEGMENTS (CONTINUED)

(a) OPERATING SEGMENTS

	RETAIL		INVESTMENT		ELIMINATION		TOTAL	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>REVENUE</i>								
Sale of goods	875,610	878,494	-	-	-	-	875,610	878,494
Interest revenue	578	625	16,736	14,301	-	-	17,314	14,926
Other revenue	427	600	51,819	53,350	(46,968)	(50,860)	5,278	3,090
Other income	7,813	7,646	-	-	-	-	7,813	7,646
Total Segment revenue	884,428	887,365	68,555	67,651	(46,968)	(50,860)	906,015	904,156
Total revenue per the statement of comprehensive income							906,015	904,156
<i>RESULTS</i>								
Depreciation and amortisation	21,169	18,958	-	-	-	-	21,169	18,958
Impairment	564	819	-	52	-	-	564	871
Interest expense	9,614	7,545	-	-	-	-	9,614	7,545
Share of profit of associate	1,178	492	-	-	-	-	1,178	492
Segment result	39,796	76,326	64,748	63,909	(46,968)	(50,860)	57,576	89,375
Income tax expense							(17,059)	(9,742)
Net profit after tax per the statement of comprehensive income							40,517	79,633
<i>ASSETS AND LIABILITIES</i>								
Segment assets	334,117	327,386	1,178,923	1,160,078	(51,072)	(44,663)	1,461,968	1,442,801
Segment liabilities	248,417	211,660	26,783	18,646	(6,970)	-	268,230	230,306
Capital expenditure	18,975	38,449	-	-	-	-	18,975	38,449

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

11 OPERATING SEGMENT (CONTINUED)

(b) GEOGRAPHIC SEGMENTS

	AUSTRALIA		NEW ZEALAND		TOTAL		ELIMINATIONS		CONSOLIDATED	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<i>REVENUE</i>										
Sale of goods	766,432	763,655	109,178	114,839	875,610	878,494	-	-	875,610	878,494
Other revenue and income	28,374	24,543	2,031	1,119	30,405	25,662	-	-	30,405	25,662
Segment income	794,806	788,198	111,209	115,958	906,015	904,156	-	-	906,015	904,156
Segment non-current assets	1,078,511	1,042,700	11,009	13,631	1,089,520	1,056,331	(21,794)	(34,750)	1,067,726	1,021,581
Capital expenditure	17,922	32,924	1,053	5,525	18,975	38,449	-	-	18,975	38,449

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

		CONSOLIDATED	
		2011 \$'000	2010 \$'000
12	NOTES TO THE STATEMENT OF CASH FLOWS		
(a)	<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS</i>		
	Cash at bank and in hand	31,802	30,406
	Short-term deposits	276,006	286,238
	TOTAL CASH ASSETS AND CASH EQUIVALENTS	307,808	316,644
(b)	<i>RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS TO NET PROFIT AFTER INCOME TAX</i>		
	Net profit	40,517	79,633
	<i>Adjustments for:</i>		
	Amortisation	183	293
	Depreciation	20,986	18,665
	Impairment and write-off of non-current assets	2,991	819
	Impairment of investments	-	52
	Foreign exchange loss	746	69
	Share of associate's net profit	(1,178)	(492)
	Provision discount adjustment on deferred payables	-	324
	Finance charges on capitalised leases	48	68
	Borrowing costs	350	-
	Loss on sale of property, plant and equipment	1,120	871
	Bad debts	21	19
	Performance rights expense	588	389
	Movement in cash flow hedge reserve	(15,181)	1,413
	Net exchange differences	(496)	30
	<i>Changes in assets and liabilities net of the effects from acquisition and disposal of businesses:</i>		
	Decrease (increase) in income tax receivable	1,218	(5,047)
	Increase in provisions	9,974	1,632
	Increase in deferred tax liabilities	113	4,280
	Decrease in trade and other payables	(4,629)	(8,100)
	Increase (decrease) in derivative financial liabilities	14,689	(7,057)
	Decrease in current tax liabilities	-	(17,177)
	(Decrease) increase in deferred income	(2,919)	511
	Decrease (increase) in trade and other receivables	2,466	(973)
	Decrease in other current assets	410	243
	Increase in inventories	(1,660)	(2,165)
	Decrease in derivative financial assets	1,525	4,525
	(Increase) decrease in deferred tax assets	(843)	1,792
	NET CASH FLOWS FROM OPERATING ACTIVITIES	71,039	74,617

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 JULY 2011 AND 53 WEEKS ENDED 31 JULY 2010 (CONTINUED)

12 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

		CONSOLIDATED	
		2011 \$'000	2010 \$'000
(c)	<i>NON CASH FINANCING AND INVESTING ACTIVITIES</i>		
	Dividend re-investment plan	-	59,557
(a)	<i>FINANCE FACILITIES</i>		
	Working capital and bank overdraft facility		
	Used	-	-
	Unused	12,000	12,000
		12,000	12,000
	Finance facility		
	Used	133,979	101,032
	Unused	4,021	18,968
		138,000	120,000
	Bank guarantee facility		
	Used	1,186	1,202
	Unused	3,814	3,798
		5,000	5,000
	Leasing facility		
	Used	104	308
	Unused	-	-
		104	308
	Total facilities		
	Used	135,269	102,542
	Unused	19,835	34,766
	TOTAL	155,104	137,508

13 EVENTS AFTER THE REPORTING DATE

On 16 September 2011, the directors of Premier Investments Limited declared a final dividend in respect of the 2011 financial year. The total amount of the dividend is \$27,911,000 (2010: \$43,408,000) which represents a fully franked dividend of 18 cents per share (2010: 18 cents per share).

Subsequent to year-end, the Just Group Limited finance facilities have been extended to 31 October 2012, with some revisions to the method by which certain financial undertakings are measured.

14 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 \$1,348,943 (2010: \$1,202,402).