Appendix 4E

Preliminary final report
Current Reporting Period: 52 weeks ended 28 July 2018
Previous Corresponding Period: 52 weeks ended 29 July 2017

Name of entity:

PREMIER INVESTMENTS LIMITED **ABN 64 006 727 966**

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

1. Reporting periods

Financial year ended ("Current period")	Financial year ended ("Previous corresponding period")
28 July 2018	**29 July 2017**

2. Results for announcement to the market

	2018 $'000	2017 $'000	%
2.1 Revenue from ordinary activities	**1,189,040**	**1,101,132**	**+7.98%**
Profit from ordinary activities after tax attributable to members:			
Excluding impairment of intangible assets	113,638	105,136	+8.09%
Impairment of intangible assets	(30,000)	-	
2.2 Profit from ordinary activities after tax attributable to members	**83,638**	**105,136**	**-20.45%**
2.3 Net profit for the period attributable to members	**83,638**	**105,136**	**-20.45%**

2.4 Dividends (distributions)

			Amount per security	Franked amount per security
Final dividend	Record Date	29 October 2018	33.0 cents	33.0 cents
Interim dividend	Paid	15 May 2018	29.0 cents	29.0 cents

2.5 Record date for determining entitlements to the dividend

29 October 2018

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

The current reporting period, 30 July 2017 to 28 July 2018, represents 52 weeks, and the previous corresponding reporting period is from 31 July 2016 to 29 July 2017 and represents 52 weeks. Current year profit after tax of $83.6 million includes a non-cash impairment expense of $30 million in relation to an impairment write down of the Group's intangible assets.

For further explanation please refer to the attached financial statements and Investor Presentation accompanying this preliminary final report.

3. Statement of Comprehensive Income

Please refer to the attached financial statements for the 52 weeks ended 28 July 2018.

4. Statement of Financial Position

Please refer to the attached financial statements for the 52 weeks ended 28 July 2018.

5. Statement of Cash Flows

Please refer to the attached financial statements for the 52 weeks ended 28 July 2018.

6. Statement of Changes in Equity

Please refer to the attached financial statements for the 52 weeks ended 28 July 2018.

7. Dividends

Date the dividend is payable	16 November 2018
Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of registrable transfers received by 5.00 pm if +securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	29 October 2018

Amount per security

		Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Final dividend:	Current year	33.0 cents	33.0 cents	Nil
	Previous year	27.0 cents	27.0 cents	Nil

Total dividend per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	62.0 cents	53.0 cents
Preference +securities	Nil	Nil

Preliminary final report - final dividend on all securities

	Current period $A'000	Previous corresponding period - $A'000
Ordinary securities	52,173	42,619
Preference +securities	-	-
Total	52,173	42,619

8. Dividend reinvestment plans

The +dividend plans shown below are in operation.

Dividend Reinvestment plan does not apply to the final dividend.

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

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per +ordinary security	$3.28	$3.05

10. Control gained over entities having material effect

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

Loss of control of entities having material effect

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

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

Name of Associate/ Joint Venture entity	**Ownership Interest**	**Aggregate share of profits (losses) of associate/ joint venture entity 2018**	**Aggregate share of profits (losses) of associate/ joint venture entity 2017**
Breville Group Limited	27.5%	$16,087,000	$14,799,000

12. Other significant information

Please refer to the attached financial statements for the 52 weeks ended 28 July 2018.

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

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

14. Commentary

For further explanation please refer to the attached financial statements for the 52 weeks ended 28 July 2018, as well as the Investor Presentation accompanying this preliminary final report.

15. Compliance statement

This report should be read in conjuction with the attached financial statements for the 52 weeks ended 28 July 2018. The attached financials do not contain a full set of disclosures as required by IFRS.

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

Sign here: .... Date 20 September 2018
Company Secretary

Print name: KIM DAVIS

PREMIER INVESTMENTS LIMITED

A.C.N. 006 727 966

APPENDIX 4E

FINANCIAL STATEMENTS

FOR THE PERIOD 30 JULY 2017 TO 28 JULY 2018

CONTENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017

	NOTES	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
Revenue from sale of goods	4	1,182,221	1,092,760
Other revenue	4	5,626	6,422
Total revenue		1,187,847	1,099,182
Other income	4	1,193	1,950
Total revenue and other income		1,189,040	1,101,132
Changes in inventories of finished goods		(443,907)	(403,336)
Employee expenses		(282,813)	(272,896)
Operating lease rental expense		(222,978)	(211,779)
Depreciation, impairment and amortisation of non-current assets	5	(58,904)	(26,071)
Advertising and direct marketing		(15,234)	(13,737)
Finance costs	5	(7,551)	(6,242)
Other expenses		(49,775)	(42,725)
Total expenses		(1,081,162)	(976,786)
Share of profit of associate	18	16,087	14,799
Profit from continuing operations before income tax		123,965	139,145
Income tax expense	6	(40,327)	(34,009)
Net profit for the period attributable to owners		**83,638**	**105,136**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gain (loss) on cash flow hedges	22	33,343	(7,129)
Foreign currency translation	22	5,214	(4,008)
Net movement in other comprehensive income of associates	22	1,424	(700)
Income tax on items of other comprehensive income	6	(10,003)	2,139
Other comprehensive income which may be reclassified to profit or loss in subsequent periods, net of tax		**29,978**	**(9,698)**
Items not to be reclassified subsequently to profit or loss			
Net fair value loss on listed equity investment	22	(26,978)	(34,700)
Income tax on items of other comprehensive income	6	7,913	10,522
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods, net of tax		**(19,065)**	**(24,178)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS		**94,551**	**71,260**
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)	7	52.97	66.78
- diluted for profit for the year (cents per share)	7	52.64	66.25

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

STATEMENT OF FINANCIAL POSITION

AS AT 28 JULY 2018 AND 29 JULY 2017

	NOTES	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	19	178,618	170,631
Trade and other receivables	9	21,563	23,682
Inventories	10	159,313	140,755
Other financial instruments		11,973	181
Other current assets	11	15,323	11,572
Total current assets		386,790	346,821
Non-current assets			
Property, plant and equipment	15	238,167	214,378
Intangible assets	16	825,949	855,114
Deferred tax assets	6	36,637	35,773
Listed equity investment at fair value	17	40,687	67,665
Investment in associate	18	223,184	216,940
Total non-current assets		1,364,624	1,389,870
TOTAL ASSETS		**1,751,414**	**1,736,691**
LIABILITIES			
Current liabilities			
Trade and other payables	12	84,558	71,528
Other financial instruments		-	21,651
Income tax payable		9,947	17,936
Provisions	13	19,234	19,365
Other current liabilities	14	21,629	12,910
Total current liabilities		135,368	143,390
Non-current liabilities			
Interest-bearing liabilities	20	175,684	173,475
Deferred tax liabilities	6	63,933	58,787
Provisions	13	2,040	1,828
Other financial instruments		425	460
Other non-current liabilities	14	29,030	23,078
Total non-current liabilities		271,112	257,628
TOTAL LIABILITIES		**406,480**	**401,018**
NET ASSETS		**1,344,934**	**1,335,673**
EQUITY			
Contributed equity	21	608,615	608,615
Reserves	22	(16,009)	(30,100)
Retained earnings		752,328	757,158
TOTAL EQUITY		**1,344,934**	**1,335,673**

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

STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017

	NOTES	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,303,577	1,211,741
Payments to suppliers and employees (inclusive of GST)		(1,120,075)	(1,063,463)
Interest received		3,702	6,715
Borrowing costs paid		(7,232)	(5,722)
Income taxes paid		(46,121)	(51,434)
NET CASH FLOWS FROM OPERATING ACTIVITIES	19(b)	**133,851**	**97,837**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from listed equity investment		1,769	-
Dividends received from investment in associate		11,267	10,551
Payment for trademarks		(859)	(325)
Purchase of investments		-	(102,365)
Proceeds from disposal of property, plant and equipment		326	5
Payment for property, plant and equipment and leasehold premiums		(53,172)	(105,634)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(40,669)**	**(197,768)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividends paid		(88,468)	(80,352)
Proceeds from borrowings		107,000	155,000
Repayment of borrowings		(105,000)	(87,074)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(86,468)**	**(12,426)**
NET INCREASE (DECREASE) IN CASH HELD		**6,714**	**(112,357)**
Cash at the beginning of the financial year		**170,631**	**283,233**
Net foreign exchange difference		1,273	(245)
CASH AT THE END OF THE FINANCIAL YEAR	19(a)	**178,618**	**170,631**

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 2018 AND 29 JULY 2017

	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 30 July 2017	608,615	464	12,556	(15,281)	(3,661)	(24,178)	757,158	1,335,673
Net profit for the period	-	-	-	-	-	-	83,638	83,638
Other comprehensive income	-	-	-	23,340	6,638	(19,065)	-	10,913
Total comprehensive income for the period	**-**	**-**	**-**	**23,340**	**6,638**	**(19,065)**	**83,638**	**94,551**
Transactions with owners in their capacity as owners:								
Performance rights issued	-	-	3,178	-	-	-	-	3,178
Dividends paid	-	-	-	-	-	-	(88,468)	(88,468)
Balance as at 28 July 2018	**608,615**	**464**	**15,734**	**8,059**	**2,977**	**(43,243)**	**752,328**	**1,344,934**
At 31 July 2016	608,615	464	6,346	(10,291)	1,047	-	732,374	1,338,555
Net profit for the period	-	-	-	-	-	-	105,136	105,136
Other comprehensive loss	-	-	-	(4,990)	(4,708)	(24,178)	-	(33,876)
Total comprehensive income for the period	**-**	**-**	**-**	**(4,990)**	**(4,708)**	**(24,178)**	**105,136**	**71,260**
Transactions with owners in their capacity as owners:								
Performance rights issued	-	-	6,210	-	-	-	-	6,210
Dividends paid	-	-	-	-	-	-	(80,352)	(80,352)
Balance as at 29 July 2017	**608,615**	**464**	**12,556**	**(15,281)**	**(3,661)**	**(24,178)**	**757,158**	**1,335,673**

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

1 GENERAL INFORMATION

The financial report contains the consolidated financial statements of the consolidated entity, comprising Premier Investments Limited (the 'parent entity') and its wholly owned subsidiaries ('the Group') for the 52 weeks ended 28 July 2018.

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

The Group has presented the content and structure of its financial report in a manner to improve and clarify the presentation of financial information. The financial report is presented in such a way as to provide users with more clear, understandable and structured financial information, which better explains the financial performance and position of the Group.

The notes to the financial statements have been organised into the following sections:

(i) *Other significant group accounting policies:* Summarises the basis of financial statement preparation and other accounting policies adopted in the preparation of these consolidated financial statements. Specific accounting policies are disclosed in the note to which they relate.

(ii) *Group performance:* Contains the notes that focus on the results and performance of the Group.

(iii) *Operating assets and liabilities:* Provides information on the Group's assets and liabilities used to generate the Group's performance.

(iv) *Capital invested:* Provides information on the capital invested which allows the Group to generate its performance.

(v) *Capital structure and risk management:* Provides information on the Group's capital structure, and summarises the Group's Risk Management policies.

(vi) *Group structure:* Contains information in relation to the Group's structure and related parties.

(vii) *Other disclosures:* Summarises other disclosures which are required in order to comply with Australian Accounting Standards and other authoritative pronouncements.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES

The consolidated financial report is prepared for the 52 weeks from 30 July 2017 to 28 July 2018.

Below is a summary of significant group accounting policies applicable to the Group which have not been disclosed elsewhere. The notes to the financial statements, which contain detailed accounting policy notes, should be read in conjunction with the below Group accounting policies.

(a) BASIS OF FINANCIAL REPORT 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 listed equity investments at fair value, which have been measured at fair value as explained in the relevant accounting policies throughout the notes.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000), unless otherwise stated, as the Company is a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(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) BASIS OF CONSOLIDATION

The consolidated financial statements are those of the consolidated group, comprising Premier Investments Limited and its wholly owned subsidiaries as at the end of each financial year. A list of the Group's subsidiaries is included in note 23.

Subsidiaries are entities that are controlled by the Group. Control is achieved when the Group has:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 revenue in the separate statement of comprehensive income of the parent entity, and do not impact the recorded cost of the investment.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

(d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated 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 judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified certain critical accounting policies for which significant judgements, estimates and assumptions are required. These key judgements, estimates and assumptions have been disclosed as part of the relevant note to the financial statements. 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.

(e) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current versus non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold in the normal operating cycle, or primarily held for the purpose of trading, or is expected to be realised within twelve months after the reporting period, or;
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(e) CURRENT VERSUS NON-CURRENT CLASSIFICATION (CONTINUED)

All other assets are classified as non-current. A liability is current when it is:

- Expected to be settled in the normal operating cycle, or primarily held for the purpose of trading, or is due to be settled within twelve months after the reporting period, or;
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets and liabilities are classified as non-current.

(f) OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(g) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Both the functional and presentation currency of Premier Investments Limited and its Australian subsidiaries is 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 are taken to profit or loss in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

As at the reporting date the assets and liabilities of the overseas subsidiaries 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 income are translated at the weighted average exchange rates for the period.

Exchange variations resulting from the translations are recognised through other comprehensive income and accumulated in the foreign currency translation reserve in equity.

(h) GOODS AND SERVICES TAX (GST), INCLUDING OTHER VALUE-ADDED 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.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(i) COMPARATIVE AMOUNTS

The current reporting period, 30 July 2017 to 28 July 2018, represents 52 weeks and the comparative reporting period is from 31 July 2016 to 29 July 2017 which also represents 52 weeks. From time to time, management may change prior year comparatives to reflect classifications applied in the current year.

(j) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policies, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for new and amended Australian Accounting Standards and AASB Interpretations relevant to the Group and its operations that are effective for the current annual reporting period, as well as accounting policies early adopted during the current annual reporting period.

The new and amended Australian Accounting Standards relevant to the Group for the current annual reporting period, as well as Australian Accounting Standards which have been early adopted, are as follows:

(i) <u>*AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative:*</u> Amendments to AASB 107 *Statement of Cash Flows* became effective as of 30 July 2017 and resulted in updated disclosures in the financial statements (refer to note 20).

(ii) <u>*AASB 9 Financial Instruments*</u>*:* The Group has elected to early adopt AASB 9 as of the beginning of the financial year, being 30 July 2017. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 provides a simpler approach to classification and measurement of financial assets compared to the requirements of AASB 139 and introduces a new expected credit-loss impairment model that requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis. The Group has also elected to early adopt the hedge accounting requirements of AASB 9 as of 28 January 2018. The nature and effects of the key changes to the Group's accounting policies resulting from the early adoption of AASB 9 are summarised below:

<u>*Classification of financial assets and liabilities*</u>

Under AASB 9, the classification of financial assets has been simplified with the effect that certain classification categories that existed under AASB 139 have been removed. Under AASB 9, the method of classification is based on both the entity's business model for managing the financial asset as well as the characteristics of the financial asset's contractual cash flows.

Under AASB 139, loans and receivables were measured at amortised cost, less any provision for impairment losses. Under AASB 9, amortised cost applies to instruments for which an entity has a business model to hold the financial asset to collect the contractual cash flows, and the characteristics of the contractual cash flows are that of solely payments of the principal amount and interest.

Under AASB 139, available-for-sale financial assets represented non-derivative financial assets and consisted of an investment in listed securities. Available-for-sale financial assets were measured at fair value at reporting date, with unrealised gains or losses presented in other comprehensive income and accumulated in equity in the fair value reserve, until the investment was derecognised or until the investment was deemed to be impaired, at which time the cumulative gains or losses previously reported in equity were recognised in profit or loss.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(j) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Under AASB 9, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-derivative equity instruments not held for trading in other comprehensive income without subsequent reclassification to profit or loss. The Group has elected to classify its listed equity investment that it holds in this category. This change in accounting policy has been applied retrospectively, with no material impact on the Group's retained earnings of previous years.

The adoption of AASB 9 has not had a significant effect on the Group's classification of financial liabilities.

Changes in the accounting policies of financial assets and liabilities because of the early adoption of AASB 9 have been applied retrospectively. The table summarises the impact on classification and measurement of the Group's financial assets and financial liabilities on 31 July 2016 resulting from the adoption of AASB 9.

	CLASSIFICATION UNDER AASB 139	CLASSIFICATION UNDER AASB 9	CARRYING AMOUNT UNDER AASB 139	CARRYING AMOUNT UNDER AASB 9	IMPACT ON RETAINED EARNINGS AS AT 31 JULY 2016
FINANCIAL ASSETS					
Listed equity investment (a)	Available-for-sale	Fair value through other comprehensive income	-	-	-
Trade and other receivables	Loans and receivables	Amortised cost	16,461	16,461	-
Cash and cash equivalents	Loans and receivables	Amortised cost	283,233	283,233	-
FINANCIAL LIABILITIES					
Interest-bearing liabilities	Other financial liabilities	Other financial liabilities	105,805	105,805	-
Trade and other payables	Other financial liabilities	Other financial liabilities	72,965	72,965	-

(a) The listed equity investment was acquired in the 2017 financial year. As at 29 July 2017, the listed equity investment's carrying amount under AASB 139 was $67,665,000, which is also reflective of the carrying amount under AASB 9.

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with a more forward-looking 'expected credit loss' model. Under AASB 9, expected credit losses are used as the basis for calculating the impairment allowance. After initial recognition, the impairment allowance is adjusted up or down through profit or loss at each reporting date as the probabilities of recovery deteriorate or improve. Due to the nature of the Group's trade and other receivables, the re-measurement of impairment allowances using the expected credit loss model under AASB 9 has not had a material impact on current or prior period impairment allowances.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(j) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Hedge accounting

AASB 9 amends hedge accounting to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139. AASB 9 replaces some of the arbitrary rules with more principle-based requirements, allowing more hedging instruments and hedged items to qualify for hedge accounting. The principle-based approach of AASB 9 requires that there is an economic relationship between the hedged item and the hedging instrument, that the effect of credit risk does not dominate value changes and that the hedge ratio of the hedging relationship is the same as that used for risk management purposes.

The transition provisions within AASB 9 states that hedging relationships under AASB 139 which also qualify for hedge accounting under AASB 9 are treated as continuing hedges. Hedge accounting under AASB 139 ceases at the moment hedge accounting under AASB 9 commences, therefore resulting in no changes on transition.

Hedge accounting requirements of AASB 9 shall be applied prospectively. The Group has early adopted the hedge accounting requirements of AASB 9 as of 28 January 2018. As a result, the early adoption of AASB 9 relating to hedge accounting has not had an impact on retained earnings of the Group, or the classification and measurement of the Group’s hedge accounting.

Accounting Standards and Interpretations issued but not yet effective

Recently issued or amended Australian Accounting Standards and Interpretations that have been identified as those which may be relevant to the Group in future reporting periods, but are not yet effective and have not been adopted by the Group for the reporting period ended 28 July 2018, are outlined below:

(i) *AASB 15 Revenue from Contracts with Customers:* AASB 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Since issuing AASB 15 in December 2014, the AASB have also issued AASB 2014-5 *Amendments to Australian Accounting Standards Arising from AASB 15;* AASB 2015-8 *Amendments to Australian Accounting Standards – effective date of AASB 15,* and AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15.* The first application date for the Group will be for the financial year ending 27 July 2019. The Group has performed a detailed assessment to determine the impact of adopting AASB 15 on its consolidated financial statements. The assessment performed to date has identified certain key areas that may have a potential risk of impact, and which may require a greater level of scrutiny to quantify the financial impact of AASB 15. These key areas relate to the use of loyalty programs, and revenue associated with gift cards. Although the Group’s assessment performed to date has not identified a material financial impact, the Group’s continuing assessment will focus on identifying and responding to changes in business processes and associated internal controls as a result of the new accounting standard. The new standard also requires extensive disclosures including disaggregation of total revenue and key judgements and estimates. The Group will adopt AASB 15 on 29 July 2018 and anticipates using the modified retrospective transition method on initial adoption.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(j) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

(ii) *AASB 16 Leases:* This Standard will replace AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease,* Interpretation 115 *Operating Leases – Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements. The standard introduces a new lease accounting model for lessees that require lessees to recognise all leases on balance sheet, except short-term leases and leases of low value assets. Under AASB 16, the present value of operating lease commitments would be shown as a liability on the balance sheet together with an asset representing the right-of-use. In addition, the current operating lease expense recognised in profit or loss in the statement of comprehensive income will be replaced with amortisation and interest expense. The Group has completed an initial assessment of the potential impact on its consolidated financial statements and is in the process of completing its detailed assessment.

The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on:

a) Future economic conditions, including the Group's incremental borrowing rate at initial application date;
b) The composition of the Group's lease portfolio at that date, including the value of retail property in holdover negotiations or subject to variable pricing terms;
c) The Group's latest assessment of whether it will exercise any lease renewal options; and
d) The extent to which the Group chooses to use practical expedients and recognition exemptions.

The most significant impact identified to date is that the Group will recognise new assets and liabilities for leases currently classified as operating leases. In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities. The first application date for the Group will be for the financial year ending 25 July 2020.

(iii) *AASB Interpretation 23 Uncertainty over Income Tax Treatments:* The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The first application date for the Group will be for the financial year ending 25 July 2020. The Group does not anticipate that the Interpretation will have a material impact on the Group.

GROUP PERFORMANCE

3 OPERATING SEGMENTS

Identification of 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 Group 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. The operating segments are identified by management based on the nature of the business conducted, and for which discrete financial information is available and reported to the chief operating decision maker on at least a monthly basis.

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.

Reportable Segments

Retail

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

Investment

The investment segment represents investments in securities for both long and short term gains, dividend income and interest.

Accounting policies

The key accounting policies used by the Group in reporting segment information internally are the same as those contained in these financial statements.

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.

Segment capital expenditure

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

The table on the following page presents revenue and profit information for operating segments for the periods ended 28 July 2018 and 29 July 2017.

GROUP PERFORMANCE

3 OPERATING SEGMENTS (CONTINUED)

(A) OPERATING SEGMENTS

	RETAIL		INVESTMENT		ELIMINATION		CONSOLIDATED	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
REVENUE AND OTHER INCOME								
Sale of goods	1,182,221	1,092,760	-	-	-	-	1,182,221	1,092,760
Interest revenue	106	117	3,526	6,028	-	-	3,632	6,145
Other revenue	195	250	82,799	72,027	(81,000)	(72,000)	1,994	277
Other income	1,193	1,935	-	15	-	-	1,193	1,950
Total revenue and other income	1,183,715	1,095,062	86,325	78,070	(81,000)	(72,000)	1,189,040	1,101,132
Total income per the statement of comprehensive income							**1,189,040**	**1,101,132**
RESULTS								
Depreciation and amortisation	27,910	24,951	994	580	-	-	28,904	25,531
Impairment of property plant and equipment	-	540	-	-	-	-	-	540
Impairment of intangible asset brand names	-	-	30,000	-	-	-	30,000	-
Interest expense	5,467	4,884	2,084	1,358	-	-	7,551	6,242
Share of profit of associates	-	-	16,087	14,799	-	-	16,087	14,799
Profit before income tax expense	**142,484**	**126,182**	**62,481**	**84,963**	**(81,000)**	**(72,000)**	**123,965**	**139,145**
Income tax expense							(40,327)	(34,009)
Net profit after tax per the statement of comprehensive income							**83,638**	**105,136**
ASSETS AND LIABILITIES								
Segment assets	552,218	499,031	1,260,913	1,301,128	(61,717)	(63,468)	1,751,414	1,736,691
Segment liabilities	308,458	305,959	106,928	112,513	(8,906)	(17,454)	406,480	401,018
Capital expenditure	45,854	45,040	4,927	58,485	-	-	50,781	103,525

GROUP PERFORMANCE

3 OPERATING SEGMENTS (CONTINUED)

(B) GEOGRAPHIC AREAS OF OPERATION

	AUSTRALIA		NEW ZEALAND		ASIA		EUROPE		TOTAL		ELIMINATIONS		CONSOLIDATED	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
REVENUE AND OTHER INCOME														
Sale of goods	873,814	832,627	124,005	128,163	57,820	37,648	126,582	94,322	1,182,221	1,092,760	-	-	1,182,221	1,092,760
Other revenue and income	6,682	8,100	135	268	-	2	2	2	6,819	8,372	-	-	6,819	8,372
Segment revenue and other income	880,496	840,727	124,140	128,431	57,820	37,650	126,584	94,324	1,189,040	1,101,132	-	-	1,189,040	1,101,132
Segment non-current assets	1,263,789	1,391,592	8,233	8,665	8,363	6,949	46,292	34,388	1,326,677	1,441,594	37,947	(51,724)	1,364,624	1,389,870
Capital expenditure	33,123	85,316	103	848	2,522	4,212	15,033	13,149	50,781	103,525	-	-	50,781	103,525

GROUP PERFORMANCE

4 REVENUE AND OTHER INCOME

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
REVENUE		
Revenue from sale of goods	1,182,221	1,092,760
OTHER REVENUE		
Membership program fees	190	247
Sundry revenue	34	30
Interest received	3,632	6,145
Dividends received from listed equity investment	1,769	-
TOTAL OTHER REVENUE	5,626	6,422
TOTAL REVENUE	**1,187,847**	**1,099,182**
OTHER INCOME		
Royalty and licence fees		
Other persons	127	43
Foreign exchange gains	-	669
Other	1,066	1,238
TOTAL OTHER INCOME	1,193	1,950
TOTAL REVENUE AND OTHER INCOME	**1,189,040**	**1,101,132**

REVENUE RECOGNITION ACCOUNTING POLICY

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.

Specifically, 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.

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.

Interest 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.

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

GROUP PERFORMANCE

4 REVENUE AND OTHER INCOME (CONTINUED)

KEY ACCOUNTING ESTIMATES

Estimated gift card redemption rates

Expected gift card redemption rates are reviewed annually, and adjustments are made to the expected redemption rates when considered necessary.

	NOTES	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
5 EXPENSES			
OPERATING LEASE EXPENSES			
Minimum lease payments – operating leases		180,089	173,959
Contingent rentals		42,889	37,820
TOTAL OPERATING LEASE EXPENSES		**222,978**	**211,779**
DEPRECIATION, AMORTISATION AND IMPAIRMENT OF NON-CURRENT ASSETS			
Depreciation of property, plant and equipment	15	28,880	25,504
Impairment of property, plant and equipment	15	-	540
Amortisation of leasehold premiums	16	24	27
Impairment of intangible asset brand names	16	30,000	-
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT OF NON-CURRENT ASSETS		**58,904**	**26,071**
FINANCE COSTS			
Interest on bank loans and overdraft		7,551	6,242
TOTAL FINANCE COSTS		**7,551**	**6,242**
OTHER EXPENSES INCLUDE:			
Foreign exchange losses		989	-
Loss on ineffective cash flow hedges		-	246
Net loss on disposal of property, plant and equipment		176	321

GROUP PERFORMANCE

	CONSOLIDATED	
	2018 $'000	2017 $'000

6 INCOME TAX

The major components of income tax expense are:

(a) *INCOME TAX RECOGNISED IN PROFIT OR LOSS*

	2018 $'000	2017 $'000
CURRENT INCOME TAX		
Current income tax charge	40,680	39,943
Adjustment in respect of current income tax of previous years	(77)	(3,772)
DEFERRED INCOME TAX		
Relating to origination and reversal of temporary differences	2,371	(1,492)
Adjustments in respect of current income tax of previous years	(2,647)	(687)
Difference in exchange rates	-	17
INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	**40,327**	**34,009**

(b) *STATEMENT OF CHANGES IN EQUITY*

	2018 $'000	2017 $'000
Deferred income tax related to items credited directly to equity:		
Net deferred income tax on movements on cash-flow hedges	10,003	(2,139)
Net deferred income tax on unrealised loss on listed equity investment at fair value	(7,913)	(10,522)
INCOME TAX EXPENSE (BENEFIT) REPORTED IN EQUITY	**2,090**	**(12,661)**

(c) *RECONCILIATION BETWEEN TAX EXPENSE AND THE ACCOUNTING PROFIT BEFORE TAX MULTIPLIED BY THE GROUP'S APPLICABLE AUSTRALIAN INCOME TAX RATE*

	2018 $'000	2017 $'000
Accounting profit before income tax	123,965	139,145
At the Parent Entity's statutory income tax rate of 30% (2017: 30%)	37,190	41,743
Adjustment in respect of current income tax of previous years	(2,814)	(1,148)
Expenditure not allowable for income tax purposes	10,965	2,046
Effect of different rates of tax on overseas income	(3,368)	(2,877)
Income not assessable for tax purposes	(1,037)	(3,324)
Other	(609)	(2,431)
AGGREGATE INCOME TAX EXPENSE	**40,327**	**34,009**

GROUP PERFORMANCE

6 INCOME TAX (CONTINUED)

(d) *RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES*

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
DEFERRED TAX RELATES TO THE FOLLOWING:		
Foreign currency balances	630	(610)
Potential capital gains tax on financial investments	(32,794)	(38,269)
Deferred gains and losses on foreign exchange contracts	(3,464)	6,579
Inventory provisions	290	515
Deferred income	12,572	9,131
Employee provisions	6,302	5,806
Other receivables and prepayments	(1,902)	(823)
Property, plant and equipment	(6,346)	(6,620)
Other	(2,584)	1,277
NET DEFERRED TAX LIABILITIES	**(27,296)**	**(23,014)**
REFLECTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS:		
Deferred tax assets	36,637	35,773
Deferred tax liabilities	(63,933)	(58,787)
NET DEFERRED TAX LIABILITIES	**(27,296)**	**(23,014)**

INCOME TAX ACCOUNTING POLICY

Income tax expense comprises current tax (amounts payable or receivable within 12 months) and deferred tax (amounts payable or receivable after 12 months). Tax expense is recognised in profit or loss, unless it relates to items that have been recognised in equity as part of other comprehensive income or directly in equity. In this instance, the related tax expense is also recognised in other comprehensive income or directly in equity.

Current income tax

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

Deferred income tax

Deferred income tax is recognised on taxable temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes based on the expected manner of recovery of the carrying value of an asset or liability. Deferred 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 substantially enacted at the reporting date.

GROUP PERFORMANCE

6 INCOME TAX (CONTINUED)

INCOME TAX ACCOUNTING POLICY (CONTINUED)

Deferred income tax liabilities are recognised for all 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 the taxable profit or loss: and
- When the taxable temporary difference is associated with investments in subsidiaries, associates and interest in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all taxable temporary differences, except for the following:

- When the deferred tax asset 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;
- When the deductible temporary difference is associated with investments in subsidiaries, associates and interest in joint ventures, in which case the 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 to utilise the deferred tax asset.

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.

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

Tax consolidation

Premier Investments Limited and its wholly owned Australian controlled entities have 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. 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.

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.

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

Deferred tax assets are recognised for taxable 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.

GROUP PERFORMANCE

6 INCOME TAX (CONTINUED)

INCOME TAX ACCOUNTING POLICY (CONTINUED)

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating 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 in 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 profit or loss in the statement of comprehensive income.

7 EARNINGS PER SHARE

	CONSOLIDATED	
	2018 $'000	**2017 $'000**
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net profit for the period	83,638	105,136
	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in calculating:		
- basic earnings per share	157,890	157,436
- diluted earnings per share	158,897	158,693

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.

EARNINGS PER SHARE ACCOUNTING POLICY

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.

GROUP PERFORMANCE

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
8 A) DIVIDENDS PAID AND PROPOSED		
DIVIDENDS PAID		
Declared and paid during the year:		
Interim franked dividends for 2018:		
29 cents per share (2017: 26 cents)	45,849	40,994
Final franked dividends for 2017:		
27 cents per share (2016: 25 cents)	42,619	39,358
TOTAL DECLARED AND PAID DURING THE YEAR	**88,468**	**80,352**
DIVIDENDS PROPOSED		
Final franked dividend proposed for 2018:		
33 cents per share (2017: 27 cents)	52,173	42,619

On 20 September 2018, the Directors of Premier Investments Limited declared a final dividend in respect of the 2018 financial year. The total amount of the dividend is $52,173,000 (2017: $42,619,000) which represents a fully franked dividend of 33 cents per share (2017: 27 cents per share).

8 B) FRANKING CREDIT BALANCE

The below table provides information about franking credits available for use in subsequent reporting periods:

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
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% (2017: 30%)	215,483	212,295
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	4,848	12,322
- franking debits that will arise from the payment of dividends as at the end of the financial year	(22,360)	(18,254)
TOTAL FRANKING CREDIT BALANCE	**197,971**	**206,363**

The tax rate at which paid dividends have been franked is 30% (2017: 30%). Dividends proposed will be franked at the rate of 30% (2017: 30%).

OPERATING ASSETS AND LIABILITIES

9 TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED	
	2018 $'000	2017 $'000
Sundry debtors	21,563	23,682
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**21,563**	**23,682**

(a) *Impairment losses*

Receivables are non-interest-bearing and are generally on 30 to 60 day terms. An allowance for credit losses is recognised based on the expected credit loss from the time the financial asset is initially recognised. Bad debts are written off when identified. No allowance for credit losses has been recognised by the Group during the financial year ended 28 July 2018 (2017: $nil). During the year, no bad debt expense (2017: $nil) was recognised. It is expected that sundry debtor balances will be received when due.

(b) *Fair value*

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

TRADE AND OTHER RECEIVABLES ACCOUNTING POLICY

Trade and other receivables are classified as non-derivative financial assets, and are recognised initially at fair value. After initial measurement, these assets are measured at amortised cost, less any allowance for any expected credit losses.

10 INVENTORIES

	CONSOLIDATED	
	2018 $'000	2017 $'000
Finished goods	159,313	140,755
TOTAL INVENTORIES AT COST	**159,313**	**140,755**

INVENTORIES ACCOUNTING POLICY

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:

- 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.

OPERATING ASSETS AND LIABILITIES

	CONSOLIDATED	
	2018 $'000	2017 $'000
11 OTHER ASSETS (CURRENT)		
Deposits and prepayments	15,323	11,572
TOTAL OTHER CURRENT ASSETS	**15,323**	**11,572**
12 TRADE AND OTHER PAYABLES (CURRENT)		
Trade creditors	43,282	39,318
Other creditors and accruals	41,276	32,210
TOTAL CURRENT TRADE AND OTHER PAYABLES	**84,558**	**71,528**

(a) Fair values

Due to the short-term nature of these payables, their carrying values approximate their fair values.

TRADE AND OTHER PAYABLES ACCOUNTING POLICY

Trade and other payables 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 Group.

Trade liabilities are normally settled on terms of between 7 and 90 days.

	CONSOLIDATED	
	2018 $'000	2017 $'000
13 PROVISIONS		
CURRENT		
Employee entitlements – Annual Leave	12,020	11,348
Employee entitlements – Long Service Leave	7,214	6,462
Other provisions	-	1,555
TOTAL CURRENT PROVISIONS	**19,234**	**19,365**
NON-CURRENT		
Employee entitlements – Long Service Leave	2,040	1,828
TOTAL NON-CURRENT PROVISIONS	**2,040**	**1,828**

PROVISIONS ACCOUNTING POLICIES

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 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 discount rate that reflects the risks specific to the liability and the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

OPERATING ASSETS AND LIABILITIES

13 PROVISIONS (CONTINUED)

PROVISIONS ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE ENTITLEMENTS ACCOUNTING POLICIES

Current annual leave

The provisions for employee entitlements to wages, salaries and annual leave (which are expected to be settled wholly within 12 months of the reporting date) 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.

Long service leave and non-current annual leave

The liability for long service leave and non-current annual leave (which are not expected to be settled wholly within 12 months of the reporting date) 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 high quality corporate bonds with terms to maturity that match as closely as possible the estimated cash outflow.

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.

14 OTHER LIABILITIES

	CONSOLIDATED	
	2018 $'000	**2017 $'000**
CURRENT		
Deferred income	21,629	12,910
TOTAL CURRENT	**21,629**	**12,910**
NON-CURRENT		
Deferred income	29,030	23,078
TOTAL NON-CURRENT	**29,030**	**23,078**

DEFERRED INCOME ACCOUNTING POLICY

Deferred lease incentives

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

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.

CAPITAL INVESTED

15 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED					
	LAND $'000	BUILDINGS $'000	PLANT AND EQUIPMENT $'000	LEASED PLANT AND EQUIPMENT $'000	CAPITAL WORKS IN PROGRESS $'000	TOTAL $'000
AT 28 JULY 2018						
Cost	21,953	54,720	455,266	343	12,070	544,352
Accumulated depreciation and impairment	-	(3,129)	(302,713)	(343)	-	(306,185)
NET CARRYING AMOUNT	**21,953**	**51,591**	**152,553**	**-**	**12,070**	**238,167**
RECONCILIATIONS:						
Carrying amount at beginning of the financial year	21,953	52,959	134,667	-	4,799	214,378
Additions	-	-	40,225	-	10,556	50,781
Transfers between classes	-	-	3,285	-	(3,285)	-
Depreciation	-	(1,368)	(27,512)	-	-	(28,880)
Disposals	-	-	(502)	-	-	(502)
Exchange differences	-	-	2,390	-	-	2,390
Carrying amount at end of the financial year	**21,953**	**51,591**	**152,553**	**-**	**12,070**	**238,167**
AT 29 JULY 2017						
Cost	21,953	54,720	409,868	343	4,799	491,683
Accumulated depreciation and impairment	-	(1,761)	(275,201)	(343)	-	(277,305)
NET CARRYING AMOUNT	**21,953**	**52,959**	**134,667**	**-**	**4,799**	**214,378**
RECONCILIATIONS:						
Carrying amount at beginning of the financial year	3,203	14,178	120,037	-	1,819	139,237
Additions	18,750	39,735	40,458	-	4,582	103,525
Transfers between classes	-	-	1,602	-	(1,602)	-
Depreciation	-	(954)	(24,550)	-	-	(25,504)
Impairment	-	-	(540)	-	-	(540)
Disposals	-	-	(1,081)	-	-	(1,081)
Exchange differences	-	-	(1,259)	-	-	(1,259)
Carrying amount at end of the financial year	**21,953**	**52,959**	**134,667**	**-**	**4,799**	**214,378**

CAPITAL INVESTED

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

LAND AND BUILDINGS

The land and buildings with a combined carrying amount of $73,544,000 have been pledged to secure certain interest-bearing borrowings of the Group (refer to note 20).

PROPERTY, PLANT AND EQUIPMENT ACCOUNTING POLICY

Property, 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:

-	Buildings	40 years
-	Store plant and equipment	3 to 10 years
-	Leased plant and equipment	2 to 5 years
-	Other plant and equipment	2 to 20 years

Freehold land is not depreciated.

KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT AND SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The carrying values of property, plant and equipment are reviewed for impairment annually. If an indication of impairment exists, and where the carrying value of the asset exceeds the estimated recoverable amount, the assets or cash-generating units (CGU) are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value-in-use. Value-in-use refers to an asset's value based on the expected future cash flows arising from its continued use, discounted to present value using a post-tax discount rate that reflect current market assessments of the risks specific to the asset.

If an asset does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. The recoverable amount was estimated for certain items of plant and equipment on an individual store basis, as this has been identified as the CGU of the Group's retail segment.

These value-in-use calculations use cash flow projections based on financial budgets approved by management, covering a five year period. Cash flows within the five year period are extrapolated using a growth rate of 4% (2017: 4%).

The post-tax discount rate applied to the cash flow projections is 10.5% (2017: 10.5%). The discount rate used reflects management's estimate of the risks specific to the CGU that is 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.

No impairment loss was recognised during the current financial year (2017: $539,600).

CAPITAL INVESTED

16 INTANGIBLES

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

	CONSOLIDATED				
	GOODWILL $'000	BRAND NAMES $'000	TRADEMARKS $'000	LEASEHOLD PREMIUMS $'000	TOTAL $'000
YEAR ENDED 28 JULY 2018					
As at 30 July 2017 net of accumulated amortisation and impairment	477,085	376,179	1,777	73	855,114
Trademark registrations	-	-	861	-	861
Amortisation	-	-	-	(24)	(24)
Impairment of brand names	-	(30,000)	-	-	(30,000)
Exchange differences	-	-	-	(2)	(2)
As at 28 July 2018 net of accumulated amortisation and impairment	**477,085**	**346,179**	**2,638**	**47**	**825,949**
AS AT 28 JULY 2018					
Cost (gross carrying amount)	477,085	376,179	2,638	977	856,879
Accumulated amortisation and impairment	-	(30,000)	-	(930)	(30,930)
NET CARRYING AMOUNT	**477,085**	**346,179**	**2,638**	**47**	**825,949**
YEAR ENDED 29 JULY 2017					
As at 31 July 2016 net of accumulated amortisation and impairment	477,085	376,179	1,452	100	854,816
Trademark registrations	-	-	325	-	325
Amortisation	-	-	-	(27)	(27)
As at 29 July 2017 net of accumulated amortisation and impairment	**477,085**	**376,179**	**1,777**	**73**	**855,114**
AS AT 29 JULY 2017					
Cost (gross carrying amount)	477,085	376,179	1,777	979	856,020
Accumulated amortisation and impairment	-	-	-	(906)	(906)
NET CARRYING AMOUNT	**477,085**	**376,179**	**1,777**	**73**	**855,114**

GOODWILL ACCOUNTING POLICY

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 not amortised but is subject to impairment testing.

CAPITAL INVESTED

16 INTANGIBLES (CONTINUED)

GOODWILL ACCOUNTING POLICY (CONTINUED)

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

Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

OTHER INTANGIBLE ASSETS (excluding goodwill) ACCOUNTING POLICY

Intangible assets acquired separately are initially measured at cost. Intangible assets acquired in a business combination are initially recognised at fair value. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

A summary of the key accounting policies applied to the Group's intangible assets are as follows:

	Brands	***Leasehold Premiums***	***Trademarks & Licences***
Useful life assessment?	Indefinite	Finite	Indefinite
Method used?	Not amortised or revalued	Amortised over the term of the lease	Not amortised or revalued
Internally generated or 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	Annually; for indicators of impairment

Brand names, trademarks and licences are assessed as having an indefinite useful life, as this reflects management's intention to continue to operate these to generate net cash inflows into the foreseeable future. These assets are not amortised but are subject to impairment testing.

Intangible assets are tested for impairment where an indicator of impairment exists, or in the case of indefinite life intangibles, impairment is tested annually or where an indicator of impairment exists.

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. The recoverable amount is the higher of the asset's value-in-use and fair value less costs of disposal. Value-in use refers to an asset's value based on the expected future cash flows arising from its continued use, discounted to present value using a post-tax discount rate that reflect current market assessments of the risks specific to the asset.

If an asset does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

CAPITAL INVESTED

16 INTANGIBLES (CONTINUED)

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The recoverable amounts of CGUs are determined based on the higher of value-in-use calculations or fair value less costs of disposal. These calculations depend on management estimates and assumptions. In particular, significant estimates and judgements are made in relation to the key assumptions used in forecasting future cash flows and the expected growth rates used in these cash flow projections, as well as the discount rates applied to these cash flows. Management assesses these assumptions each reporting period and considers the potential impact of changes to these assumptions.

IMPAIRMENT TESTING OF GOODWILL

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, which is also an operating segment for the Group.

The recoverable amount of the CGU has been determined based upon a value-in-use calculation, using cash flow projections as at July 2018 for a period of five years plus a terminal value. The cash flow projections are based on financial estimates approved by senior management and the Board for the 2019 financial year and are projected for a further four years based on estimated growth rates of 2.4% (2017: 3.3%). As part of the annual impairment test for goodwill, management assesses the reasonableness of growth rate assumptions by reviewing historical cash flow projections as well as future growth objectives.

Cash flows beyond the five year period are extrapolated using a growth rate of 3% (2017: 3%) which reflects the long-term growth expectation beyond the five year projection.

The post-tax discount rate applied to these cash flow projections is 10.0% (2017: 10.0%). The discount rate has been determined using the weighted average cost of capital which incorporates both the cost of debt and the cost of capital specific to the asset and adjusted for risks specific to the CGU.

Management has considered the reasonably possible changes in expected sales growth, forecast Earnings Before Interest, Tax and Amortisation (EBITA) and discount rates applied to the CGU to which goodwill relates, each of which have been subject to sensitivities. A reasonably possible adverse change in these key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

IMPAIRMENT TESTING OF BRAND NAMES

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

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

The recoverable amounts of brand names acquired in a business combination have been 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 2018 for a period of five years plus a terminal value. The cash flow projections are based on financial estimates approved by senior management and the Board for the 2019 financial year and are projected for a further four years based on estimated growth rates.

CAPITAL INVESTED

16 INTANGIBLES (CONTINUED)

IMPAIRMENT TESTING OF BRAND NAMES (CONTINUED)

The extrapolated growth rates at which cash flows have been projected for the individual brands within each of the CGU groups have been summarised below. Cash flows beyond the five year period are extrapolated using a growth rate of 3% (2017: 3%), which reflects the long-term growth expectation beyond the five year projection.

CGU	***AVERAGE GROWTH RATES APPLIED TO PROJECTED CASH FLOWS***	***TERMINAL VALUE GROWTH RATE***
Casual wear	2% to 2.5%	3%
Women's wear	1.5% to 3.5%	3%
Non Apparel	3%	3%

As part of the annual impairment test for brand names, management assesses the reasonableness of growth rate assumptions by reviewing historical cash flow projections as well as future growth objectives.

The post-tax discount rate applied to the cash flow projections for each of the three CGU groups is 8.7% (2017: 8.7%). The discount rate has been determined using the weighted average cost of capital which incorporates both the cost of debt and cost of capital specific to the asset and adjusted for risks specific to the CGU.

Royalty rates have been determined for each brand within the CGU groups 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 considering 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 groups range between 3.5% and 8% (2017: 3.5% and 8.5%).

Management has considered reasonably possible adverse changes in key assumptions applied to brands within the relevant CGU groups, each of which have been subjected to sensitivities. Key assumptions relate to expected sales growth, net royalty rates and discount rates applied.

As a result of the annual impairment test performed for the 2018 financial year, an impairment expense of $30 million was recognised in relation to brand names within the Casual Wear CGU group, with an original carrying value of $112.2 million. The impairment expense decreases the carrying value to $82.2 million. The decrease in the recoverable amount of brand names within the Casual Wear CGU group reflects the increasingly competitive retail landscape and structural changes impacting the apparel industry in Australia and New Zealand.

The carrying value now approximates its recoverable value. Any adverse movements in key assumptions may lead to a further impairment. Reasonably possible changes in key assumptions relating to a 5% reduction in estimated sales growth rates or a discount rate increase of 50 basis points may lead to a further impairment loss of up to $5 million, which is not considered material to the overall recoverable amount of the CGU.

The brand names were acquired through the acquisition of the Just Group in 2008, and the historical carrying values assigned to the brands were reflective of trading performance and the retail environment over 10 years ago. The accounting standards do not allow for a re-allocation of the carrying values of indefinite-life intangible assets, therefore the significant value created within the collective portfolio of brands subsequent to 2008 is not reflected in the historical carrying values of these intangible assets.

CAPITAL INVESTED

17 LISTED EQUITY INVESTMENT AT FAIR VALUE

	CONSOLIDATED	
	2018 $'000	2017 $'000
INVESTMENT		
Investment in listed securities at fair value	40,687	67,665
TOTAL INVESTMENTS	**40,687**	**67,665**

FAIR VALUE LISTED EQUITY INVESTMENT ACCOUNTING POLICY

The listed equity investment comprises a non-derivative equity instrument not held for trading. On the adoption of AASB 9, the Group has made the irrevocable election to designate the listed equity investment as 'fair value through other comprehensive income', as it is not held for trading, with only dividends recognised in profit or loss. Accordingly, the investment is accounted for at fair value through other comprehensive income, without subsequent reclassification of gains or losses nor impairment to profit or loss.

In the 2017 financial year, the listed equity investment was classified as an available-for-sale financial asset under AASB 139. Under AASB 139, the financial asset was measured at fair value as at the reporting date, with unrealised gains or losses recognised directly in other comprehensive income, until the investment was derecognised or until the investment was deemed to be impaired, at which time the cumulative gain or loss previously reported in equity was recognised in profit or loss.

The change in accounting policy resulting from the adoption of AASB 9 has been applied retrospectively, with no impact on the prior period financial position or performance of the Group. Dividends received from this investment for the 52 weeks ended 28 July 2018 have been recognised in profit or loss.

The fair value of equity investments in listed securities is determined by reference to quoted market bid prices at the close of business on the reporting date.

18 INVESTMENT IN ASSOCIATE

	CONSOLIDATED	
	2018 $'000	2017 $'000
Movements in carrying amounts		
Carrying amount at the beginning of the financial year	216,940	213,392
Share of profit after income tax	16,087	14,799
Share of other comprehensive income	1,424	(700)
Dividends received	(11,267)	(10,551)
TOTAL INVESTMENT IN ASSOCIATE	**223,184**	**216,940**

Breville Group Limited

As at 28 July 2018, Premier Investments Limited holds 27.5% (2017: 27.5%) of Breville Group Limited, a company incorporated in Australia whose shares are quoted on the Australian Securities Exchange. The principal activities of Breville Group Limited involves the innovation, development, marketing and distribution of small electrical appliances.

As at 28 July 2018, the fair value of the Group's interest in Breville Group Limited as determined based on the quoted market price was $407,380,401 (2017: $362,314,615).

CAPITAL INVESTED

18 INVESTMENT IN ASSOCIATE (CONTINUED)

There were no impairment losses relating to the investment in associate and no capital commitments or other commitments relating to the associate. The Group's share of the profit after tax in its investment in associate for the year was $16,086,873 (2017: $14,798,967).

The financial year end date of Breville Group Limited is 30 June. For the purpose of applying the equity method of accounting, the financial statements of Breville Group Limited for the year ended 30 June 2018 have been used. The accounting policies applied by Breville Group Limited in their financial statements materially conform to those used by the Group for like transactions and events in similar circumstances.

The following table illustrates summarised financial information relating to the Group's investment in Breville Group Limited:

EXTRACT OF BREVILLE GROUP LIMITED'S STATEMENT OF FINANCIAL POSITION	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Current assets	315,705	300,934
Non-current assets	129,644	117,498
Total assets	445,349	418,432
Current liabilities	(108,801)	(116,946)
Non-current liabilities	(53,313)	(41,877)
Total liabilities	(162,114)	(158,823)
NET ASSETS	283,235	259,609
Group's share of Breville Group Limited net assets	**77,861**	**71,367**

EXTRACT OF BREVILLE GROUP LIMITED'S STATEMENT OF COMPREHENSIVE INCOME	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Revenue	652,348	605,733
Profit after income tax	58,519	53,834
Other comprehensive (loss) income	5,181	(2,548)
Group's share of Breville Group Limited profit after income tax	**16,087**	**14,799**

INVESTMENT IN ASSOCIATE ACCOUNTING POLICY

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group accounts for its investments in associate using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment in the associate is initially recognised at cost. Thereafter, the carrying amount of the investment is adjusted to recognise the Group's share of profit after tax of the associate, which is recognised in profit or loss, and the Group's share of other comprehensive income, which is recognised in other comprehensive income in the statement of comprehensive income. Dividends received from the associate generally reduces the carrying amount of the investment.

CAPITAL INVESTED

18 INVESTMENT IN ASSOCIATE (CONTINUED)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in an associate. At each reporting period, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the impairment loss in profit or loss in the statement of comprehensive income.

CAPITAL STRUCTURE AND RISK MANAGEMENT

19 NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED	
	2018 $'000	2017 $'000
(a) RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	47,020	33,623
Short-term deposits	131,598	137,008
TOTAL CASH AND CASH EQUIVALENTS	**178,618**	**170,631**
(b) RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATIONS		
Net profit for the period	83,638	105,136
Adjustments for:		
Amortisation	24	27
Depreciation	28,880	25,504
Impairment and write-off of non-current assets	30,000	540
Foreign exchange losses (gains)	989	(669)
Share of profit of associate	(16,087)	(14,799)
Dividends received from listed equity investment	(1,769)	-
Borrowing costs	209	300
Net loss on disposal of property, plant and equipment	176	492
Share-based payments expense	3,178	6,210
Gross movement in cash flow hedge reserve	23,340	(4,990)
Net exchange differences	2,954	302
Changes in assets and liabilities net of the effects from acquisition and disposal of businesses:		
Increase in provisions	81	2,865
Increase in deferred tax liabilities	5,146	1,476
Increase (decrease) in trade and other payables	13,030	(1,437)
(Decrease) increase in other financial liabilities	(21,686)	5,921
Increase in deferred income	14,671	14,212
Decrease (increase) in trade and other receivables	2,119	(7,221)
(Increase) decrease in other current assets	(3,751)	122
Increase in inventories	(18,558)	(17,199)
(Increase) decrease in other financial assets	(11,792)	1,455
Decrease (increase) in deferred tax assets	7,048	(6,393)
Decrease in income tax payable	(7,989)	(14,017)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**133,851**	**97,837**

CAPITAL STRUCTURE AND RISK MANAGEMENT

19 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(c) *FINANCE FACILITIES*

	CONSOLIDATED	
	2018 $'000	2017 $'000
Working capital and bank overdraft facility		
Used	-	-
Unused	11,800	11,800
	11,800	11,800
Finance facility		
Used	176,000	174,000
Unused	53,000	55,000
	229,000	229,000
Bank guarantee facility		
Used	51	51
Unused	149	149
	200	200
Interchangeable facility		
Used	7,790	6,759
Unused	5,210	1,241
	13,000	8,000
Total facilities		
Used	183,841	180,810
Unused	70,159	68,190
TOTAL	**254,000**	**249,000**

CASH AND CASH EQUIVALENTS ACCOUNTING POLICY

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.

CAPITAL STRUCTURE AND RISK MANAGEMENT

	CONSOLIDATED	
	2018 $'000	2017 $'000
20 INTEREST-BEARING LIABILITIES		
NON-CURRENT		
Bank loans* unsecured	106,684	104,475
Bank loans ** secured	69,000	69,000
TOTAL INTEREST-BEARING LIABILITIES	**175,684**	**173,475**

* 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.

** Premier Investments Limited obtained bank borrowings amounting to $69 million. A $19 million borrowing is secured by a mortgage over Land and Buildings, representing the National Distribution Centre in Truganina, Victoria. During the 2017 financial year, this borrowing was refinanced and is repayable in full at the end of 5 years, being January 2022. During the 2017 financial year, Premier Investments Limited obtained a further $50 million borrowing which is secured by a mortgage over Land and Buildings, representing an office building in Melbourne, Victoria. The borrowing is repayable in full at the end of 5 years, being December 2021.

(a) *Fair values*

The carrying values of the Group's current and non-current interest-bearing liabilities approximate their fair values.

(b) *Defaults and breaches*

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

(c) *Changes in interest-bearing liabilities arising from financing activities*

	CONSOLIDATED			
	30 JULY 2017 $'000	CASH FLOWS $'000	OTHER $'000	28 JULY 2018 $'000
Non-current interest-bearing liabilities	173,475	2,000	209	175,684
TOTAL INTEREST-BEARING LIABILITIES	**173,475**	**2,000**	**209**	**175,684**

'Other' includes the effect of the amortisation of the capitalised borrowing costs, which are amortised over the life of the facility.

INTEREST-BEARING LIABILITIES ACCOUNTING POLICY

Interest-bearing liabilities 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 while on-going borrowing costs are expensed as incurred.

CAPITAL STRUCTURE AND RISK MANAGEMENT

	CONSOLIDATED	
	2018 $'000	2017 $'000
21 CONTRIBUTED EQUITY		
Ordinary share capital	608,615	608,615

	NO. ('000)	$'000
(a) MOVEMENTS IN SHARES ON ISSUE		
Ordinary shares on issue 30 July 2017	157,748	608,615
Ordinary shares issued during the year (i)	351	-
Ordinary shares on issue at 28 July 2018	**158,099**	**608,615**
Ordinary shares on issue 31 July 2016	157,164	608,615
Ordinary shares issued during the year (i)	584	-
Ordinary shares on issue at 29 July 2017	**157,748**	**608,615**

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

(i) A total of 350,978 ordinary shares (2017: 584,305) 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 interest-bearing borrowings, cash and cash equivalents and equity attributable to the equity holders of Premier Investments Limited, comprising of contributed equity, reserves and retained earnings.

The Group operates primarily through its two operating 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.

(c) 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.

CAPITAL STRUCTURE AND RISK MANAGEMENT

22 RESERVES

	CONSOLIDATED	
	2018 $'000	2017 $'000
RESERVES COMPRISE:		
Capital profits reserve	464	464
Foreign currency translation reserve (a)	2,977	(3,661)
Cash flow hedge reserve (b)	8,059	(15,281)
Performance rights reserve (c)	15,734	12,556
Fair value reserve (d)	(43,243)	(24,178)
TOTAL RESERVES	**(16,009)**	**(30,100)**

(a) *FOREIGN CURRENCY TRANSLATION RESERVE*

Nature and purpose of reserve

Reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

- *Movements in the reserve*

	2018 $'000	2017 $'000
Opening balance	(3,661)	1,047
Foreign currency translation of overseas subsidiaries	5,214	(4,008)
Net movement in associate entity's reserves	1,424	(700)
CLOSING BALANCE	**2,977**	**(3,661)**

(b) *CASH FLOW HEDGE RESERVE*

Nature and purpose of reserve

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.

- *Movements in the reserve*

	2018 $'000	2017 $'000
Opening balance	(15,281)	(10,291)
Net gain (loss) on cash flow hedges	21,370	7,066
Transferred to statement of financial position/ profit or loss	11,973	(14,195)
Deferred income tax movement on cash flow hedges	(10,003)	2,139
CLOSING BALANCE	**8,059**	**(15,281)**

(c) *PERFORMANCE RIGHTS RESERVE*

Nature and purpose of reserve

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.

- *Movements in the reserve*

	2018 $'000	2017 $'000
Opening balance	12,556	6,346
Performance rights expense for the year	3,178	6,210
CLOSING BALANCE	**15,734**	**12,556**

CAPITAL STRUCTURE AND RISK MANAGEMENT

22 RESERVES (CONTINUED)

(d) FAIR VALUE RESERVE

Nature and purpose of reserve

Reserve is used to record unrealised gains and losses on fair value revaluation of listed equity investment at fair value.

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000
• *Movements in the reserve*		
Opening balance	(24,178)	-
Unrealised loss on revaluation of listed equity investment at fair value	(26,978)	(34,700)
Net deferred income tax movement on listed equity investment at fair value	7,913	10,522
CLOSING BALANCE	**(43,243)**	**(24,178)**

GROUP STRUCTURE

23 SUBSIDIARIES

The consolidated financial statements include that of Premier Investments Limited (ultimate parent entity) and the subsidiaries listed in the following table. (* Indicates not trading as at the date of this report)

	COUNTRY OF INCORPORATION	2018 INTEREST	2017 INTEREST
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%	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 Retail 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 Group Holdings Pty Limited *	Australia	100%	100%
Smiggle 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 Limited	UK	100%	100%
Peter Alexander UK Limited*	UK	100%	100%
Smiggle Ireland Limited	Ireland	100%	100%
Smiggle Netherlands B.V.*	Netherlands	100%	-
ETI Holdings Limited*	New Zealand	100%	100%
Roskill Hill Limited	New Zealand	100%	-
RSCA Pty Limited*	Australia	100%	100%
RSCB Pty Limited*	Australia	100%	100%
Just Group Singapore Private Ltd *	Singapore	100%	100%
Peter Alexander Singapore Private Ltd *	Singapore	100%	100%
Smiggle Stores Malaysia SDN BHD	Malaysia	100%	100%

OTHER DISCLOSURES

24 EVENTS AFTER THE REPORTING DATE

On 20 September 2018, the Directors of Premier Investments Limited declared a final dividend in respect of the 2018 financial year. The total amount of the dividend is $52,173,000 (2017: $42,619,000) which represents a fully franked dividend of 33 cents per share (2017: 27 cents per share).

25 CONTINGENT LIABILITIES

The Group has bank guarantees totalling $7,790,046 (2017: $6,497,749).