PREMIER INVESTMENTS LIMITED

A.C.N. 006 727 966

Annual Report 2012

Mark McInnes
CEO Premier Retail

Solomon Lew
Chairman and Non-Executive Director

FRONT COVER: Features Abbey Lee Kershaw for Portmans. Abbey is one of the world's most in demand models.

Chairman's Report

The Directors of Premier Investments Limited ('Premier') have pleasure in submitting to shareholders the Annual Report for the year ended 28 July, 2012.

The retail environment in Australia continues to be challenging and it is likely to remain so in the short term. Macro pressures on retailers, combined with the structural changes taking place in the industry, will continue to test all participants in the retail industry.

In this context, we are particularly pleased to present a strongly improved financial result to our shareholders for the 2012 financial year.

While Premier Retail's sales figures underline the difficult trading environment, Premier's financial discipline and operational efficiency has delivered shareholders a comparatively strong result in spite of the tough conditions. This, in our view, is what sets Premier Investments apart from our peers.

Premier's results for the 2012 financial year once again demonstrate our unique position with solid earnings growth, significant organic growth opportunities from existing businesses and a strong balance sheet. Together, this provides Premier with the financial strength to take advantage of new growth opportunities whilst continuing to seek to maximise returns from existing businesses.

Well-run businesses will deliver value for shareholders in every cycle, and full credit is due to the team at Premier Retail, under Mark McInnes' leadership, for delivering the FY12 result in the continued testing environment.

Premier was early in identifying the challenges facing the business and we moved quickly to put in place a strategic framework to address each issue and opportunity. Part of this was putting the right team in place that could work effectively to maximise efficiencies in a tighter cost control environment. The management team has worked hard to implement initiatives that effectively address each specific challenge the business faces.

The upswing in profit Premier has achieved this financial year demonstrates the effectiveness of these initiatives. Moving forward, management's core focus will be to ensure that the business is prepared to meet market conditions while effectively managing our growth opportunities. The benefits from this approach will be leveraged as general market conditions normalise and improve.

Highlights of this year's result include:

- Successful implementation of strategic review initiatives is delivering strong profit results despite tough retail environment
- Premier consolidated net profit after tax (NPAT) of $68.2 million, up 68 per cent on previous year
- Premier Retail (The Just Group) underlying EBIT $80.4 million, up 23 per cent
- Strong contributions from online and Peter Alexander and Smiggle
- Smiggle expansion into Asia enormously successful, expansion into Malaysia and Japan announced
- Cost-out program has delivered $27.8 million in cost reductions[1]
- Strong balance sheet maintained with $294.2 million cash on hand

Further, Premier Retail's implementation of the six key EBIT performance initiatives identified in the July 2011 Strategic Review continues to progress well.

The reinvigoration of Premier Retail's core apparel brands has been enhanced by extending the management focus on individual brand ownership.

1 Excluding rent, depreciation and borrowing costs

Chairman's Report continued.

With action taken simultaneously to accelerate the cost-out program in response to trading conditions, this formed a key part of Premier's profit result this year. At the same time, Premier Retail's gross margin improved 99 bps this financial year and further margin gains are expected over the next two years.

We have been delighted with the immediate and very impressive success the strategic expansion into Asia has realised to date, and recognise the major and unique growth opportunity this represents for Premier Retail. We will continue to invest strategically to realise the growth potential this opportunity represents for our business.

We have also invested strategically in our online sales channel and have used international best practice sites as our benchmark. The immediate success achieved in the Dotti business through our world class site and logistical support has resulted in the platform being rolled out for each of our other brands across FY13.

Our improved profit result was further underpinned by a 26 per cent increase in Premier's investment income on the prior year, including strong dividend income from Breville Group Limited, interest and income from other investments.

Premier has also maintained its strong balance sheet with $294.2 million cash on hand.

As part of our overall strategy, Premier continues to consider opportunities that may arise in the market That being said, while our cash reserves leave us well placed to pursue the right opportunities should they arise, Premier will maintain its disciplined fiscal approach and will only pursue opportunities that are in the best interests of shareholders.

We recognise there is a great deal of potential in Premier's existing portfolio of iconic brands and we are committed to realising the inherent value that exists across Premier's retail portfolio. To support this, Premier continues to invest where it will bring profitable growth and realise value for shareholders.

The Directors have declared total fully franked dividends of 36 cents per share for 2012. The dividends declared demonstrates the Board's continued confidence in Premier's future growth potential and commitment to providing strong returns to shareholders.

The Premier Board has been strengthened by two new key appointments. The Directors were pleased to formally welcome Ms Sally Herman to the Board as non-executive director in December 2011.

Further, it is with great pleasure the Directors of Premier Investments have invited the CEO of Premier Retail, Mr Mark McInnes, to join the Premier Board. This appointment will be effective from mid-December 2012. I encourage all shareholders to attend the Annual General Meeting on 4 December and join us in welcoming Sally and Mark to the Premier Board.

In conclusion, on behalf of all Directors, I would like to thank each of Premier's 6,000 strong team members for their commitment and hard work throughout the year. We also thank all of our shareholders for your continued support.

Solomon Lew
Chairman and Non-Executive Director

The Directors

Solomon Lew
Chairman and
Non-Executive Director

Frank W. Jones FCA, CPA, ACIS
Deputy Chairman and
Non-Executive Director

Tim Antonie
Non-Executive Director

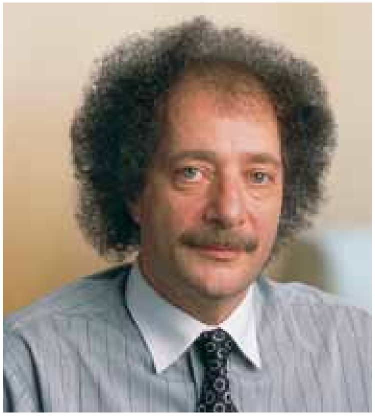
David M. Crean
Non-Executive Director

Lindsay E. Fox AC
Non-Executive Director

Sally Herman
Non-Executive Director

Henry D. Lanzer B. COM., LLB (Melb)
Non-Executive Director

Michael R.I. McLeod
Non-Executive Director



Gary H. Weiss LLM, J.S.D.
Non-Executive Director

Solomon Lew

Mr. Lew was appointed a Non-Executive director and Chairman of Premier on 31 March 2008. For many years, Mr. Lew has been a director of Century Plaza Investments Pty. Ltd., the largest shareholder in Premier and was previously Chairman of Premier from 1987 to 1994.

Mr. Lew has over 40 years experience in the manufacture, importation, wholesaling and retailing of textiles, apparel and general merchandise. Mr. Lew's success in the clothing industry has been largely due to his ability to read fashion trends and interpret them in the Australian market and to efficiently and cost-effectively produce quality garments. Property development and the acquisition and disposal of equity investments have proven to be a profitable and consistent activity for Mr. Lew's family entities. He has, through those family entities, made a number of investments in publicly listed companies over the years, including investments in Coles Myer Limited, Colorado Group Limited and Country Road Limited to name a few. Where these investments have been sold, it has resulted in substantial profits.

He is the Chairman of the Mount Scopus College Foundation, a member of the Board of Trustees of the Sport and Tourism Youth Foundation, a life member of The Duke of Edinburgh's Award World Fellowship, a Patron of Opera Australia and a Chairman or director of several philanthropic organisations.

Mr. Lew was a director of Coles Myer Limited from 1985 to 2002, serving as Vice Chairman from 1989, Chairman from 1991 to 1995, Executive Chairman in 1995 and Vice Chairman in 1995 and 1996. He was also a director of the Reserve Bank of Australia from 1992 to 1997.

Frank W. Jones *FCA, CPA, ACIS, Deputy Chairman and Non-Executive Director*

Mr. Jones is a Fellow of the Institute of Chartered Accountants in Australia and an Associate of the Australian Society of Certified Practising Accountants and the Institute of Chartered Secretaries & Administrators. Mr. Jones has extensive experience as a financial and general advisor to some of Australia's leading importing and retailing companies.

Mr. Jones served as Chairman of Premier from 1999 to 2002 and, more recently, from 2007 to 2008. He is a member of the Audit and Risk Committee of Premier and was the Committee's chairman until 31 July 2010.

Timothy Antonie

Mr. Antonie was appointed to the Board of Directors on 1 December 2009. He holds a Bachelor of Economics degree from Monash University and qualified as a Chartered Accountant with Price Waterhouse. He has 20 years experience in investment banking and formerly held positions of Managing Director from 2004 to 2008 and Senior Advisor in 2009 at UBS Investment Banking, with particular focus on large scale mergers and acquisitions and capital raisings in the Australian retail, consumer, media and entertainment sectors. Mr. Antonie was also appointed as a Non-Executive director of Village Roadshow Limited on 1 December 2010.

David Crean

Dr. Crean was appointed Chairman of the Hydro Electric Corporation (Hydro Tasmania) in September 2004. He is also Chairman of the Business Risk Committee at Hydro Tasmania, member of the Audit Committee and Chairman of the Corporate Governance Committee. David was Tasmania's State Treasurer from August 1998 to his retirement from the position in February 2004. He was also Minister for Employment from July 2002 to February 2004. He was a Member for Buckingham in the Legislative Council from 1992 to February 1999, and then for Elwick until May 2004. From 1989 to 1992 he was the member for Denison in the House of Assembly. From 1993 to 1998 he held Shadow Portfolios of State Development, Public Sector

Management, Finance and Treasury. David graduated from Monash University in 1976 with a Bachelor of Medicine and Bachelor of Surgery. Dr. Crean was appointed to the position of Chairman of the Audit and Risk Committee as from 1 August 2010.

Lindsay E. Fox AC

Mr. Fox has extensive experience in all aspects of the transport, distribution and warehousing industries. He is the founder of the Linfox Group of Companies. Today, the Linfox Group is one of the largest supply chain services groups with operations in 10 countries. The Linfox Group employs over 18,000 people, operates 3.5 million square metres of warehouses and a fleet of more than 6,000 vehicles and carries out distribution operations for leading companies across the Asia-Pacific region. The Linfox Group comprises Linfox Group Pty Limited, Linfox Airports Pty Limited, Linfox Property Group Pty Limited and Linfox Armaguard Pty Limited. Mr. Fox has extensive involvement in Australian and international circles and, apart from his business interests, is well recognised and active in sport and charity work.

In 2010, Victoria University admitted Mr. Fox to the degree of Doctor of the University *honoris causa*.
In January 2008, Mr Fox was awarded a Companion of the Order of Australia (AC) for continued service to the transport and logistics industries, to business through the development and promotion of youth traineeships and to the community through a range of philanthropic endeavours.

He was awarded an Officer of the Order of Australia (AO) in 1992 for his contribution to the transport industry and the community and he received a Centenary Medal for services to the transport industry in 2001.

From September 1992 to December 1993, Mr. Fox, together with Mr. Bill Kelty, introduced a national campaign called 'Work for Australia'. This campaign encouraged companies and local communities to generate jobs for unemployed with the aid of government subsidies and programs. More than 60,000 jobs were pledged through their efforts and Mr. Fox and Mr. Kelty were awarded 'Victorians of the Year' by the Sunday Age. The success of this campaign set the foundations for NETTFORCE.

Sally Herman

Ms. Sally Herman has more than 25 years' executive experience in financial services in both Australia and in the United States, including 16 years with the Westpac Group running major business units in almost every operation division of the Group. Ms. Herman ran corporate affairs and sustainability for Westpac during the merger with St George. Prior to Westpac, she held senior roles at Macquarie Bank.

Ms. Herman is now a company director and consultant, and sits on the board of ME Bank Pty Limited, FSA Group Limited, and is chairman of Urbis Pty. Ltd., a large urban planning and property advisory firm. She also sits on several not-for-profit boards, including the State Library of NSW Foundation and the National Art School.

Ms. Herman holds a BA from University of NSW and is a Graduate of the Australian Institute of Company Directors.

Henry D. Lanzer B. COM., LLB (Melb)

Mr. Lanzer is Managing Partner of Arnold Bloch Leibler - a leading Australian commercial law firm - and has over 25 years experience in providing legal and strategic advice to some of Australia's leading companies. He is a Director of Just Group Limited, a Director of the Burnet Institute and also a director of the TarraWarra Museum of Art. He is a Life Governor of the Mount Scopus College Council and President of the Mount Scopus College Foundation. Mr. Lanzer is Chairman of the Remuneration and Nomination Committee for Premier Investments Limited.

Michael R.I. McLeod

Mr. McLeod is an Executive Director of Century Plaza Trading Pty. Ltd. He has been associated with the Century Plaza Group of Companies since 1996 as an advisor in relation to corporate strategy, investment and public affairs and is a director of a number of associated companies. He has been a member of the Premier Board since 2002. He is a former Non-Executive Director of Zurich Scudder (formerly Scudder, Stevens and Clark Australia Limited), a large asset manager, and he has experience as an advisor to companies and government. He holds a Bachelor of Arts (First Class Honours and University Medal) from University of NSW. Mr. McLeod also serves as a Director of the Just Group Limited.

Gary H. Weiss LL.M, J.S.D.

Dr. Weiss holds the degrees of LL.B (Hons) and LL.M (with dist.) from Victoria University of Wellington, as well as a Doctor of Juridical Science (J.S.D.) from Cornell University, New York. Dr Weiss has extensive international business experience and has been involved in numerous cross-border mergers and acquisitions.

Dr. Weiss is Chairman of Secure Parking Pty. Ltd, Executive Director of Ariadne Australia Ltd, and a director of Premier Investments Limited, Ridley Corporation Ltd, Mercantile Investment Company Limited, Pro-Pac Packaging Limited, Tag Pacific Limited, Victor Chang Cardiac Research Institute and The Centre for Independent Studies. He was chairman of Coats Plc from 2003 until April 2012 and executive director of Guinness Peat Group Plc from 1990 to April 2011 and has held directorships of numerous companies, including Westfield Group, Tower Australia Ltd, Australian Wealth Management Limited, Tyndall Australia Ltd (Deputy Chairman), Joe White Maltings Ltd (Chairman), CIC Ltd, Whitlam Turnbull & Co Ltd and Industrial Equity Ltd.

He has authored numerous articles on a variety of legal and commercial topics.

Strategic Review Premier Retail

All of the opportunities outlined in the July 2011 strategic review showed great progress in FY12.

	Focus Area	Status	
1	Rejuvenate and reinvigorate all five core apparel brands.	✓	Great progress was made in FY12 in reinvigorating our core brands. Although Winter 12 was a disappointing season in top line sales, all of the strategies implemented across FY12 have begun to take effect. All five brands experienced improvement in Q4 FY12 trading and FY13 has begun well. In addition, Premier Retail appointed Colette Garnsey as Core Brand Director in Q1 FY13 which continues the investment in improving our underlying performance. Colette is widely considered to be one of Australia's leading retail executives.
2	Organisation-wide cost efficiency program.	✓	The 100 point project plan identified as part of the strategic review delivered strong results in FY12. Premier Retail achieved $27.8* million in savings in FY12. Whilst we operate in an industry with naturally rising costs, the management culture and action plan going forward is to minimise cost increases to improve EBIT margin.
3	Two phase gross margin expansion program.	✓	Premier Retail gross margin grew 99 basis points in FY12. Premier Retail will continue to focus on markdown management, DFO profitability, improved sourcing through negotiations, improved margin from sourcing from new countries, and the continued rollout of Peter Alexander and Smiggle stores. All change programs are in place to improve gross margin through FY13 and FY14.
4	Expand and grow the internet business.	✓	Premier Retail continues to invest in the online channel. Total sales for the channel grew 67%, well above industry standards. Premier Retail combined the internet and marketing functions in FY12 and appointed Georgia Chewing as Group General Manager. The progress made since that restructure has been significant. Premier Retail has rolled out an internationally competitive front end website for Dotti, Portmans, Jacqui E and Jay Jays. The division has also built back end processes to enable the Just Group to be one of the first Australian fashion retail companies to offer next day delivery across Australia. In addition, the division has launched mobile technology, a dedicated Peter Alexander Singapore website and a Smiggle App. Premier Retail will continue to invest in this channel of distribution with an aspiration for sales from this channel to contribute 10% of total group sales by 2015.
5	Grow Peter Alexander significantly.	✓	Peter Alexander achieved outstanding results in FY12 and was the top performing brand in the group with total sales growth of 17.1%. In a difficult macro retail market, these results stand us apart from the industry. The division opened nine new stores in FY12 with nine more planned to open in FY13. Online sales growth continues well above industry average for mature brands and the division is currently evaluating a Singapore store flagship launch in Calendar 2013.
6	Grow Smiggle significantly.	✓	Smiggle sales grew 14.4% in FY12 and the division opened 20 new stores in Australia and New Zealand and 10 new stores in Singapore. The division also announced plans to continue investment in Asia with another 5-10 new Singapore stores in the next 12-24 months. In addition, plans were announced to establish businesses in Malaysia and Japan in Calendar 2013 with the first stores expected to be open late Calendar 2013. In addition to the investment in Australia, New Zealand, Singapore, Malaysia and Japan, the division has invested in a more dedicated product team to continue product innovation. In September 2012, Premier Retail announced the appointment of John Cheston as the new Group General Manager of Smiggle. John is a career retailer with over 12 years of experience living in Hong Kong and Singapore running large retail companies such as Marks & Spencer and Robinson & Co.

Premier Retail continues to materially invest in targeted refurbishments to ensure the portfolio of stores maintain relevant to the needs of all customers.

*The $27.8 million excludes rent, depreciation and borrowing costs.

Brand Performance Premier Retail

peteralexander

Peter Alexander delivered exceptional growth of 17.1% in FY12. Nine stores opened and the brand continues to innovate and perform. Premier Retail will continue to invest in this unique brand.

smiggle®

Smiggle achieved strong growth of 14.4% in FY12. Premier Retail continues to invest in Australia and Singapore. We also announced our planned expansion into Malaysia and Japan in calendar 2013. In September 2012 John Cheston was appointed new Group General Manager of Smiggle.

dotti

Since appointing David Bull as Group General Manager of Dotti in October 2011, the brand has markedly improved. David has done an outstanding job reinvigorating the brand and launching a world class digital platform. Total Winter sales were up 5.2% and the brand is going from strength to strength.

portmans

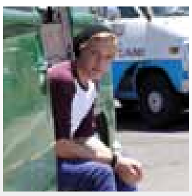
Since appointing Jade Holgate as Group General Manager of Portmans in October 2011, the brand has continued to markedly improve. The brand returned to profitability in FY12 and has started FY13 well with positive LFL sales growth for the first 8 weeks of the year.

JACQUI·E

Although Jacqui E had a disappointing Winter, the brand has achieved a strong turnaround in the first 8 weeks of FY13. Karen Russell, Group General Manager of Jacqui E only began the change program in September 2011 and didn't get her full team in place until February 2012. The positive start to FY13 in both sales and margin is a positive indicator to the brands future success. In June 2012 Premier Retail announced the appointment of Tara Moss as Jacqui E Ambassador.

Just Jeans

In June 2012 Premier Retail signed Shanina Shaik one of Australia's leading international models as its brand ambassador. Although total sales were down 4% in FY12, margin and costs were well controlled and the brand increased its profit contribution for the year. Q4 FY12 saw improving sales momentum and this has continued into FY13.



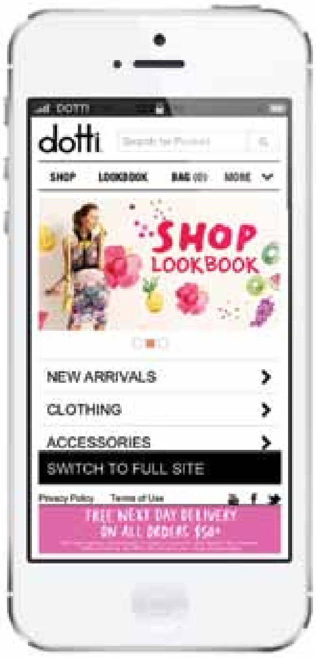
JayJays

Despite material investment in FY12, the brand still performed below our expectation. Premier Retail signed Cody Simpson to headline a new marketing campaign to launch in FY13 which has seen positive results. Whilst overall sales have improved, there is still a significant amount of work to be done to restore the brand health.

dotti

Dotti Internet

In March 2012 Premier Retail launched the Dotti internationally competitive website with exceptional results. The new Dotti website was designed to be as good as the best global player. In May, Premier Retail launched a fully transactional mobile optimised site and the division also built the back end processes to be one of the first Australian fashion retailers to offer next day delivery across Australia.



Premier Investments Limited
A.C.N. 006 727 966

Financial Report

For the 52 weeks
31 July 2011 to 28 July 2012

Contents

DIRECTORS' REPORT

The Board of Directors of Premier Investments Limited (A.C.N. 006 727 966) has pleasure in submitting its report in respect of the financial period ended 28 July 2012.

The directors present their report together with the consolidated financial report of Premier Investments Limited (the "Company") and its controlled entities for the period 31 July 2011 to 28 July 2012, together with the independent audit report to the members thereon.

DIRECTORS

The names and details of the Company's directors in office during the financial period and until the date of the report are as follows. Directors were in office for this entire period unless otherwise stated.

Solomon Lew ***Chairman and Non-Executive Director***

Mr. Lew was appointed a Non-Executive Director and Chairman of Premier on 31 March 2008. For many years, Mr. Lew has been a director of Century Plaza Investments Pty. Ltd., the largest shareholder in Premier and was previously Chairman of Premier from 1987 to 1994.

Mr. Lew has over 40 years experience in the manufacture, importation, wholesaling and retailing of textiles, apparel and general merchandise. Mr. Lew's success in the clothing industry has been largely due to his ability to read fashion trends and interpret them in the Australian market and to efficiently and cost-effectively produce quality garments. Property development and the acquisition and disposal of equity investments have proven to be a profitable and consistent activity for Mr. Lew's family entities. He has, through those family entities, made a number of investments in publicly listed companies over the years, including investments in Coles Myer Limited, Colorado Group Limited and Country Road Limited to name a few. Where these investments have been sold, it has resulted in substantial profits.

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He has authored numerous articles on a variety of legal and commercial topics.

Sally Herman (Appointed 14 December 2011) ***Non-Executive Director***

Ms. Sally Herman has more than 25 years' executive experience in financial services in both Australia and in the United States, including 16 years with the Westpac Group running major business units in almost every operation division of the Group. Ms Herman ran Corporate Affairs and Sustainability for Westpac during the merger with St. George. Prior to Westpac, she held senior roles at Macquarie Bank.

Ms. Herman now is a company director and consultant, and sits on the board of ME Bank Pty Limited, FSA Group Limited, and is the Chairman of Urbis Pty Ltd, a large urban planning and property advisory firm. She also sits on several not for profit boards, including the State Library of NSW Foundation and the National Art School.

Ms. Herman holds a BA from University of NSW and is a Graduate of the Australian Institute of Company Directors.

COMPANY SECRETARY

Kim F. Davis ***Non-Executive Alternate Director***

Mr. Davis was appointed as Alternate Director on the 10 July 2008 for Mr. Jones. Mr. Davis has been the Company Secretary of Premier Investments Limited for 18 years. Prior to holding this position, Mr Davis had 15 years experience within the accounting industry as a tax and financial advisor.

PRINCIPAL ACTIVITIES

The consolidated entity operates a number of specialty retail fashion chains within the specialty retail fashion markets in Australia, New Zealand, Singapore, and via a joint venture entity in South Africa. The Group also has significant investments in listed securities and money market deposits.

DIVIDENDS

	CENTS	$'000
Final Dividend recommended for 2012	18.00	27,947
Dividends paid in the year: Interim for the half-year	18.00	27,947
Final for 2011 shown as recommended in the 2011 report	18.00	27,911

OPERATING AND FINANCIAL REVIEW

Group Overview:

The Company acquired a controlling interest in Just Group Limited the ("Just Group"), a listed company on the Australian Securities Exchange in August 2008. Just Group is a leading speciality fashion retailer in Australia and New Zealand, and operates in South Africa through a joint venture. The Just Group is further developing its operations in Singapore, by expanding its Smiggle brand with the opening of a further 12 stores during the 2012 financial year. It has a portfolio of well-recognised retail brands, offering latest fashion at value price points. There are currently seven unique brands trading from more than 1,000 stores across 4 countries. The emphasis is on a range of brands that provide diversification through breadth of target demographic and sufficiently broad appeal to enable a national footprint. Over 90% of product range is designed, sourced and sold under its own brands. There is a continuing investment in these brands to ensure they remain relevant to changing customer tastes and remain at the forefront of their respective target markets.

Operating Results:

The Group's net profit after income tax for the 2012 financial year was $68,248,000 (2011: $40,517,000), which reflects a 68.4% increase compared to last year. As Premier's core business, the Just Group was the key contributor to the Group's operating results for the year. In addition to Just Group the other contributors to the financial performance of the Group were interest earned from cash on deposit and dividends received from investments in listed securities.

GROUP PERFORMANCE

The Group is pleased to report that despite tough economic conditions, the company continued to generate strong returns to shareholders. The dividends declared for the year reaffirm the confidence the directors have in the future performance and underline Premier's commitment to enhancing shareholder value through capital management and business investment.

	2012	2011	2010	2009	2008
Basic earnings per share (cents)	43.97	26.13	52.78	62.44	46.33
Dividend paid per share (cents)	36.0	36.0	66.0	75.0	29.0
Return on equity (%)	5.46%	3.39%	6.57%	7.17%	5.16%
Net debt/equity ratio (%)	(13.69)%	(14.58)%	(17.81)%	(20.18)%	(97.6)%

DIRECTORS' REPORT
(CONTINUED)

SHARES ISSUED DURING THE FINANCIAL YEAR

A total of 197,546 shares were issued during the year pursuant to Group's Performance Rights Plan:

- 24 October 2011: 180,334 ordinary shares
- 12 April 2012: 17,212 ordinary shares

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year ended 28 July 2012.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 20 September 2012, the directors of Premier Investments Limited declared a final dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is $27,947,000 and is a fully franked dividend. The dividend has not been provided for in the 28 July 2012 financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Certain likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to the period ended 28 July 2012 are referred to in the preceding operating and financial review. No additional information is included on the likely developments in the operations of the economic entity and the expected results of those operations as the directors reasonably believe that the disclosure of such information would be likely to result in unreasonable prejudice to the economic entity if included in this report, and it has therefore been excluded in accordance with section 299(3) of the *Corporations Act 2001*.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not subject to any significant environmental obligations or regulations.

SHARE OPTIONS

Unissued Shares:

As at the date of this report, there were 1,808,565 unissued ordinary shares under options/performance rights (1,808,565 at the reporting date). Refer to the remuneration report for further details of the options outstanding.

Shares Issued as a Result of the Exercise of Options:

During the financial year and to the date of this report, Executives have exercised rights to acquire 197,546 fully paid ordinary shares in Premier Investments Limited.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

To the extent permitted by law, the company indemnifies every person who is or has been a director or officer of the company or of a wholly-owned subsidiary of the company against liability for damages awarded or judgments entered against them and legal defence costs and expenses, arising out of a wrongful act, incurred by that person whilst acting in their capacity as a director or officer provided there has been no admission, or judgment, award or other finding by a court, tribunal or arbitrator which establishes improper use of position, or committing of any criminal, dishonest, fraudulent or malicious act.

The officers include the directors, as named earlier in this report, the company secretary and other officers, being the executive senior management team. Details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors, and officers, liability insurance contracts are not disclosed as such disclosure is prohibited under the terms of the contracts.

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

At the date of this report, the interests of the directors in the shares and options of the company were:

S. Lew	4,437,699 ordinary shares**
L.E. Fox	5,577,014 ordinary shares
F.W. Jones	192,592 ordinary shares
M.R.I. McLeod	28,186 ordinary shares
H.D. Lanzer	27,665 ordinary shares
G. H. Weiss	10,000 ordinary shares

**Mr. Lew is an associate of Century Plaza Investments Pty. Ltd., Playcorp Pty. Ltd and Metrepark Pty. Ltd (Associated Entities). The Associated Entities, collectively, have a relevant interest in 60,358,044 shares in the company. However, Mr. Lew does not have a relevant interest in the shares in the company held by the Associated Entities.

DIRECTORS' MEETINGS

The number of meetings of the Board of Directors during the financial year, and the number of meetings attended by each director were as follows:

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR
Mr S Lew	7	7	-	-	1	1
Mr F W Jones	7	7	4	4	-	-
Mr L E Fox	7	7	-	-	-	-
Mr H D Lanzer	7	7	-	-	1	1
Mr M R I McLeod	7	7	-	-	-	-
Dr G H Weiss	7	7	4	4	1	1
Dr D Crean	7	7	4	4	-	-
Mr T Antonie	7	7	2	-	-	-
Ms S Herman	4	4	1	-	-	-

ROUNDING

The company is a company of the kind specified in Australian Securities and Investment Commission's class order 98/0100. In accordance with that class order amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the declaration on page 18 from the auditor of Premier Investments Limited.

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that independence was not compromised.

Details of non-audit services provided by the entity's auditor, Ernst & Young, can be found in Note 25 of the Financial Report.

REMUNERATION REPORT (AUDITED)

This report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by section 308 (3C) of the Act. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in the Group receiving the highest remuneration.

For the purposes of this report, the term "executive" encompasses the chief executive, senior executives, general managers and secretaries of the Group.

DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Directors

Mr. S. Lew	Chairman and Non-Executive Director
Mr. F.W. Jones	Deputy Chairman and Non-Executive Director
Mr. T. Antonie	Non-Executive Director
Dr. D. Crean	Non-Executive Director
Mr. L.E. Fox	Non-Executive Director
Mr. H.D. Lanzer	Non-Executive Director
Mr. M.R.I. McLeod	Non-Executive Director
Dr. G.H. Weiss	Non-Executive Director
Ms. S. Herman (Appointed 14 December 2011)	Non-Executive Director

(ii) Executives

Mr. M. McInnes	Chief Executive Officer Premier Retail
Mr. K.F. Davis	Company Secretary and Non-Executive Alternate Director
Mr. A. Gardner	Chief Financial Officer, Just Group Limited
Ms. R. Kelly	Retail Director, Just Group Limited
Ms. C. Garnsey (Appointed 20 September 2012)	Core Brand Director, Just Group Limited

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee of the Board of Directors of the Group is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The remuneration and nomination committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION PHILOSOPHY

The performance of the Group depends upon the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. This is reflected by the Group's remuneration framework which provides competitive rewards to attract high calibre executives.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 25 November 2008 when shareholders approved an aggregate remuneration of an amount not exceeding $1,000,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned among directors is reviewed annually.

EXECUTIVE REMUNERATION

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company by:

- rewarding executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- aligning the interests of executives to those of shareholders;
- linking reward with the strategic goals and performance of the Group; and
- ensuring total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration the remuneration and nomination committee periodically engages an external consultant to provide independent advice detailing market levels of remuneration for comparable executive roles. This provides input to the Committee, which after feedback from management makes its recommendations to the Board.

It is the Committee's policy that service agreements are entered into with the Board by Directors and Executives.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Short-Term Incentives (STI)
- Long-Term Incentives (LTI)
- Discretionary bonuses

REMUNERATION REPORT (AUDITED) (CONTINUED)

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out on pages 13 and 14 of this report.

FIXED REMUNERATION

Objective

Fixed remuneration is reviewed annually by the committee. The process consists of a review of Group, business unit and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. As noted above, the committee has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payments. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

SHORT-TERM INCENTIVE (STI)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the executives to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The 2012 and 2011 STI targets were based on a number of individual KPI's and growth in EBIT.

DISCRETIONARY BONUSES

Bonuses are payable at the discretion of the board of directors upon the recommendation of the committee. These discretionary bonuses can be paid by way of cash or performance rights.

LONG-TERM INCENTIVE (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner aligned with the creation of shareholder wealth.

Structure

LTI grants to executives are delivered in the form of performance rights, through the Group's Performance Rights Plan ("PRP").

The PRP provides a remuneration element designed to attract and retain key senior executives and employees and link rewards with the Group's long-term performance and maximisation of shareholder wealth.

The initial grant under the PRP to senior executives was made on 26 June 2009. During the current financial period, grants were made on 25 May 2012. All offers are made subject to the terms of the PRP rules, which confer various powers to the board to add to or vary any of the plan rules, subject to the requirements of the Australian Securities Exchange.

REMUNERATION REPORT (AUDITED) (CONTINUED)

An offer under the PRP grants an individual the right to a certain number of ordinary shares in the company. This right may vest and be convertible into shares, conditional on the satisfaction of the 'Total Shareholder Return' (TSR) performance condition and that the TSR is positive.

The Group uses relative Total Shareholder Return (TSR) as the performance hurdle for the long-term incentive plan. TSR is the return to shareholders provided by share price appreciation plus reinvested dividends, expressed as a percentage of investment.

The use of a relative TSR-based hurdle is widely considered market best practice as it ensures an alignment between comparative shareholder return and reward for executives. Relative TSR is to be compared to a group of companies consisting of those in the S&P/ASX 200 Industrials, excluding overseas and resource companies. The Group receives an independent assessment of whether the performance criteria are met.

The actual number of shares, if any, provided to participants will depend on the extent to which the performance condition has been met. It is possible for each participant to be allocated either no shares (if the performance condition is not met) or anywhere between 25% and 100% of their initial offered amount, depending on the level of achievement against the performance condition as detailed below.

Target	Conversion ratio of rights to shares available to vest under the TSR Performance Condition
0% to <50%	0%
50%	25%
>50% to <62.5%	Pro Rata
62.5%	50%
>62.5% to <75%	Pro Rata
>=75%	100%

Generally the rights are eligible to vest three years from the date of the grant. The performance rights issued on 10 May 2011 to Mr Mark McInnes are eligible to vest in three tranches, on 4 April 2014, 4 April 2015 and 4 April 2016. Any rights which do not vest but the TSR was between the 40th and 50th percentile, may be retested once, 12 months after the initial vesting date. Once allocated, disposal of performance shares is subject to restrictions whereby board approval is required to sell shares granted within 7 years under this plan. An unvested performance right will lapse if it fails to meet the TSR performance condition over the prescribed period. Holders of performance rights are not entitled to vote or receive dividends or other distributions.

Generally, all outstanding unvested rights are forfeited upon an executive resigning from the company. In the event of Mr. McInnes resigning such that his contractual notice period would expire within a 14 day period prior to a particular vesting date, those performance rights issued on 10 May 2011 to Mr. McInnes which would have been eligible to vest on that vesting date will be unaffected by the resignation. All other outstanding unvested rights are forfeited.

Executives are prohibited from entering into transactions to hedge or limit the economic risk of the securities allocated to them under the PRP, either before vesting or after vesting while the securities are held subject to restriction. Executives are only able to hedge securities that have vested and continue to be subject to a trading restriction and a seven-year lock, with the prior consent of the board.

No employees have any hedging arrangements in place.

REMUNERATION REPORT (AUDITED) (CONTINUED)

PERFORMANCE RIGHTS TESTED DURING THE 2012 FINANCIAL YEAR

During the 2012 financial year, a tranche of 605,777 LTI performance rights issued during the 2009 financial year was tested. 425,443 of these performance rights lapsed due to the respective executives no longer being employed by the company.

The testing period began on 1 October 2008. At this date, Premier Investment's share price was $4.05 per share. During the three year testing period, Premier Investments declared a total of $1.77 per share in fully franked dividends. The historical data concerning the Group in respect of the 2012 financial period and the four previous financial periods is set out on page 5 under the heading 'Group Performance'. The testing period ended on 1 October 2011 when the share price was $5.24 per share.

The Group received an independent assessment of the performance over the three year testing period. The assessment concluded that Premier Investments' TSR was both positive and above the 90th percentile of the comparator group.

As a result of the independent assessment, 180,334 performance rights vested and converted into 180,334 newly issued Ordinary Shares. This is in line with the LTI scheme rules and represented a 100% conversion ratio for those individual executives.

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Details of the nature and amount of each element of compensation for services for key management personnel and executives of the Group for the financial year are as follows:

	Short term			Post employment		Share based		
2012	Salary/Fee $	Cash Bonus $	Non-Monetary Benefits $	Superannuation $	Termination $	Long-term incentives $	Total $	Performance related %
Non-executive directors								
Mr. S. Lew	-	-	-	-	-	-	-	-
Mr. F. W. Jones	120,000	-	-	-	-	-	120,000	-
Mr. L. E. Fox	75,586	-	-	4,414	-	-	80,000	-
Mr. H. D. Lanzer[1]	80,000	-	-	-	-	-	80,000	-
Mr. M. R. I. McLeod	48,930	-	-	31,070	-	-	80,000	-
Dr. G. H. Weiss	73,395	-	-	6,605	-	-	80,000	-
Dr. D. Crean	110,092	-	-	9,908	-	-	120,000	-
Mr. T. Antonie	73,395	-	-	6,605	-	-	80,000	-
Ms. S Herman[5]	39,520	-	-	9,673	-	-	49,193	-
Total non-executive directors	620,918	-	-	68,275	-	-	689,193	
Key management personnel								
Mr. M. McInnes[2]	1,975,000	-	-	25,000	-	643,943	2,643,943	24.36
Mr. K. F. Davis	384,801	150,000	-	15,775	-	-	550,576	27.24
Ms. R. Kelly[6]	484,061	-	-	15,939	-	-	500,000	-
Mr. A. Gardner	402,086	-	62,243	15,939	-	111,620	591,888	18.86
Total executive	3,245,948	150,000	62,243	72,653	-	755,563	4,286,407	
TOTAL 2012	3,866,866	150,000	62,243	140,928	-	755,563	4,975,600	

1 Mr Lanzer's director's fees were paid to Arnold Bloch Leibler 2 Appointed 4 April 2011 3 Ceased 31 March 2011 4 Ceased 31 January 2011 5 Appointed 14 December 2011

6 Appointed 8 April 2011

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

	Short term			Post employment		Share based		
2011	Salary/Fee $	Cash Bonus $	Non-Monetary Benefits $	Superannuation $	Termination $	Long-term incentives $	Total $	Performance related %
Non-executive directors								
Mr. S. Lew	-	-	-	-	-	-	-	-
Mr. F. W. Jones	120,000	-	-	-	-	-	120,000	-
Mr. L. E. Fox	73,395	-	-	6,605	-	-	80,000	-
Mr. H. D. Lanzer[1]	80,000	-	-	-	-	-	80,000	-
Mr. M. R. I. McLeod	73,395	-	-	6,605	-	-	80,000	-
Dr. G. H. Weiss	73,395	-	-	6,605	-	-	80,000	-
Dr. D. Crean	110,092	-	-	9,908	-	-	120,000	-
Mr. T. Antonie	73,395	-	-	6,605	-	-	80,000	-
Total non-executive directors	603,672	-	-	36,328	-	-	640,000	
Key management personnel								
Mr. M. McInnes[2]	636,389	-	77,300	6,250	-	160,986	880,925	18.27
Mr. K. F. Davis	384,801	70,000	-	45,199	-	-	500,000	20.00
Mr. J. Murray[3]	555,326	-	86,143	22,678	1,045,930	(64,097)	1,645,980	(3.89)
Ms. G. Shearer[4]	226,966	-	5,593	21,261	329,797	(17,105)	566,512	(3.02)
Mr. A. Gardner	368,836	180,000	41,319	17,011	-	157,363	764,529	44.12
Ms. R Kelly[6]	154,777	-	-	11,890	-	-	166,667	-
Total executive	2,327,095	250,000	210,355	124,289	1,375,727	237,147	4,524,613	
TOTAL 2011	2,930,767	250,000	210,355	160,617	1,375,727	237,147	5,164,613	

1 Mr Lanzer's director's fees were paid to Arnold Bloch Leibler 2 Appointed 4 April 2011 3 Ceased 31 March 2011 4 Ceased 31 January 2011 5 Appointed 14 December 2011

6 Appointed 8 April 2011

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

Rights awarded and vested during the year (Consolidated):

	Terms and conditions for each Grant during the year						Rights vested during the year	
2012	Rights awarded during the year No.	Award date	Fair value per right at award date $	Expiry date	First exercise date	Last exercise date	No.	%
Key management personnel								
Mr. A. Gardner	85,878	25-May-2012	2.62	01-Oct-2015	01-Oct-2014	01-Oct-2015	98,757	100

REMUNERATION REPORT (AUDITED) (CONTINUED)

Value of options awarded, exercised and lapsed during the year:

2012	Value of rights granted during the year $	Value of rights exercised during the year $	Value of rights lapsed during the year $	Remuneration consisting of rights for the year %
Key management personnel				
Mr. A. Gardner	225,000	522,822	-	18.86

There were no alterations to the terms and conditions of rights awarded as remuneration since their award date.

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel and other executives are formalised in written service agreements (with the exception of Mr. Kim Davis, whose relevant terms of employment are set out below). Major provisions of the agreements are set out below:

					Termination benefits		
	Start date	Term of agreement	Review period	Period of written notice required from the company	Upon company initiated	Upon diminution of role	Period of written notice required from employee
M. McInnes	04-Apr-2011	Open	Annual	12 mths	12 mths TFR including notice	Nil	6 mths (in first 12 mths of employment) 12 mths thereafter
K. Davis	17-Nov-1993	Open	Annual	3 mths	Nil	Nil	3mths
A. Gardner	02-Jan-2007	Open	Annual	12 mths	12 mths TFR including notice	Nil	12 mths
R. Kelly	08-Apr-2011	Open	Annual	3 mths	3 mths TFR including notice	Nil	3 mths

AUDITOR INDEPENDENCE

A copy of the Auditor's Independence Declaration in relation to the audit for the financial year is provided on page 18 of this report.

Signed in accordance with a resolution of the board of directors.

Solomon Lew
Chairman
10 October 2012

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Auditor's Independence Declaration to the Directors of Premier Investments Limited

In relation to our audit of the financial report of Premier Investments Limited for the financial year ended 28 July 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
10 October 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011

		CONSOLIDATED	
	NOTES	2012 $'000	2011 $'000
Continuing operations			
Revenue from sale of goods	4	837,195	875,610
Other revenue	4	23,779	22,592
Total revenue		860,974	898,202
Other income	4	10,012	7,813
Total income		870,986	906,015
Changes in inventories of finished goods and work in progress and raw materials used		(330,115)	(354,508)
Employee expenses		(198,154)	(205,722)
Operating lease rental expense	5	(176,949)	(177,529)
Depreciation, impairment and amortisation	5	(17,328)	(21,733)
Advertising and direct marketing		(9,879)	(13,462)
Finance costs	5	(10,194)	(9,614)
Strategic review costs	5	-	(15,771)
Other expenses		(35,499)	(51,278)
Total expenses		(778,118)	(849,617)
Share of profit (loss) of an associate	14	(101)	1,178
Profit from continuing operations before income tax		92,767	57,576
Income tax expense	6	(24,519)	(17,059)
Net profit for the period attributable to owners		**68,248**	**40,517**
Other comprehensive income			
Net fair value gains on available for sale financial assets	20	47,838	31,780
Cash flow hedges	20	13,454	(15,181)
Foreign currency translation	20	58	(214)
Income tax on items of other comprehensive income	20	(18,324)	(4,928)
Other comprehensive income for the period, net of tax		**43,026**	**11,457**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS		**111,274**	**51,974**
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)	32	43.97	26.13
- diluted for profit for the year (cents per share)	32	43.52	25.92
- basic for profit from continuing operations (cents per share)	32	43.97	26.13
- diluted for profit from continuing operations (cents per share)	32	43.52	25.92

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

STATEMENT OF FINANCIAL POSITION

AS AT 28 JULY 2012 AND 30 JULY 2011

		CONSOLIDATED	
	NOTES	2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	27	294,168	307,808
Trade and other receivables	8	6,615	6,066
Inventories	9	71,092	73,399
Other financial instruments	31	17,150	-
Income tax receivable		3,413	3,829
Other current assets	10	4,292	3,140
Total current assets		396,730	394,242
Non-current assets			
Trade and other receivables	8	2,023	2,360
Available-for-sale financial assets	11	152,345	104,547
Plant and equipment	12	80,326	84,777
Intangible assets	13	854,490	854,480
Deferred tax assets	6	12,158	19,808
Investment in an associate	14	1,484	1,754
Total non-current assets		1,102,826	1,067,726
TOTAL ASSETS		1,499,556	1,461,968
LIABILITIES			
Current liabilities			
Trade and other payables	15	45,947	46,306
Interest-bearing liabilities	16	136	133,784
Other financial instruments	31	2,301	14,829
Provisions	17	20,005	25,613
Other current liabilities	18	5,059	6,293
Total current liabilities		73,448	226,825
Non-current liabilities			
Interest-bearing liabilities	16	122,855	6
Deferred tax liabilities	6	43,944	28,516
Provisions	17	1,402	1,187
Other financial instruments	31	-	636
Other	18	8,101	11,060
Total non-current liabilities		176,302	41,405
TOTAL LIABILITIES		249,750	268,230
NET ASSETS		1,249,806	1,193,738
EQUITY			
Contributed equity	19	608,615	608,615
Reserves	20	83,256	39,578
Retained earnings	21	557,935	545,545
TOTAL EQUITY		1,249,806	1,193,738

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

STATEMENT OF CASH FLOWS
FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011

		CONSOLIDATED	
	NOTES	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		928,834	975,030
Payments to suppliers and employees (inclusive of GST)		(844,502)	(900,568)
Dividends received		6,538	4,853
Interest received		16,517	16,679
Borrowing costs paid		(9,651)	(8,805)
Income taxes paid		(19,022)	(16,150)
NET CASH FLOWS FROM OPERATING ACTIVITIES	27(b)	78,714	71,039
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale investments		15	-
Payment for financial instruments		(21,495)	-
Proceeds from sale of financial instruments		9,115	-
Payment for settlement of Smiggle deferred payment		-	(18,398)
Payment for trademarks		(83)	(237)
Proceeds from sale of plant and equipment		42	19
Payment for property, equipment and leasehold premiums		(13,258)	(22,768)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(25,664)	(41,384)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividends paid		(55,858)	(71,319)
Proceeds from borrowings		38,000	70,500
Repayment of borrowings		(48,000)	(37,500)
Payment of debt establishment fees		(747)	-
Payment of finance lease liabilities		(85)	(172)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(66,690)	(38,491)
NET DECREASE IN CASH HELD		(13,640)	(8,836)
Cash at the beginning of the financial period		307,808	316,644
CASH AT THE END OF THE FINANCIAL PERIOD	27(a)	294,168	307,808

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

STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011

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
At 31 July 2011	608,615	464	799	(10,767)	14	49,068	545,545	1,193,738
Net Profit for the period	-	-	-	-	-	-	68,248	68,248
Other comprehensive income	-	-	-	9,418	58	33,550	-	43,026
Total comprehensive income for the period	-	-	-	9,418	58	33,550	68,248	111,274
Transactions with owners in their capacity as owners:								
Performance rights issued	-	-	652	-	-	-	-	652
Dividends Paid	-	-	-	-	-	-	(55,858)	(55,858)
Balance as at 28 July 2012	608,615	464	1,451	(1,349)	72	82,618	557,935	1,249,806
At 1 August 2010	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 as owners:								
Performance rights issued	-	-	588	-	-	-	-	588
Dividends Paid	-	-	-	-	-	-	(71,319)	(71,319)
Balance as at 30 July 2011	608,615	464	799	(10,767)	14	49,068	545,545	1,193,738

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

1 CORPORATE INFORMATION

The financial report of Premier Investments Limited for the 52 weeks ended 28 July 2012 was authorised for issue in accordance with a resolution of the directors on 10 October 2012.

Premier Investments Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities 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 31 July 2011 to 28 July 2012.

(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 other financial instruments and available-for-sale investments, which have been measured at fair value as explained in the accounting policies below.

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 the beginning of the financial year, being 31 July 2011.

(i) *AASB 124 Related Party Disclosures:* The amendments simplify and clarify the intended meaning of the definition of a related party and provide partial exemption from disclosure requirements for government related entities. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

(ii) *AASB 1054 Australian Additional Disclosures* and *AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project:* The standard sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flows to profit and loss. The adoption of the standard did not have an impact on the financial position or performance of the Group.

(iii) *AASB 2010-4 Further improvements to the Australian Accounting Standards arising from the Annual Improvements Project:* Key amendments include the clarification of content of the statement of changes in equity (AASB 101), emphasising the interaction between quantitative and qualitative financial instrument disclosures (AASB 7) and the nature and extent of risks associated with financial instruments, and illustration on how to apply disclosure principles in interim reports for significant events and transactions (AASB 134).

(iv) *AASB 2009-12 Amendments to Australian Accounting Standards* and *AASB 2010-5 Amendments to Australian Accounting Standards:* The amendments make 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.

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.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the reporting period ending 28 July 2012, are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 119	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Other changes introduced to this standard relates to the accounting for defined benefit plans.	1 January 2013	The Group has not yet determined the potential effects of the standard.	28 July 2013

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
Annual Improvements 2009-2011 Cycle	Annual Improvements to IFRS's 2009-2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS's) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the Australian Accounting Standards Board.	1 January 2013	The Group has not yet determined the potential effects of the standard.	28 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income	This amendment requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	The Group has not yet determined the potential effects of the amendment.	29 July 2012
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 *Financial Instruments: Recognition and Measurement*. 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 2015	The Group has not yet determined the potential effects of the standard. Retrospective application is generally required.	26 July 2015

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation-Special Purpose Entities*. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. Consequential amendments are also made to other standards via AASB 2011-7 *Amendments to Australian Accounting Standards* arising from the Consolidation and Joint Arrangement standards.	1 January 2013	The Group has not yet performed a detailed analysis of the potential impact, if any, of these Standards and hence have not yet quantified the extent of the potential impact.	28 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-*113 Jointly-controlled Entities – Non monetary contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Consequential amendments are also made to other standards via AASB 2011-7 *Amendments to Australian Accounting Standards* arising from the Consolidation and Joint Arrangement standards.	1 January 2013	The Group has not yet performed a detailed analysis of the potential impact, if any, of these Standards and hence have not yet quantified the extent of the potential impact.	28 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	In general, the disclosure requirements in AASB 12 are more extensive than those in the current standard. The Group has not yet determined the potential effects of the standard.	28 July 2013

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The Group has not yet determined the potential effects of the standard. The standard and disclosure requirements shall be applied prospectively from the application date for the Group.	28 July 2013

* 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 liabilities, 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 those 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 is it 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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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 whether goodwill has suffered any impairment annually, 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 13 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 related assumptions are detailed in note 29.

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 5.

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.

Estimated gift card redemption rates

The key assumption in measuring the liability for gift cards and vouchers is the expected redemption rates by customers. Expected redemption rates are reviewed annually, and adjustments are made to the expected redemption rates when considered necessary.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restructuring provisions

In 2011, the Group's Strategic review resulted in restructuring provisions in which significant judgement was 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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) BASIS OF CONSOLIDATION (CONTINUED)

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.

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 of 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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) CASH AND CASH EQUIVALENTS

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

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

(i) TRADE AND OTHER RECEIVABLES

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

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

(j) INVENTORIES

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

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

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

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

(k) PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

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

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

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) PLANT AND EQUIPMENT (CONTINUED)

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 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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) INTANGIBLE ASSETS (excluding goodwill) (CONTINUED)

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

(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 held for trading nor designated at fair value through profit or loss. All available-for-sale investments are initially recognised at cost, being fair value of the consideration given and includes 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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) OTHER FINANCIAL ASSETS (CONTINUED)

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

(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.

(p) 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 90 days.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) INTEREST-BEARING LOANS AND BORROWINGS

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

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

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

(s) PROVISIONS

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

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

(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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (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.

(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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) REVENUE RECOGNITION (CONTINUED)

(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, or when the card is no longer expected to be redeemed, based on analysis of historical non-redemption rates.

(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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) INCOME TAX (CONTINUED)

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- where the deductible temporary difference is associated with investments in subsidiaries, associates and interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

Tax consolidation

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

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

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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) 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.

(bb) CONTRIBUTED EQUITY

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) *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.

(dd) *EARNINGS PER SHARE*

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

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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ee) 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.

(ff) COMPARATIVES

The current reporting period, 31 July 2011 to 28 July 2012, represents 52 weeks and the comparative reporting period is from 1 August 2010 to 30 July 2011 which also represents 52 weeks.

(gg) PARENT ENTITY INFORMATION

The financial information for the parent entity, Premier Investment Ltd, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's principal financial instruments comprise cash and short-term deposits, available-for-sale financial assets, held-for-trading financial instruments, derivative financial instruments, receivables, payables, bank overdraft and loans and finance leases.

RISK EXPOSURES AND RESPONSES

The Group manages its exposure to key financial risks in accordance with Board-approved policies which are reviewed annually including, liquidity risk, foreign currency risk, interest rate risk, equity risk and credit risk. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include, monitoring level of exposure to interest rate and foreign exchange risk and assessment of market forecasts for interest rate and foreign exchange prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through development of future cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements.

Interest rate risk

The Group's exposure to market interest rates relates primarily to its cash and cash equivalents that it holds and long term debt obligations.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

		CONSOLIDATED	
	NOTES	2012 $'000	2011 $'000
Financial Assets			
Cash	27	294,168	307,808
Other receivables	8	3,964	4,066
		298,132	311,874
Financial Liabilities			
Finance lease liability	23	250	103
Bank loans AUD	16	108,000	118,000
Bank loans (NZD 20.0 million)	16	15,357	15,979
		123,607	134,082
Net Financial Assets		174,525	177,792

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

The Group's objective of managing interest rate risk is to minimise the entity's exposure to fluctuations in interest rates that might impact its interest revenue and cash flow. To manage this risk, the Group locks a portion of the Group's cash and cash equivalents into term deposits. The maturity of term deposits is determined based on the Group's cash flow forecast.

The Group has conducted a sensitivity analysis of the Group's exposure to interest rate risk. The sensitivity analysis below has been determined based on the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period, holding all other variables constant. A 100 (2011:100) basis point increase and decrease in Australian interest rates represents management's assessment of the possible change in interest rates. A positive number indicates an increase in profit after tax and equity, whilst a negative number indicates a reduction in profit after tax and equity.

	POST-TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements:	2012 $000	2011 $000	2012 $000	2011 $000
CONSOLIDATED				
+1.0% (100 basis points)	1,196	1,217	-	-
-1.0% (100 basis points)	(1,196)	(1,217)	-	-

The movements in profit are due to lower interest cost revenue from variable rates and net cash balances.

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australian and foreign countries, relationships with financial institutions, the level of debt that is expected to be renewed as well as a review of the last two year's historical movements and economic forecasters expectations.
- The net exposure at reporting date is representative of what the Group was and is expecting to be exposed to in the next twelve months.
- The effect on other comprehensive income is the effect on the cash flow hedge reserve and/or the available-for-sale reserve.

Equity Price Risk

The Group is exposed to equity price risk through a portfolio of available-for-sale investments and held-for-trading financial instruments. Equity price risk is the risk that the value of the Group's equity investments will fluctuate as a result of changes in market prices and ultimately result in lower returns on financial assets. The Group's objective of managing price risk is to minimise the entity's exposure to fluctuations in prices by holding its investments for long term capital appreciation.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Equity Price Risk (Continued)

The board monitors the Group's portfolio of available-for-sale investments and held-for-trading financial instruments on a regular basis to minimise exposure to price risk and ensure the portfolio is consistent with the strategic direction of the Group.

There has been no change to the Group's exposure to equity price risk or the manner in which it manages and measures its risk in the year ended 28 July 2012.

The Group has conducted a sensitivity analysis of the Group's exposure to equity price risk. The sensitivity analysis below has been determined based on the exposure to price risks from its portfolio of financial assets at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period, holding all other variables constant. A 25% (2011: 25%) increase and decrease in ASX published share prices represents management's assessment of the possible change in prices. A positive number indicates an increase in total comprehensive income, whilst a negative number indicates a reduction in total comprehensive income.

	TOTAL COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements:	2012 $'000	2011 $'000
CONSOLIDATED		
+25% increase in share prices	31,031	18,308
-25% decrease in share prices	(31,031)	(18,308)

The financial assets on which the sensitivity is shown in the table above are considered not representative of the Group's average price exposure for the year ended 28 July 2012 due to movements in portfolio holding during the year.

Foreign operations

The Group has operations in New Zealand. As a result, movements in the AUD/NZD exchange rate affect the Group's statement of financial position and results from operations. The Group has obtained New Zealand dollar denominated financing facilities from a financial institution to provide a natural hedge of the Group's exposure to movements in the AUD/NZD on translation of the New Zealand statement of financial position, however the company does not hedge its cash flow exposure to movements in the AUD/NZD.

The Group has an investment and long-term receivables denominated in South African rand (ZAR) arising from its investment in Just Kor Fashion Group (Pty) Ltd. As a result of these transactions, movements in the AUD/ZAR exchange rates can affect the Group's statement of financial position. The Group does not consider this risk to be material and, as such, has not sought to hedge this exposure.

The Group has recently commenced operations in Singapore. As a result, movement in the AUD/SGD exchange rates can affect the Group's statement of financial position and results from operations. The Group does not consider this risk to be material, and as such, has not sought to hedge this exposure.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Foreign currency transactions

The Group has exposures to foreign currencies principally arising from purchases by operating entities in currencies other than the functional currency. Approximately 60% of the Group's purchases are denominated in USD, which is not the functional currency of the Australian and New Zealand operating entities.

The Group considers its exposure to USD arising from the purchases of inventory to be a long-term and ongoing exposure.

As such, the Group's foreign currency risk management policy provides guidelines for the term over which foreign currency hedging will be undertaken for part or all of the risk. This term cannot exceed two years. Factors taken into account include:

- the implied market volatility for the currency exposure being hedged and the cost of hedging, relative to long-term indicators;
- the level of the AUD and NZD against the currency risk being hedged, relative to long-term indicators;
- the company's strategic decision-making horizon; and
- other factors considered relevant by the board.

The policy requires periodic reporting to the Audit and Risk Committee, and its application is subject to oversight from the Chairman of the Audit and Risk Committee. The policy allows the use of forward exchange contracts and foreign currency options. At reporting date, the Group had the following exposures to movements in the United States Dollar, Singapore Dollar and South African Rand:

	USD EXPOSURE		***SGD EXPOSURE***		***ZAR EXPOSURE***	
	CONSOLIDATED		CONSOLIDATED		CONSOLIDATED	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
FINANCIAL ASSETS						
Cash and cash equivalents	4	4	680	759	-	-
Trade and other receivables	32	30	-	-	2,318	3,415
Derivative financial assets (cash flow hedges)	253	-	-	-	-	-
	289	34	680	759	2,318	3,415
FINANCIAL LIABILITIES						
Trade and other payables	(17,565)	(13,901)	-	-	-	-
Derivative financial liabilities (cash flow hedges)	(2,301)	(15,465)	-	-	-	-
	(19,866)	(29,366)	-	-	-	-
Net exposure	(19,577)	(29,332)	680	759	2,318	3,415

The Group has forward currency contracts and foreign currency options designated as cash flow hedges that are subject to movements through equity and profit and loss respectively as foreign exchange rates move.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Foreign currency risk

The following sensitivity is based on the foreign exchange risk exposures in existence at the reporting date:

	POST-TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements:	2012 $000	2011 $000	2012 $000	2011 $000
CONSOLIDATED				
AUD/USD + 2.5%	412	315	(1,531)	(2,333)
AUD/USD – 10.0%	(1,845)	(1,452)	10,176	8,774
AUD/ZAR + 2.5%	(57)	(83)	-	-
AUD/ZAR – 10.0%	258	379	-	-
AUD/SGD + 2.5%	(17)	(19)	-	-
AUD/SGD –10.0%	76	84	-	-

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.
- The net exposure at reporting date is representative of what the Group was and is expecting to be exposed to in the next twelve months from reporting date.
- The effect on other comprehensive income is the effect on the cash flow hedge reserve, the foreign currency translation reserve and/or the available-for-sale reserve.
- The sensitivity does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.

Credit risk

The overwhelming majority of the Group's sales are on cash or cash equivalent terms with settlement within 24 hours. As such, the Group's exposure to credit risk is minimal. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group and financial instruments are spread amongst a number of financial institutions.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale and held for trading financial assets and certain derivative

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Credit risk (Continued)

instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised creditworthy third parties, there is no requirement for collateral by either party. Credit risk for the Group also arises from financial guarantees that members of the Group act as guarantor. At 28 July 2012, the maximum exposure to credit risk of the Group is the amount guaranteed as disclosed in note 35.

Liquidity risk

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring that there are sufficient funds available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. The Group keeps its short, medium and long term funding requirements under constant review. Its policy is to have sufficient committed funds available to meet medium term requirements, with flexibility and headroom to make acquisitions for cash in the event an opportunity should arise.

The Group has at balance date $70 million (2011: $31.8 million) cash held in deposit with 11am at call term and the remaining $224.0 million (2011: $276.0 million) cash held in deposit with maturity terms ranging from 30 to 180 days. Hence management believe there is no significant exposure to liquidity risk at 28 July 2012 and 30 July 2011.

The remaining contractual maturities of the Group's financial liabilities are:

	CONSOLIDATED	
	2012 $'000	2011 $'000
Maturity < 6 months	138,374	125,111
Maturity 6–12 months	81,759	214,021
Maturity 12–24 months	48	21,684
Maturity > 24 months	123,424	-
	343,605	360,816

Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities is based on market prices (where a market exists) or using other widely accepted methods of valuation. At 28 July 2012 and 30 July 2011 the fair value of cash and cash equivalents, short-term receivables and payables approximates their carrying value.

The fair value of the Group's available-for-sale equity investments is shown below:

	2012		**2011**	
	CARRYING AMOUNT $'000	FAIR VALUE $'000	CARRYING AMOUNT $'000	FAIR VALUE $'000
Investments	152,345	151,583	104,547	104,024

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Fair value of financial assets and liabilities (Continued)

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted price in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	CONSOLIDATED							
	FINANCIAL PERIOD ENDED 28 JULY 2012				FINANCIAL PERIOD ENDED 30 JULY 2011			
	QUOTED MARKET PRICE (LEVEL 1)	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2)	VALUATION TECHNIQUE – NON MARKET OBSERVABLE INPUTS (LEVEL 3)	TOTAL	QUOTED MARKET PRICE (LEVEL 1)	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2)	VALUATION TECHNIQUE – NON MARKET OBSERVABLE INPUTS (LEVEL 3)	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets								
Foreign Exchange Contracts	-	253	-	253	-	-	-	-
Other Financial Assets	-	16,897	-	16,897	-	-	-	-
Listed Investments	152,345	-	-	152,345	104,547	-	-	104,547
	152,345	17,150	-	169,495	104,547	-	-	104,547
Financial Liabilities								
Foreign Exchange Contracts	-	2,301	-	2,301	-	15,465	-	15,465
	-	2,301	-	2,301	-	15,465	-	15,465

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Fair value of financial assets and liabilities (Continued)

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques and other relevant models used by market participants. The valuation techniques use observable market inputs.

	CONSOLIDATED	
	2012 $'000	2011 $'000
4 REVENUE		
REVENUE		
Revenue from sale of goods	829,138	866,045
Revenue from sale of goods to associate	8,057	9,565
Revenue from sale of goods	837,195	875,610
OTHER REVENUE		
Membership program fees	476	425
INTEREST		
Other persons	16,450	17,084
Associate	315	230
Total Interest	16,765	17,314
DIVIDENDS		
Other listed companies	6,538	4,853
Total Dividends	6,538	4,853
TOTAL OTHER REVENUE	23,779	22,592
TOTAL REVENUE	860,974	898,202
OTHER INCOME		
Amortisation of deferred income	4,293	5,027
Net gain on financial instruments	4,516	-
Royalty and licence fees		
Associate	-	616
Other persons	357	313
Other	846	1,857
TOTAL OTHER INCOME	10,012	7,813
TOTAL INCOME	870,986	906,015

	NOTES	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
5 EXPENSES AND LOSSES			
EXPENSES			
DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS			
Depreciation of plant and equipment	12	17,209	20,986
Amortisation of plant and equipment under lease	12	46	133
Impairment of plant and equipment	12	-	564
TOTAL DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS		17,255	21,683
AMORTISATION OF NON-CURRENT ASSETS			
Amortisation of leasehold premiums	13	73	50
TOTAL AMORTISATION OF NON-CURRENT ASSETS		73	50
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION		17,328	21,733
FINANCE COSTS			
Finance charges payable under finance leases		39	48
Bank loans and overdraft		9,654	9,566
Provision for discount adjustment on onerous leases		501	-
TOTAL FINANCE COSTS		10,194	9,614
OPERATING LEASE EXPENSES			
Minimum lease payments – operating leases		151,812	153,611
Contingent rentals		25,137	23,918
TOTAL OPERATING LEASE EXPENSES		176,949	177,529
OTHER EXPENSES INCLUDES			
Bad debts		3	21
Share-based payments expense		652	588
Foreign exchange losses		630	523
Loss on ineffective cash flow hedges		39	1,031
Loss on disposal of available-for-sale investments		24	-
Net loss on disposal of plant and equipment		289	1,120

	CONSOLIDATED	
	2012 $'000	2011 $'000
5 EXPENSES AND LOSSES (CONTINUED)		
STRATEGIC REVIEW COSTS		
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.

		CONSOLIDATED	
		2012 $'000	2011 $'000
6	**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	19,842	17,584
	Adjustment in respect of current income tax of previous years	(1,044)	208
	DEFERRED INCOME TAX		
	Change in tax rate	158	-
	Relating to origination and reversal of temporary differences	5,563	(733)
	INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	24,519	17,059
(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	4,036	(4,553)
	Unrealised gain on available-for-sale investments	14,288	9,481
	INCOME TAX EXPENSE REPORTED IN EQUITY	18,324	4,928
(c)	NUMERICAL RECONCILIATION BETWEEN AGGREGATE TAX EXPENSE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME AND TAX EXPENSE CALCULATED PER THE STATUTORY INCOME TAX 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	92,767	57,576
	At the Parent Entity's statutory income tax rate of 30% (2011: 30%)	27,830	17,273
	Adjustment in respect of current income tax of previous years	(1,044)	208
	Effect on deferred tax balances due to change in income tax rate	158	-
	Items not recognised in deferred tax balances	(615)	-
	Expenditure not allowable for income tax purposes	151	151
	Income not assessable for tax purposes	(1,961)	(573)
	AGGREGATE INCOME TAX EXPENSE	24,519	17,059

	CONSOLIDATED	
	2012 $'000	2011 $'000
6 INCOME TAX (CONTINUED)		
(d) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
DEFERRED TAX LIABILITIES		
Intangibles	960	972
Foreign currency balances	(58)	(59)
Expenditure deductible for tax purposes over five years	(7)	(6)
Potential capital gains tax on financial investments	35,055	20,767
Deferred income		-
Employee entitlements	(139)	(64)
Other receivables and prepayments	359	447
Plant and equipment	7,466	6,162
R&D depreciation equipment	235	267
Leased plant and equipment	73	30
TOTAL DEFERRED TAX LIABILITIES	43,944	28,516
DEFERRED TAX LIABILITIES – STATEMENT OF COMPREHENSIVE INCOME (MOVEMENTS)		
Plant and equipment	1,304	1,181
Potential capital gains on financial investments	14,288	9,481
R&D depreciation equipment	(32)	(66)
Intangibles	(12)	10
Foreign exchange gains and losses	1	(460)
Expenditure deductible for tax purposes over five years	(1)	1
Deferred income	-	(317)
Employee entitlements	(75)	(7)
Other receivables and current assets	(88)	(176)
Leased plant and equipment	43	(55)
	15,428	9,592

	CONSOLIDATED	
	2012 $'000	2011 $'000
6 INCOME TAX (CONTINUED)		
DEFERRED TAX ASSETS – STATEMENT OF FINANCIAL POSITION		
Plant and equipment	346	609
Deferred gains and losses on foreign exchange contracts	614	4,639
Inventory provisions	275	324
Deferred rent gain	1,998	2,287
Deferred lease incentive income	1,963	2,894
Employee provisions	4,878	4,892
Capital expenditure deductible over five years	1	464
Other	2,008	3,668
Lease liability	75	31
TOTAL DEFERRED TAX ASSETS	12,158	19,808
DEFERRED TAX ASSETS – STATEMENT OF COMPREHENSIVE INCOME (MOVEMENTS)		
Plant and equipment	(263)	(65)
Deferred gains and losses on foreign exchange contracts	(4,025)	4,406
Inventory provisions	(49)	(132)
Deferred rent gain	(289)	(3)
Deferred lease incentive income	(931)	(1,288)
Employee provisions	(14)	(123)
Capital expenditure deductible over five years	(463)	(449)
Other provisions	(1,660)	3,111
Lease liability	44	(61)
	(7,650)	5,396

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.

	CONSOLIDATED	
	2012 $'000	2011 $'000
7 DIVIDENDS PAID AND PROPOSED		
RECOGNISED AMOUNTS		
Declared and paid during the year		
Interim franked dividends for 2012:		
18 cents per share (2011: 18 cents)	27,947	27,911
Final franked dividends for 2011:		
18 cents per share (2010: 28 cents)	27,911	43,408
UNRECOGNISED AMOUNTS		
Final franked dividend for 2012:		
18 cents per share (2011: 18 cents)	27,947	27,911
FRANKING CREDIT BALANCE		
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% (2011: 30%)	227,381	228,977
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	(3,486)	(2,965)
- franking debits that will arise from the payment of dividends as at the end of the financial year	(11,977)	(11,962)
	211,918	214,050

The tax rate at which paid dividends have been franked is 30% (2011: 30%). Dividends proposed will be franked at the rate of 30% (2011: 30%).

	CONSOLIDATED	
	2012 $'000	2011 $'000
8 TRADE AND OTHER RECEIVABLES		
CURRENT		
Sundry debtors	6,321	5,011
Associate	294	1,055
Carrying amount of trade and other receivables	6,615	6,066
NON-CURRENT		
Associate	2,023	2,360
Carrying amount of trade and other receivables	2,023	2,360

(a) *Impairment losses*

Receivables are non-interest-bearing and are generally on 30 to 60 day terms. A provision for impairment loss is recognised where there is objective evidence that an individual receivable balance is impaired. No impairment loss has been recognised by the Group during the financial period ended 28 July 2012 (2011: $nil). During the year, a bad debt expense of $3,000 (2011: $21,000) was recognised.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(b) *Related party receivables*

For terms and conditions of related party receivables refer to Note 28.

(c) *Fair value and credit risk*

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

(d) *Foreign exchange and interest rate risk*

Detail regarding foreign exchange and interest rate risk is disclosed in Note 3.

		CONSOLIDATED	
		2012 $'000	2011 $'000
9	**INVENTORIES**		
	The valuation policy adopted in respect of the following is set out in Note 2(j)		
	Raw materials	1,458	3,113
	Finished goods	69,634	70,286
	TOTAL INVENTORIES AT THE LOWER OF COST AND NET REALISABLE VALUE	71,092	73,399
10	**OTHER ASSETS**		
	CURRENT		
	Deposits and prepayments	4,292	3,140
	TOTAL OTHER CURRENT ASSETS	4,292	3,140
11	**AVAILABLE-FOR-SALE FINANCIAL ASSETS**		
	INVESTMENTS		
	Shares in companies quoted on prescribed stock exchange at fair value	152,345	104,547
	TOTAL INVESTMENTS	152,345	104,547

Investments represent the definition of available-for-sale financial assets as per AASB 139 *"Financial Instruments: Recognition & Measurements".*

The fair value of listed investments has been determined directly by reference to published price quotations in an active market.

Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

	NOTES	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
12 PLANT AND EQUIPMENT			
Plant and equipment – at cost		151,133	144,970
Less: accumulated depreciation and impairment		(71,050)	(60,294)
Total		80,083	84,676
Capitalised leased assets – at cost		896	708
Less: accumulated depreciation and impairment		(653)	(607)
Total		243	101
TOTAL PLANT AND EQUIPMENT		80,326	84,777
RECONCILIATIONS			
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:			
Plant and equipment			
At beginning of the financial period		84,676	90,925
Additions		13,986	18,975
Disposals		(331)	(1,139)
Exchange differences		(1,039)	(108)
Impairment	5	-	(2,991)
Depreciation	5	(17,209)	(20,986)
Net carrying amount at end of period		80,083	84,676
Leased plant and equipment			
At beginning of the financial period		101	285
Additions		188	-
Disposals		-	(51)
Amortisation	5	(46)	(133)
Net carrying amount at end of period		243	101
TOTAL		80,326	84,777

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 10.5% (2011: 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, no impairment loss was recognised during the financial year (2011: Impairment loss of $2,991,000 recognised).

13 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 28 JULY 2012					
As at 31 July 2011 net of accumulated amortisation and impairment	477,085	376,179	997	219	854,480
Trademark registrations	-	-	83	-	83
Amortisation	-	-	-	(73)	(73)
As at 28 July 2012 net of accumulated amortisation and impairment	477,085	376,179	1,080	146	854,490
AS AT 28 JULY 2012					
Cost (gross carrying amount)	477,085	376,179	1,080	723	855,067
Accumulated amortisation and impairment	-	-	-	(577)	(577)
Net carrying amount	477,085	376,179	1,080	146	854,490

YEAR ENDED 30 JULY 2011					
As at 1 August 2010 net of accumulated amortisation and impairment	477,085	376,179	760	149	854,173
Additions	-	-	-	121	121
Trademark registrations	-	-	237	-	237
Amortisation	-	-	-	(50)	(50)
Exchange differences	-	-	-	(1)	(1)
As at 30 July 2011 net of accumulated amortisation and impairment	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

13 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 2012, 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 11.0% (2011: 11.3%). Cash flows beyond the 5 year period are extrapolated using a growth rate of 3%.

Management has considered the possible change in expected sales volumes and forecast EBITDA applied within the GCU to which goodwill relate, each of which have been subject to sensitivities. A material adverse change in forecast sales volumes or EBITDA could have the potential to give rise to a circumstance where the recoverable amount may be 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 2012. 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.

13 INTANGIBLES (CONTINUED)

The post tax discount rate applied to the cash flow projections for each of the three CGU's is 10.1% (2011: 10.2%). The extrapolated growth rates at which cash flows have been discounted or the individual brands within each of the CGU's have been summarised below:

CGU	*AVERAGE GROWTH RATES APPLIED TO PROJECTED CASH FLOWS*	*TERMINAL VALUE GROWTH RATE*
Casual wear	3% to 4%	3%
Women's wear	3% to 10%	3%
Non Apparel	2% to 10%	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, brand recognition 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 and by determining the notional royalty payments as a percentage of the divisional 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 has considered the possible change in expected growth rates applied to brands within the CGU's, each of which have been subject to sensitivities, including changes in royalty rates. A reasonably possible adverse change in forecast sales volumes for some of the brands within the CGU's could have the potential to give rise to circumstances where the recoverable amount may be lower than the carrying amount.

	CONSOLIDATED	
	2012 $'000	2011 $'000
14 INVESTMENT IN ASSOCIATE		
Investment in associate	1,484	1,754

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 loss in its investment in the associate for the year was $101,576 (2011: Profit of $1,178,435).

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

EXTRACT FROM THE ASSOCIATE'S STATEMENT OF FINANCIAL POSITION	2012 $'000	2011 $'000
Current assets	2,981	4,082
Non-current assets	2,030	2,628
Total assets	5,011	6,710
Current liabilities	(1,504)	(2,596)
Non-current liabilities	(2,023)	(2,360)
Total liabilities	(3,527)	(4,956)
NET ASSETS		
Share of associates net assets	1,484	1,754

EXTRACT FROM THE ASSOCIATE'S STATEMENT OF COMPREHENSIVE INCOME	2012 $'000	2011 $'000
Revenue	14,291	15,386
Profit before income tax	127	878
Income tax expense (benefit)	228	(300)
Profit (loss) after income tax	(101)	1,178

		NOTES	CONSOLIDATED 2012 $'000	2011 $'000
15	TRADE AND OTHER PAYABLES			
	CURRENT			
	Trade creditors		29,104	23,523
	Other creditors and accruals		16,843	22,783
	TOTAL CURRENT		45,947	46,306

(a) *Fair values*

Due to the short-term nature of these payables, their carrying value is equal to their fair value.

(b) *Interest rate, foreign exchange rate and liquidity risk*

Detail regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 3.

		NOTES	2012 $'000	2011 $'000
16	INTEREST-BEARING LIABILITIES			
	CURRENT			
	Lease liability	23	136	97
	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		136	133,784
	NON-CURRENT			
	Lease liability	23	114	6
	Bank loans* unsecured		108,000	-
	Bank loans* unsecured (NZ$20.0 million)		15,357	-
			123,357	-
	Less directly attributable borrowing costs		(616)	-
	Net bank loans		122,741	-
	TOTAL NON-CURRENT		122,855	6

* 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) *Interest rate, foreign exchange rate and liquidity risk*

Detail regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 3.

(c) *Defaults and breaches*

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

		CONSOLIDATED	
		2012 $'000	2011 $'000
17	**PROVISIONS**		
	CURRENT		
	Employee entitlements – Annual Leave	10,615	10,593
	Employee entitlements – Long Service Leave	4,636	4,424
	Employee redundancy	15	962
	Onerous leases	4,739	9,344
	Other	-	290
	TOTAL CURRENT	20,005	25,613
	NON-CURRENT		
	Employee entitlements – Long Service Leave	1,402	1,187
	MOVEMENTS IN PROVISIONS		
	Employee redundancy		
	Opening balance	962	-
	Charged to Profit and Loss	-	2,356
	Utilised during the period	(947)	(1,394)
	Closing balance	15	962
	Onerous leases		
	Opening balance	9,344	-
	Charged to Profit and Loss	-	10,134
	Utilised during the period	(4,605)	(790)
	Closing balance	4,739	9,344

NATURE AND TIMING OF PROVISIONS

Redundancy and Employee Entitlements

Refer to note 2(t) and 2(v) respectively for the relevant accounting policy and a discussion of significant estimations and assumptions applied in the measurement of these provisions.

		2012 $'000	2011 $'000
18	**OTHER LIABILITIES**		
	CURRENT		
	Deferred income	5,059	6,293
	TOTAL CURRENT	5,059	6,293
	NON-CURRENT		
	Deferred income	8,101	11,060
	TOTAL NON-CURRENT	8,101	11,060

	CONSOLIDATED	
	2012 $'000	2011 $'000

19 CONTRIBUTED EQUITY

	2012 $'000	2011 $'000
Ordinary shares (a)	608,615	608,615

	NO. ('000)	$'000
(a) MOVEMENTS IN SHARES ON ISSUE		
Shares on issue 31 July 2011	155,062	608,615
Shares issued during the year (i)	198	-
Shares on issue at 28 July 2012	155,260	608,615
Shares on issue 1 August 2010	155,030	608,615
Shares issued during the year (i)	32	-
Shares on issue at 31 July 2011	155,062	608,615

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

(i) 197,546 shares (2011: 32,786) were issued in relation to the performance rights plan.

(b) CAPITAL MANAGEMENT

The Group's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders The Group also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The capital structure of the Group consists of debt which includes borrowings as disclosed in Note 16, cash and cash equivalents as disclosed in Note 27 and equity attributable to the equity holders of the parent comprising of issued capital, reserves and retained profits as disclosed in Notes 19, 20 and 21 respectively.

The Group operates primarily through its two business segments, investments and retail. The investments segment is managed and operated through the parent company. The retail segment operates through subsidiaries established in their respective markets and maintains a central borrowing facility through a subsidiary, to meet the retail segment's funding requirements and to enable the Group to find the optimal debt and equity balance.

The Group's capital structure is reviewed on a periodic basis in the context of prevailing market conditions, and appropriate steps are taken to ensure the Group's capital structure and capital management initiatives remain in line with the Board's objectives.

The Group maintains that the dividend paid will represent at least 65% of net profit after tax.

19 CONTRIBUTED EQUITY (CONTINUED)

Externally imposed capital requirements

Just Group Ltd, a subsidiary of Premier Investments Limited, is subject to a number of financial undertakings as part of its financing facility agreement. These undertakings have been satisfied during the period.

The Group is not subject to any capital requirements imposed by regulators or other prudential authorities.

	CONSOLIDATED	
	2012 $'000	2011 $'000
20 RESERVES		
RESERVES COMPRISE:		
Capital profits reserve (a)	464	464
Fair value reserve (b)	82,618	49,068
Foreign currency translation reserve (c)	72	14
Cash flow hedge reserve (d)	(1,349)	(10,767)
Performance rights reserve (e)	1,451	799
TOTAL RESERVES	83,256	39,578

(a) CAPITAL PROFITS RESERVE

(i) Nature and purpose of reserve

The capital profits reserve is used to accumulate realised capital profits. There were no movements through the capital profits reserve.

(b) FAIR VALUE RESERVE

(i) Nature and purpose of reserve

This reserve is used to record gains and losses on revaluation to fair value of non current assets.

(ii) Movements in the reserve

	2012 $'000	2011 $'000
Opening balance	49,068	26,769
Increment on revaluation of available-for-sale Investments	47,838	31,780
Net deferred income tax movement on investments	(14,288)	(9,481)
CLOSING BALANCE	82,618	49,068

	CONSOLIDATED	
	2012 $'000	2011 $'000
20 RESERVES (CONTINUED)		
(c) FOREIGN CURRENCY TRANSLATION RESERVE		
(i) Nature and purpose of reserve		
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.		
(ii) Movements in the reserve		
Opening balance	14	228
Foreign currency translation overseas subsidiaries	58	(214)
CLOSING BALANCE	72	14
(d) CASH FLOW HEDGE RESERVE		
(i) *Nature and purpose of reserve*		
This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.		
(ii) Movements in the reserve		
Opening balance	(10,767)	(139)
Net gains (losses) on cash flow hedges	13,300	(1,886)
Transferred (to) from statement of financial position/comprehensive income	154	(13,295)
Net deferred income tax movement on cash flow hedges	(4,036)	4,553
CLOSING BALANCE	(1,349)	(10,767)
(e) PERFORMANCE RIGHTS RESERVE		
(i) Nature and purpose of reserve		
This reserve is used to record the cumulative amortised value of performance rights issued to key senior employees net of the value of performance shares acquired under the performance rights plan.		
(ii) Movements in the reserve		
Opening balance	799	211
Performance rights expense for the year	652	588
CLOSING BALANCE	1,451	799

		CONSOLIDATED	
		2012 $'000	2011 $'000
21	**RETAINED EARNINGS**		
	Opening balance	545,545	576,347
	Net profit attributable to members of the company	68,248	40,517
	Dividends paid	(55,858)	(71,319)
	CLOSING BALANCE	557,935	545,545

22 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 28 July 2012 and 30 July 2011.

22 OPERATING SEGMENTS (CONTINUED)

(a) OPERATING SEGMENTS

	RETAIL		INVESTMENT		ELIMINATION		TOTAL	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
REVENUE								
Sale of goods	837,195	875,610	-	-	-	-	837,195	875,610
Interest revenue	506	578	16,259	16,736	-	-	16,765	17,314
Other revenue	481	427	43,533	51,819	(37,000)	(46,968)	7,014	5,278
Other income	5,496	7,813	4,516	-	-	-	10,012	7,813
Total Segment revenue	843,678	884,428	64,308	68,555	(37,000)	(46,968)	870,986	906,015
Total revenue per the statement of comprehensive income							870,986	906,015
RESULTS								
Depreciation and amortisation	17,328	21,169	-	-	-	-	17,328	21,169
Impairment	-	564	-	-	-	-	-	564
Interest expense	10,194	9,614	-	-	-	-	10,194	9,614
Share of profit (loss) of associate	(101)	1,178	-	-	-	-	(101)	1,178
Segment result	69,988	39,796	59,779	64,748	(37,000)	(46,968)	92,767	57,576
Income tax expense							(24,519)	(17,059)
Net profit after tax per the statement of comprehensive income							68,248	40,517
ASSETS AND LIABILITIES								
Segment assets	314,476	334,117	1,232,107	1,178,923	(47,027)	(51,072)	1,499,556	1,461,968
Segment liabilities	206,284	248,417	45,952	26,783	(2,486)	(6,970)	249,750	268,230
Capital expenditure	13,986	18,975	-	-	-	-	13,986	18,975

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

22 OPERATING SEGMENT (CONTINUED)

(b) *GEOGRAPHIC SEGMENTS*

	AUSTRALIA		NEW ZEALAND		SINGAPORE		TOTAL		ELIMINATIONS		CONSOLIDATED	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
REVENUE												
Sale of goods	727,385	766,432	103,284	109,178	6,526	-	837,195	875,610	-	-	837,195	875,610
Other revenue and income	32,355	28,374	1,436	2,031	-	-	33,791	30,405	-	-	33,791	30,405
Segment income	759,740	794,806	104,720	111,209	6,526	-	870,986	906,015	-	-	870,986	906,015
Segment non-current assets	1,174,145	1,078,511	10,743	11,009	2,721	-	1,187,609	1,089,520	(84,783)	(21,794)	1,102,826	1,067,726
Capital expenditure	11,522	17,922	753	1,053	1,711	-	13,986	18,975	-	-	13,986	18,975

	NOTES	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
23 EXPENDITURE COMMITMENTS			
CAPITAL EXPENDITURE COMMITMENTS			
Plant and equipment			
Payable within one year		729	1,368
TOTAL CAPITAL EXPENDITURE		729	1,368
LEASE EXPENDITURE COMMITMENTS			
(i) Operating leases			
Payable within one year		134,701	116,470
Payable within one to five years		213,657	203,480
Payable in more than five years		7,586	8,692
Total operating leases		355,944	328,642
(ii) FINANCE LEASES			
Total lease liability – current	16	136	97
Total lease liability – non-current	16	114	6
Total finance leases		250	103
FINANCE LEASE COMMITMENTS			
Payable within one year		147	98
Payable within one to five years		124	7
Minimum lease payments		271	105
Less future finance charges		(21)	(2)
TOTAL LEASE LIABILITY		250	103

The Group has entered into commercial operating leases on certain land and buildings, motor vehicles and items of plant and equipment. These leases have an average life of five years.

The Group has finance leases for various items of plant and equipment. These leases have an average term of four years with the option to purchase the asset at the completion of the lease term for the asset's market value.

	CONSOLIDATED	
	2012 $'000	2011 $'000

24 KEY MANAGEMENT PERSONNEL

(a) *COMPENSATION FOR KEY MANAGEMENT PERSONNEL (KMP)*

	2012	2011
Short-term employee benefits	4,079,109	2,413,631
Post-employment benefits	140,928	110,455
Termination benefits	-	1,045,930
Share-based payments	755,563	96,889
TOTAL	4,975,600	3,666,905

Information regarding individual directors and executives compensation and some equity instruments disclosures as required by Corporations Regulation 2M.3.03 is provided in the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

(b) *SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL*

Shares held in Premier Investments Limited:

2012	BALANCE 31 JULY 2011 ORDINARY	SHARE PURCHASE ORDINARY	SHARES ACQUIRED UNDER PERFORMANCE RIGHTS PLAN	SHARE DISPOSAL ORDINARY	BALANCE 28 JULY 2012 ORDINARY
DIRECTORS					
S. Lew**	4,437,699	-	-	-	4,437,699
F.W. Jones	192,592	-	-	-	192,592
L.E. Fox	5,577,014	-	-	-	5,577,014
H.D. Lanzer	27,665	-	-	-	27,665
M.R.I. McLeod	28,186	-	-	-	28,186
Dr. G.H. Weiss	10,000	-	-	-	10,000
D. Crean	-	-	-	-	-
T. Antonie	-	-	-	-	-
S. Herman	-	-	-	-	-
EXECUTIVES					
M. McInnes	-	-	-	-	-
K.F. Davis	-	-	-	-	-
R. Kelly	117	-	-	-	117
A. Gardner	39,003	-	98,757	(19,997)	117,763
TOTAL 2012	10,312,276	-	98,757	(19,997)	10,391,036

24 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) *SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL (CONTINUED)*

2011	BALANCE 1 AUGUST 2010 ORDINARY	SHARE PURCHASE ORDINARY	SHARES ACQUIRED UNDER PERFORMANCE RIGHTS PLAN	SHARE DISPOSAL ORDINARY	BALANCE 30 JULY 2011 ORDINARY
DIRECTORS					
S. Lew**	4,437,699	-	-	-	4,437,699
F.W. Jones	192,592	-	-	-	192,592
L.E. Fox	5,577,014	-	-	-	5,577,014
H.D. Lanzer	27,665	-	-	-	27,665
M.R.I. McLeod	28,186	-	-	-	28,186
Dr. G.H. Weiss	-	10,000	-	-	10,000
D. Crean	-	-	-	-	-
T. Antonie	-	-	-	-	-
EXECUTIVES					
M. McInnes	-	-	-	-	-
K.F. Davis	-	-	-	-	-
J. Murray	199,292	-	16,393	-	-
R. Kelly	-	117	-	-	117
A. Gardner	22,610	-	16,393	-	39,003
TOTAL 2011	10,485,058	10,117	32,786	-	10,312,276

**Mr. Lew is an associate of Century Plaza Investments Pty. Ltd., Playcorp Pty. Ltd and Metrepark Pty. Ltd (Associated Entities). The Associated Entities, collectively, have a relevant interest in 60,358,044 (2011: 60,358,044) shares in the company. However, Mr. Lew does not have a relevant interest in the shares in the company held by the Associated Entities.

24 KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

Mr. Lanzer is a partner of the legal firm Arnold Bloch Leibler. Group companies use the services of Arnold Bloch Leibler from time to time. Legal services totalling $537,770 (2011: $600,612), including Mr. Lanzer's directors fees, GST and disbursements were invoiced by Arnold Bloch Leibler to the consolidated group. The fees paid for these services were all at arm's length and on normal commercial terms.

Mr. Lanzer is a director of Loch Awe Pty Ltd. During the year operating lease payments totalling $350,064 (2011: $336,300) including GST was paid to Loch Awe Pty Ltd. The payments were at arm's length and on normal commercial terms.

Ms. Herman is a director and chairman of Urbis Pty Ltd. During the year payments for consultancy services totalling $44,000 including GST was paid to Urbis Pty Ltd. The payments were at arm's length and on normal commercial terms.

Dr. Weiss is a director of Pro-Pac Packaging Limited. During the year payments for services totalling $6,336 including GST was paid to Pro-Pac Packaging Limited, of which $2,210 remains outstanding at year-end. The payments were at arm's length and on normal commercial terms.

Mr. Lew is a director of Voyager Distributing Company Pty Ltd and family companies associated with Mr. Lew have a controlling interest in Playcorp Pty. Ltd. During the year, purchases totalling $7,288,568 (2011:$9,559,228) at normal market prices including GST have been made by Group companies from Voyager Distributing Co. Pty Ltd and Playcorp Pty Ltd, with $1,855,690 remaining outstanding at year-end. Additionally, fabric sales of $555,264, inclusive of GST, have been made by Group companies to Voyager Distributing Co. Pty Ltd, which remain receivable at year-end. Sales were at arm's length and on normal commercial terms.

Mr. Lew and Mr. McLeod are directors of Century Plaza Trading Pty. Ltd. The company and Century Plaza Trading Pty Ltd are parties to a Services Agreement to which Century Plaza Trading agrees to provide certain services to the company to the extent required and requested by the company. The company is required to reimburse Century Plaza Trading for costs it incurs in providing the company with the services under the Service Agreement. The company reimbursed a total of $423,241 (2011: $274,577) costs including GST incurred by Century Plaza Trading Pty. Ltd.

	CONSOLIDATED	
	2012 $'000	2011 $'000
25 AUDITOR'S REMUNERATION		
The auditor of Premier Investments Limited is Ernst and Young. Amounts received, or due and receivable, by Ernst and Young (Australia) for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group.	436,304	354,515
Other services in relation to the entity and any other entity in the consolidated group:		
- Taxation advice	85,278	85,700
- Other	35,934	76,368
Total – Other services	121,212	162,068
TOTAL AUDITOR'S REMUNERATION	557,516	516,583

26 SIGNIFICANT INVESTMENTS

Premier Investments Limited holds 25.7% (2011: 25.7%) of Breville Group Limited. Management have performed a review of this investment, in light of the requirements of AASB 128, and concluded that Premier Investments Limited does not hold significant influence over Breville Group Limited. Accordingly the investment in Breville Group Limited has not been equity accounted.

		CONSOLIDATED	
		2012 $'000	2011 $'000
27	**NOTES TO THE STATEMENT OF CASH FLOWS**		
(a)	*RECONCILIATION OF CASH AND CASH EQUIVALENTS*		
	Cash at bank and in hand	70,072	31,802
	Short-term deposits	224,096	276,006
	TOTAL CASH ASSETS AND CASH EQUIVALENTS	294,168	307,808
(b)	*RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS TO NET PROFIT AFTER INCOME TAX*		
	Net profit	68,248	40,517
	Adjustments for:		
	Net gain on financial instruments	(4,516)	-
	Amortisation	119	183
	Depreciation	17,209	20,986
	Impairment and write-off of non-current assets	-	2,991
	Loss on sale of available-for-sale investments	24	-
	Foreign exchange loss	630	746
	Share of associate's net loss (profit)	101	(1,178)
	Finance charges on capitalised leases	39	48
	Borrowing costs	422	350
	Loss on sale of property, plant and equipment	289	1,120
	Bad debts	3	21
	Performance rights expense	652	588
	Movement in cash flow hedge reserve	13,454	(15,181)
	Net exchange differences	241	(496)
	Changes in assets and liabilities net of the effects from acquisition and disposal of businesses:		
	Decrease in income tax receivable	416	1,218
	(Decrease) increase in provisions	(5,393)	9,974
	Decrease (increase) in deferred tax liabilities	(2,906)	113
	Decrease in trade and other payables	(359)	(4,629)
	(Decrease) increase in other financial liabilities	(13,164)	14,689
	Decrease in deferred income	(4,193)	(2,919)
	(Increase) decrease in trade and other receivables	(1,154)	2,466
	(Increase) decrease in other current assets	(1,152)	410
	Decrease (increase) in inventories	2,307	(1,660)
	(Increase) decrease in other financial assets	(253)	1,525
	Decrease (increase) in deferred tax assets	7,650	(843)
	NET CASH FLOWS FROM OPERATING ACTIVITIES	78,714	71,039

	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
27 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)		
(c) FINANCE FACILITIES		
Working capital and bank overdraft facility		
Used	-	-
Unused	12,000	12,000
	12,000	12,000
Finance facility		
Used	123,357	133,979
Unused	16,643	4,021
	140,000	138,000
Bank guarantee facility		
Used	1,103	1,186
Unused	897	3,814
	2,000	5,000
Interchangeable facility		
Used	5,504	-
Unused	2,496	-
	8,000	-
Leasing facility		
Used	250	104
Unused	-	-
	250	104
Total facilities		
Used	130,214	135,269
Unused	32,036	19,835
TOTAL	162,250	155,104

28 RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Premier Investments Limited and the subsidiaries listed in the following table:

(a) *SUBSIDIARIES*

	COUNTRY OF INCORPORATION	INTEREST HELD	INTEREST HELD
		2012 %	2011 %
Kimtara Investments Pty Ltd	Australia	100	100
Premfin Pty Ltd	Australia	100	100
Springdeep Investments Pty Ltd	Australia	100	100
Prempref Pty Ltd	Australia	100	100
Metalgrove Pty Ltd	Australia	100	-
Just Group Limited	Australia	100	100
Just Jeans Group Pty Limited	Australia	100	100
Just Jeans Pty Limited	Australia	100	100
Jay Jays Trademark Pty Limited	Australia	100	100
Just-Shop Pty Limited	Australia	100	100
Peter Alexander Sleepwear Pty Limited	Australia	100	100
Old Blues Pty Limited	Australia	100	100
Kimbyr Investments Limited	New Zealand	100	100
Jacqui E Pty Limited	Australia	100	100
Jacqueline-Eve Fashions Pty Limited	Australia	100	100
Jacqueline-Eve (Hobart) Pty Limited	Australia	100	100
Jacqueline-Eve (Retail) Pty Limited	Australia	100	100
Jacqueline-Eve (Leases) Pty Limited	Australia	100	100
Sydleigh Pty Limited	Australia	100	100
Old Favourites Blues Pty Limited	Australia	100	100
Urban Brands Pty Ltd	Australia	100	100
Portmans Pty Limited	Australia	100	100
Dotti Pty Ltd	Australia	100	100
Smiggle Pty Limited	Australia	100	100
Just Group International Pty Limited **	Australia	100	100
Smiggle Singapore Pte Ltd	Singapore	100	100
Just Group International HK Limited**	Hong Kong	100	100
Smiggle HK Limited**	Hong Kong	100	100
Just Group USA Inc.**	USA	100	100
Peter Alexander USA Inc.**	USA	100	100
Smiggle USA Inc.**	USA	100	100
Just UK International Limited**	UK	100	100
Smiggle UK LTD**	UK	100	100
Peter Alexander UK LTD**	UK	100	100
ETI Holdings Limited**	New Zealand	100	100
RSCA Pty Limited**	Australia	100	100
RSCB Pty Limited**	Australia	100	100

** Not trading as at the date of this report.

28 RELATED PARTY DISCLOSURES (CONTINUED)

(b) GROUP TRANSACTIONS WITH ASSOCIATES

The Group has a 50% interest in Just Kor Fashion Group (Pty) Ltd.

(i) Sale of inventory in the amount of $8,056,558 (2011: $9,565,416).

(ii) Management fee charged for services provided in the amount of $73,667 (2011: $96,375).

(iii) Royalty income of $nil (2011: $615,400) is due for the financial year.

(iv) Information regarding outstanding balances with the associate at year end is disclosed in Note 8.

(v) The Group provided a loan to the associate. The loan is denominated in South African Rand.

Interest is charged at a commercial rate and payable monthly. Interest earned on the loan is disclosed in Note 4.

(c) KEY MANAGEMENT PERSONNEL

Details relating to key management personnel including remuneration paid are included in Note 24.

(d) TERMS AND CONDITIONS

Terms and conditions of the tax funding arrangement are set out in Note 6.

Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash with the exception of the loan provided to the associate as disclosed above.

(e) ULTIMATE PARENT

Premier Investments Limited is the ultimate parent entity.

29 SHARE-BASED PAYMENT PLANS

(a) *RECOGNISED SHARE-BASED PAYMENT EXPENSES*

The expense recognised for employee services received during the year is shown in the table below:

	CONSOLIDATED	
	2012 $'000	2011 $'000
Total Expense arising from equity-settled share-based payment transactions	652	588

(b) *TYPE OF SHARE-BASED PAYMENT PLAN*

<u>Performance rights</u>

The company grants performance rights to executives, thus ensuring that the executives who are most directly able to influence the company performance are appropriately aligned with the interests of shareholders.

A performance right is a right to acquire one fully paid ordinary share of the company after meeting a maximum three year performance period, provided specific performance hurdles are met. The number of performance rights to vest is determined by a vesting schedule based on the performance of the company. These performance hurdles have been discussed in the remuneration report on pages 8-16.

The fair value of the performance rights has been calculated as at the respective grant dates using the Black Sholes European option pricing model.

In determining the share-based payments expenses for the period, the number of instruments expected to vest has been adjusted to reflect the number of executives expected to remain with the group until the end of the performance period, as well as the probability of not meeting the TSR performance hurdles.

The following share-based payment arrangements were in existence during the current and prior reporting periods:

	NUMBER	GRANT DATE	FAIR VALUE AT GRANT DATE
Granted on 26 June 2009	605,777	26/06/2009	$2.33
Granted on 18 December 2009	383,295	18/12/2009	$4.17
Granted on 28 June 2010	24,281	28/06/2010	$4.17
Granted on 22 November 2010	247,567	22/11/2010	$3.60
Granted on 10 May 2011	1,200,000	10/05/2011	$3.00
Granted on 25 May 2012	271,079	25/05/2012	$2.62

The following table shows the factors which were considered in determining the fair value of the performance rights granted during the current period:

GRANT DATE	SHARE PRICE	OPTION LIFE	DIVIDEND YIELD	VOLATILITY	RISK-FREE RATE	FAIR VALUE
26/06/2009	$5.36	3.3 years	5%	40%	4.7%	$2.33
18/12/2009	$8.34	3.3 years	5%	40%	4.5%	$4.17
28/06/2010	$8.34	3.3 years	5%	40%	4.5%	$4.17
22/11/2010	$7.19	3.8 years	5%	40%	5.23%	$3.60
10/05/2011	$6.00	4-5 years	5%	40%	5.1%	$3.00
25/05/2012	$5.24	3.4 years	5%	40%	2.39%	$2.62

29 SHARE-BASED PAYMENT PLANS (CONTINUED)

(c) *SUMMARY OF RIGHTS GRANTED UNDER PERFORMANCE RIGHTS PLANS*

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, performance rights issued during the year:

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Balance at beginning of the year	1,767,890	-	918,048	-
Granted during the year	288,291	-	1,748,028	-
Forfeited during the year	(50,070)	-	(865,400)	-
Exercised during the year	(197,546)	-	(32,786)	-
Expired during the year	-	-	-	-
Balance at the end of the year	1,808,565	-	1,767,890	-

Since the end of the financial year and up to the date of this report, no performance rights have been exercised, no performance rights have been issued, no performance rights have been forfeited and no performance rights have expired.

(d) *WEIGHTED AVERAGE FAIR VALUE*

The weighted average fair value of performance rights granted during the year was $2.62 (2011: $3.10).

30 DEED OF CROSS GUARANTEE

Pursuant to Class Order 98/1418, relief has been granted to the wholly-owned subsidiaries listed below from the Corporations law requirements for preparation, audit and lodgement of financial reports.

As a condition of the class order, Just Group Limited, a subsidiary of Premier Investments Limited, and each of the controlled entities of Just Group Limited entered into a Deed of Cross Guarantee as at 25 June 2009. Premier Investments Limited is not a party to the Deed of Cross Guarantee.

	CONSOLIDATED	
	2012 $'000	2011 $'000
31 OTHER FINANCIAL INSTRUMENTS		
CURRENT ASSETS		
Derivatives designated as hedging instruments		
Forward currency contracts – cash flow hedges	253	-
	253	-
Financial instruments carried at fair value through profit or loss		
Held for trading financial instruments	16,897	-
	17,150	-
CURRENT LIABILITIES		
Derivatives designated as hedging instruments		
Forward currency contracts – cash flow hedges	2,301	14,829
	2,301	14,829
NON -CURRENT LIABILITIES		
Derivatives designated as hedging instruments		
Forward currency contracts – cash flow hedges	-	636
	-	636

(a) INSTRUMENTS USED BY THE GROUP

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies.

(i) Forward currency contracts – cash flow hedges

The majority of the Group's inventory purchases are denominated in US dollars. In order to protect against exchange rates movements, the Group has entered into forward exchange contracts to purchase US dollars.

These contracts are hedging highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made.

31 OTHER FINANCIAL INSTRUMENTS (CONTINUED)

(a) INSTRUMENTS USED BY THE GROUP (CONTINUED)

(i) Forward currency contracts – cash flow hedges (continued)

The cash flows are expected to occur between one to twenty four months from 28 July 2012 and the profit and loss within cost of sales will be affected over the next couple of years as the inventory is sold. At reporting date, the details of the outstanding contracts are:

	CONSOLIDATED			
	2012 $'000	2011 $'000	2012	2011
Buy USD / Sell AUD	NOTIONAL AMOUNTS $AUD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	79,791	78,828	1.0208	0.9401
Maturity 6 – 12 months	70,224	65,237	1.0037	1.0076
Maturity 12 – 24 months	-	19,420	-	1.0093
Buy USD / Sell NZD	NOTIONAL AMOUNTS $NZD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	14,069	14,645	0.8006	0.7267
Maturity 6 – 12 months	14,990	14,867	0.8080	0.7760
Maturity 12 – 24 months	-	3,382	-	0.7983

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast inventory purchases and any gain or loss on the contracts attributable to the hedge risk is taken directly to equity.

When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the statement of financial position by the related amount deferred in equity.

31 OTHER FINANCIAL INSTRUMENTS (CONTINUED)

(ii) Foreign exchange options – cash flow hedges

The majority of the Group's inventory purchases are denominated in US dollars. In order to protect against downward exchange rate movements, the Group has entered into foreign exchange vanilla and collared options to purchase US dollars.

These contracts are hedging highly probable forecasted purchases and they are timed to expire when payments are scheduled to be made.

The cash flows are expected to occur between one to twelve months from 28 July 2012 and the profit and loss within cost of sales will be affected as the inventory is sold. At reporting date, the details of the outstanding contracts are:

	CONSOLIDATED			
	2012 $'000	2011 $'000	2012	2011
Buy USD / Sell AUD	NOTIONAL AMOUNTS $AUD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	-	-	-	-
Maturity 6 – 12 months	-	-	-	-

The Group designates the intrinsic value component of the foreign currency vanilla and collared options value as the hedging instrument in the hedge relationship. The hedging instruments are considered to be highly effective hedges as they are matched against forecast inventory purchases and any gain or loss on the intrinsic value attributable to the hedge risk is taken directly to equity. Movements in the time-value component of the foreign currency vanilla and collared options value are recognised immediately in profit and loss.

The portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the statement of financial position by the related amount deferred in equity.

(b) INTEREST RATE RISK

Information regarding interest rate exposure is set out in Note 3.

(c) CREDIT RISK

Information regarding credit risk exposure is set out in Note 3.

	CONSOLIDATED	
	2012 $'000	2011 $'000

32 EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit	68,248	40,517
	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in calculating:		
- basic earnings per share	155,206	155,041
- diluted earnings per share	156,829	156,301

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

33 PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	2012 $'000	2011 $'000
(a) Summary financial information		
Statement of financial position		
Current assets	299,502	294,658
Total assets	1,294,533	1,178,923
Current liabilities	11,835	6,080
Total liabilities	109,386	26,783
Shareholders' equity		
Issued capital	608,615	608,615
Reserves		
- Fair value reserve	82,618	49,067
- Performance rights reserve	1,451	799
Retained earnings	492,463	493,194
Profit for the year	54,329	59,142
Total comprehensive income	87,880	81,441
(b) Guarantees entered into by the parent entity	-	-
Carrying amount included in current liabilities	-	-

33 PARENT ENTITY INFORMATION (CONTINUED)

The parent entity has provided financial guarantees in respect of bank overdrafts and loans of subsidiaries amounting to $nil (2011: $nil), secured by registered mortgages over the freehold properties of the subsidiaries.

The parent entity has also given unsecured guarantees in respect of:

(i) finance leases of subsidiaries amounting to $nil (2011: $nil).

(ii) the bank overdraft of a subsidiary amounting to $nil (2011: $nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 28 July 2012 or 30 July 2011.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments to purchase property, plant and equipment as at 28 July 2012 or 30 July 2011.

34 EVENTS AFTER THE REPORTING DATE

On 20 September 2012, the directors of Premier Investments Limited declared a final dividend in respect of the 2012 financial year. The total amount of the dividend is $27,947,000 (2011: $27,911,000 which represents a fully franked dividend of 18 cents per share (2011: 18 cents per share).

35 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 $7,176,090 (2011: $1,348,943).

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Premier Investments Limited, I state that:

In the directors' opinion:

(a) the financial statements and notes and additional disclosures included in the directors' report set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 28 July 2012 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) in the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

Note 2(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

On behalf of the Board

Solomon Lew
Chairman

10 October 2012

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Independent auditor's report to the members of Premier Investments Limited

Report on the financial report

We have audited the accompanying financial report of Premier Investments Limited, which comprises the consolidated statement of financial position as at 28 July 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Premier Investments Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 28 July 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 28 July 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Premier Investments Limited for the year ended 28 July 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner

Melbourne
10 October 2012

CORPORATE GOVERNANCE STATEMENT

The Board of Premier Investments Limited ("Premier") is responsible for the corporate governance of the Group. The Board guides and monitors the business of Premier and its subsidiaries on behalf of its shareholders.

Premier and its Board continue to be fully committed to achieving and demonstrating the highest standards of accountability and transparency in their reporting and see the continued development of a cohesive set of corporate governance policies and practices as fundamental to Premier's successful growth.

The Board has included in its corporate governance policies those matters contained in the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations ("ASX Recommendations") where applicable. However, the Board also recognises that full adoption of the ASX Recommendations may not be practical or provide the optimal result given the particular circumstances of Premier.

This corporate governance statement outlines Premier's corporate governance policies and practices for the 2011/12 financial year.

In addition to the policies set out in this statement, Premier's wholly‑owned subsidiary, Just Group Limited, has in place its own stringent corporate governance practices.

1 PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Role of the Board

The directors are responsible for protecting the rights and interests of Premier, its shareholders and other stakeholders, including creditors and employees.

The Board's key responsibilities are set out in its Board Charter and include:

- protecting and enhancing the value of the assets of Premier;
- setting strategies, directions and monitoring and reviewing against these strategic objectives;
- overseeing the conduct of Premier's business in order to evaluate whether Premier is adequately managed;
- identifying, assessing, monitoring and managing risk and identifying material changes in Premier's risk profile to ensure it can take advantage of potential opportunities while managing potential adverse effects;
- monitoring Premier's financial results;
- ensuring the significant risks facing Premier have been identified and adequate control monitoring and reporting mechanisms are in place;
- approval of transactions relating to acquisitions, divestments and capital expenditure above delegated authority limits;
- determining Premier's investment policy;
- approval of financial statement and dividend policy; and
- ensuring responsible corporate governance.

To assist in the execution of the above responsibilities, the Board had in place, throughout the financial year, an Audit and Risk Committee and a Remuneration and Nomination Committee. Both Committees have direct access to significant internal and external resources, including direct access to Premier's advisers, both internal and external, and are authorised to seek independent professional or other advice if required.

The Board has delegated the responsibility for compliance with the ASX's disclosure requirements and for shareholder communication to the Company Secretary. The Company Secretary uses information provided by the ASX and consults Premier's professional legal advisers in ensuring compliance with Premier's obligations with respect to the ASX Listing Rules and Corporate Governance Principles. Premier communicates with shareholders through announcements to the ASX (which are also posted on Premier's website), general meetings of shareholders, the annual report and through written and electronic correspondence from the Company Secretary from time to time.

1.2 Role of Management

Until such time that a Chief Executive Officer ("CEO") is appointed, the Board will continue to delegate the responsibilities allocated to the CEO to other persons, such:

- the Chief Executive Officer of Premier Retail, Mark McInnes;
- the Chairman;
- external service providers including, without limitation, Century Plaza Trading Pty Ltd; and
- the existing management team at Just Group.

Under the Premier Board Charter, the CEO's responsibilities are:

- the day-to-day leadership and management of Premier;
- assisting the Board with the strategy and long-term direction of Premier;
- managing and overseeing the interfaces between Premier and the public and to act as the principal representative for Premier; and
- to report annually to the Board on succession planning and management development.

As such, these responsibilities have been delegated to the above people by the Board of Premier.

The Board will continually evaluate the performance of those carrying out the responsibilities of CEO in accordance with the Board Charter. The evaluation is based on criteria that include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year.

2 PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board of Premier comprises nine directors. The members of the Board and their positions as at the date of this report are:

Name	Date Appointed	Position
Solomon Lew	31 March 2008	Non-Executive Chairman
Gary Weiss	11 March 1994	Non-Executive Director
Henry Lanzer	31 March 2008	Non-Executive Director
Lindsay Fox	1 April 1987	Non-Executive Director
Frank Jones	1 April 1987	Non-Executive Director
Michael McLeod	29 August 2002	Non-Executive Director
Tim Antonie	1 December 2009	Non-Executive Director
David Crean	1 December 2009	Non-Executive Director
Sally Herman	14 December 2011	Non-Executive Director

Details of the respective directors' qualifications, skills, directorships and experience are set out in the Directors' Report at page 2.

2.1 Director Independence

ASX Recommendation 2.1 requires that the Board comprise a majority of independent directors. Premier has adopted the definition of independence set out in the commentary to ASX Recommendation 2.1. Directors are assessed as independent where they are independent of management and free of any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

The current structure of the Board does not comply with ASX Recommendation 2.1. During the 2011/12 financial year, there were three independent directors on the Board. The Board considers Dr Weiss, Dr Crean and Ms Herman to be independent directors. While companies associated with Mr Fox are no longer substantial shareholders of Premier, the Board elected to continue to consider Mr Fox as a non-independent director during the 2011/12 financial year.

The Board is aware of ASX Recommendation 2.1 and is confident that proper processes are in place through its Board Charter to address needs and expectations with respect to decision-making and the management of conflicts of interest. The directors on the Board of Premier all add significant value and expertise in a variety of fields. Given Premier's unique circumstances and history, a majority independent Board is not the most appropriate means for achieving Premier's strategic objectives and promoting shareholder value.

2.2 Chairman of the Board

Mr Lew is Chairman of the Board, which does not comply with ASX Recommendation 2.2 that the chair should be an independent director. The Board believes that Mr Lew's position as a director of Premier's major shareholder, Century Plaza Investments Pty Ltd, does not prevent him from carrying out his responsibilities as Chairman of the Board. Given Mr Lew's industry experience, skills, expertise and reputation, and his relationship with Premier as its founder, the Board feels that Mr Lew adds most value to the Board as its Chairman and is the most appropriate person for the position.

2.3 Trading Policy

Under the Company's securities trading policy, an officer or executive must not trade in securities of the Company at any time while in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive or officer must first obtain the approval of the Company Secretary or the Chairman to do so.

There is a general prohibition on trading by officers and executives in the following periods, subject only to limited exceptions:

- Commencing 1 December and ending 24 hours after the release of the Company's half year results to the ASX; and
- Commencing 1 July and ending 24 hours after the release of the Company's preliminary final report to the ASX; and
- Commencing 2 weeks prior to the Company's Annual General Meeting and ending 24 hours after the annual general meeting.

As required by the ASX listing rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

2.4 Nomination Committee

During the 2011/12 year, Premier maintained a nomination committee in accordance with ASX Recommendation 2.4.

The Remuneration and Nomination Committee supports and advises the Board on the nomination policies and practices of Premier. The committee consists of three members, all of whom are non-executive directors. The nomination purposes of the committee include:

- reviewing and providing recommendations of plans of succession for executives, non-executive directors and Premier's Chief Executive Officer (when appointed);
- establishing and maintaining a formal procedure for the selection and appointment of directors to the Board;
- undertaking regular reviews of the structure and size of the Board to ensure that the Board continues to have a mix of skills and experience necessary to conduct Premier's business and to make any consequential recommendations to the Board; and
- identifying, assessing the suitability of, and investigating the backgrounds of, individuals qualified to become directors and making recommendations to the Board about potential nominees.

The Remuneration and Nomination Committee intends to maintain the diversity of knowledge, skills and experience on the Premier Board across the areas of retailing and manufacturing, accounting, finance, transport, government and law.

The Remuneration and Nomination Committee consists of the following three members

Name	Date Appointed	Position in Committee
Henry Lanzer	23 September 2008	Chairperson
Solomon Lew	23 September 2008	Non-Executive Director
Gary Weiss	23 September 2008	Non-Executive Director

The Remuneration and Nomination Committee met once during the year. The meeting was attended by all three members.

2.5 Independent Advice

Individual Directors may engage separate independent counsel or advisors at the expense of the Company in appropriate circumstances, with the approval of the Chairman or by resolution of the Board.

2.6 Term of Office

Premier's Constitution specifies that all directors must retire from the office at no later than the third Annual General Meeting following their last election. Where eligible, a director may stand for re-election. The Board shall undertake regular performance evaluation of itself that:

- evaluates the effectiveness of the Board as a whole, and that of individual directors;
- compares the performance of the Board with the requirements of its Charter;
- sets forth the goals and objectives of the Board for the upcoming year; and
- effects any improvements to the Board charter deemed necessary or desirable.

The performance evaluation shall be conducted in such manner as the Board deems appropriate and may involve the use of an external consultant.

3 PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Code of Conduct

The Board insists on the highest ethical standards from all officers and employees of Premier and is vigilant to ensure appropriate corporate professional conduct at all times.

Standards by which all officers, employees and directors are expected to act are contained in the Board Charter and the Premier share trading policy. They include:

- insider trading and employee security trading;
- conflicts of interest; and
- confidentiality and privacy policy.

Just Group Limited also has its own formal code of conduct, outlining the standards by which its employees are expected to act.

ASX Recommendation 3.1 asks that a company also disclose its code of conduct or a summary of that code. Premier has implemented a formal code of conduct and this code is available on the Premier website.

3.2 Diversity Policy

The Group recognises the value contributed to the organization by employing people with varying skills, cultural backgrounds, ethnicity and experience. Premier believes its diverse workforce is the key to its continued growth, improved productivity and performance.

We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated.

During the year the following steps were taken to achieve the board's diversity objectives:

- the appointment of Ms Sally Herman as an independent non-executive director;
- the appointment of Ms Colette Garnsey as the Core Brand Director , Premier Retail;
- at year end, women represented 60% in senior executive positions and 68% at senior management level; and
- women represent 91% of the Groups' workforce.

4 PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit Committee

In accordance with ASX Recommendation 4.1, the Board has established an Audit and Risk Committee.

This committee's role and responsibilities, as well as composition, structure and membership requirements, are set out in a formal charter approved by the Board, in accordance with ASX Recommendation 4.3. This committee supports and advises the Board in fulfilling its corporate governance and oversight responsibilities in relation to Premier's financial reporting, internal control structures, ethical standards and risk management framework and systems.

The Audit and Risk Committee's prime responsibilities under its charter include:

- reviewing the appropriateness of the accounting policies and principles, any changes to those policies and principles and the methods of applying them to ensure that they are in accordance with Premier's stated financial reporting framework;
- reviewing the nomination, performance, independence and competence of the external auditor;
- meeting periodically with key management, external auditors and compliance staff to understand Premier's control environment; and
- examining and evaluating the effectiveness of the internal control system with management and external auditors.

The committee consists of three members, who as at the date of this report are:

Name	Date Appointed	Position in Committee
David Crean	1 August 2010	Chairperson
Frank Jones	7 September 1995	Non-Executive Director
Gary Weiss	1 August 2010	Non-Executive Director

The Audit and Risk Committee held meetings met on four occasions during the year. The meetings were attended by the three members of the Committee. Details of the respective directors' qualifications, skills, directorships and experience are set out in the Directors' Report at page 2.

4.2 Composition

The composition of the Audit and Risk Committee satisfies ASX Recommendation 4.2. The committee comprises a majority of independent directors and the chair of the committee is also independent.

The Audit and Risk Committee will meet as frequently as required to undertake its role effectively.

The CEO is invited to attend each scheduled meeting of the Audit and Risk Committee and a standing invitation is issued to the external auditors.

Directors who are not members of the Audit and Risk Committee are notified of all meetings and may attend if they wish. Other senior managers and external advisers may also be invited to attend meetings of the Audit and Risk Committee. The Audit and Risk Committee may request management and/or others to provide such input and advice as required.

5 PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

During the 2011/12 financial year, Premier maintained a policy to ensure that it complied with its continuous disclosure obligations under the ASX Listing Rules, the ASX Recommendations and the Corporations Act, and to ensure that all investors have equal and timely access to material and price sensitive information. This policy is contained in Premier's Board Charter which is summarised on the Company's website.

6 PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Premier endeavours to encourage and promote effective communication with its shareholders, as prescribed by ASX Recommendation 6.1. Premier's Constitution sets out the procedures to be followed regarding:

- the convening of meetings;
- the form and requirements of the notice;
- the chairperson and quorums; and
- the voting procedures, proxies, representations and polls.

Premier's strategy is to ensure that shareholders, regulators and the wider investment community are informed of all major developments affecting Premier in a timely and effective manner. Information is communicated in a number of ways including:

- annual and half-yearly reports;
- market disclosures in accordance with the continuous disclosure protocol;
- updates on operations and developments;
- announcements on Premier's website; and
- market briefings and presentations at general meetings.

Shareholders are encouraged to attend and participate at general meetings. To facilitate this, meetings are held during normal business hours and at a place convenient for the greatest possible number of shareholders to attend. The full text of notices and accompanying materials are included on Premier's website. Information is presented in a clear and concise manner designed to provide shareholders and the market with full and accurate information.

7 PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board has overall responsibility to ensure that there is a sound system of risk management and internal control across the business. One of the primary responsibilities of the Board is to identify, assess, monitor and manage risk and identify material changes in Premier's risk profile to ensure Premier can take advantage of potential opportunities while managing potential adverse effects.

7.1 Audit and Risk Committee

The Board has delegated responsibility for the identification, assessment and management of risks relating to both internal and external controls on Premier to the Audit and Risk Committee. The risk management functions of the Audit and Risk Committee include:

- examining and evaluating the effectiveness of the internal control system with management and external auditors;
- assessing existing controls that management has in place for unusual transactions or transactions that may carry more than an accepted level of risk;
- meeting periodically with key management, external auditors and compliance staff to understand Premier's control environment;
- receiving reports concerning all suspected and actual frauds, thefts and breaches of the law; and
- assessing and ensuring that there are internal processes for determining and managing key areas, such as important judgments and accounting estimates.

7.2 Management

The responsibility for managing risk on a day-to-day basis is that of the management of each business operation, although independent risk management audits of site operations are carried out regularly and a report will be prepared annually for the Board reviewing the risk management and insurances of the Company.

7.3 CEO and CFO certification

In accordance with section 295A of the Corporations Act, the Company Secretary, who performs the CFO functions, has provided a written statement to the board that:

- Premier's financial reports present a true and fair view in all material respects of Premier's financial condition and operational results and in accordance with relevant accounting standards;
- the view provided on the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- the Company's risk management and internal compliance and control system is operating effectively in all material aspects.

The board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the Company Secretary can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

In response to this, internal control questions are required to be completed by key management personnel of all significant business units in support of these written statements.

8 PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

During the 2011/12 financial year, Premier maintained a formal remuneration committee in accordance with ASX Recommendation 8.1. The Remuneration and Nomination Committee will support and advise the Board on the remuneration policies and practices of Premier. The Remuneration and Nomination Committee consists of three members, all of whom are non-executive directors. The remuneration purposes of the committee include:

- review and make recommendations to the Board on remuneration packages and policies applicable to senior executives and directors;
- define levels at which the Chief Executive Officer must make recommendations to the committee on proposed changes to remuneration and employee benefit policies;
- ensure that remuneration packages and policies attract, retain and motivate high calibre executives; and
- ensure that remuneration policies demonstrate a clear relationship between key executive performance and remuneration.

8.2 Composition

Although ASX Recommendation 8.2 suggests that the committee consists of a majority of independent directors and be chaired by an independent direct, Premier believes that the current members of the committee are most appropriate to achieve its objectives given their skill set and experience.

ASX ADDITIONAL INFORMATION AS AT 1 OCTOBER 2012

TWENTY LARGEST SHAREHOLDERS

NAME	TOTAL	% IC	RANK
CENTURY PLAZA INVESTMENTS PTY LTD	51,569,400	33.21%	1
J P MORGAN NOMINEES AUSTRALIA LIMITED	16,956,906	10.92%	2
NATIONAL NOMINEES LIMITED	16,554,900	10.66%	3
METREPARK PTY LTD	8,235,331	5.30%	4
CITICORP NOMINEES PTY LIMITED	7,273,163	4.68%	5
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <PI POOLED A/C>)	5,621,142	3.62%	6
BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>	5,098,039	3.28%	7
LINFOX SHARE INVESTMENT PTY LTD	4,569,986	2.94%	8
BBY NOMINEES LIMITED	4,200,000	2.71%	9
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,203,683	2.06%	10
DANCETOWN PTY LTD	3,000,000	1.93%	11
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,768,948	1.78%	12
UBS NOMINEES PTY LTD	2,291,518	1.48%	13
SPRINGSAND INVESTMENTS PTY LTD	1,437,699	0.93%	14
ARGO INVESTMENTS LIMITED	1,250,000	0.81%	15
ALLJET INVESTMENTS PTY LTD	1,007,028	0.65%	16
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	865,930	0.56%	17
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	704,220	0.45%	18
GRAHGER CAPITAL SECURITIES PTY LTD	650,000	0.42%	19
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	566,599	0.36%	20
TOTAL FOR TOP 20:	137,824,492	88.75%	

SUBSTANTIAL SHAREHOLDERS

NAME	TOTAL UNITS	% IC
CENTURY PLAZA INVESTMENTS PTY LTD AND ASSOCIATES	58,552,420	42.43%
PERPETUAL LIMITED AND ITS SUBSIDARIES	18,798,382	12.11%
IOOF HOLDINGS LIMITED	15,386,563	9.91%
COMMONWEALTH BANK OF AUSTRALIA AND ITS SUBSIDIARIES	7,791,097	5.02%

DISTRIBUTION OF EQUITY SHAREHOLDERS

	1 TO 1,000	1,001 TO 5,000	5,001 TO 10,000	10,001 TO 100,000	100,001 TO (MAX)	TOTAL
Holders	3,910	1,827	268	173	39	6,217
Shares	1,427,385	4,339,106	2,039,038	4,473,497	142,981,452	155,260,478

The number of investors holding less than a marketable parcel of 86 securities ($5.82 on 1 October 2012) is 317 and they hold 12,099 securities.

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

CORPORATE DIRECTORY

A.C.N. 006 727 966

DIRECTORS

Solomon Lew (Chairman)
Frank W. Jones (Deputy Chairman)
Lindsay E. Fox
Henry Lanzer
Michael R.I. McLeod
Dr Gary H. Weiss
Timothy Antonie
Dr David Crean
Sally Herman

COMPANY SECRETARY

Kim Davis

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About this report

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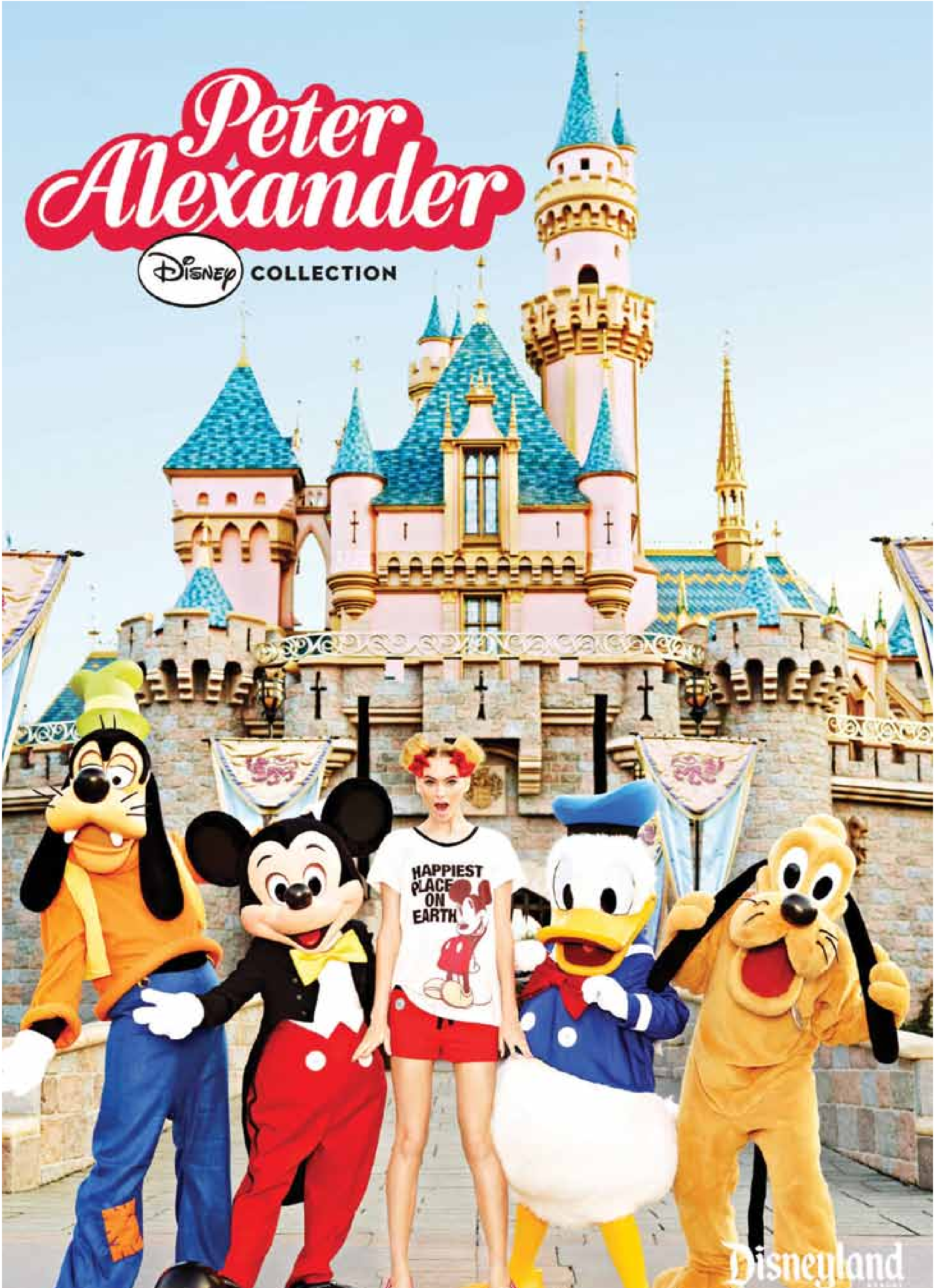
Smiggle Somerset Singapore

Smiggle Asian Growth

- Premier Retail continues to invest in growth outside of Australia and New Zealand.
- 10 stores were opened in Singapore in FY12 with a total of 14 stores operating by December 2012.
- The plan is for 5-10 more stores in Singapore over the next 12-24 months.
- Premier Retail also announced plans to expand into Malaysia and Japan in late calendar 2013.


Peter Alexander
Disney COLLECTION
HAPPIEST PLACE ON EARTH
Disneyland
IN CALIFORNIA