PREMIER INVESTMENTS LIMITED

A.C.N. 006 727 966

Annual Report 2014

The official opening of the group's first UK store at Westfield Stratford in February, 2014.

John Cheston
Managing Director, Smiggle

Solomon Lew
Chairman

Mark McInnes
CEO Premier Retail

FRONT COVER: Features Jessica Hart, International model and Portmans Brand Ambassador.

Chairman's Report

The Directors of Premier Investments Limited ("Premier') have pleasure in submitting to shareholders the Group's Annual Report for the financial year ended 26 July 2014 ("FY14").

STRONG FINANCIAL PERFORMANCE

Premier reported consolidated underlying net profit before tax (NPBT) of $106.0 million for the year[1], up 10.3% on the previous financial year, despite continued international and domestic economic uncertainty and consequent volatility in consumer confidence. Premier's reported net profit after tax (NPAT) was $73.0 million, an increase of 5.3% on last year after adjusting for a one-off reclassification gain incurred during the 2013 financial year.

This result is largely attributable to the continued strong performance of Premier Retail. In an increasingly competitive marketplace Premier Retail continues to outperform its peers.

MANAGEMENT FOCUS

Premier Retail's underlying profit before tax (PBT) increased 13.4% to $87 million[2], reflecting Management's relentless focus on the continued successful implementation of Premier Retail's six-point transformation strategy which spans both core business and growth initiatives.

Total sales for the group were up 6.2% to $888.4 million[3] and like-for-like (LFL) sales were up 4.7% across the group, with all seven brands experiencing positive LFL sales in the second half.

Premier Retail reported underlying earnings before interest and tax (EBIT) of $92.8 million, up 10.9% on FY13[2] Underlying EBIT margin improved 44 basis points to 10.4%[3].

Premier Retail's gross margin of 62%[3] continues to be very strong despite a highly competitive market. Cost of doing business (as a percentage of sales) reduced by 38 basis points as a result of Management's ongoing cost efficiency program.

[1] Underlying NPBT excludes the one off gain due to the reclassification of Breville Group in FY13 and the non-recurring investment costs in FY14 associated with Smiggle UK market entry and supply chain transformation.

[2] Underlying EBIT and PBT excludes the non-recurring investment costs associated with Smiggle UK entry and supply chain transformation.

[3] Sales and cost of sales exclude sales to South African Joint Venture.

DELIVERING ON GROWTH BRANDS

During the year, Premier Retail continued to implement its growth plans with a focus on Smiggle's entry into the large UK market, growing Peter Alexander in Australia and New Zealand and investing further in the continuing growth of our online businesses.

Your Directors are pleased to note the following achievements for the financial year:

» Delivered record sales at Smiggle with sales growth of 17.4% and revenue surpassing $100 million for the first time
» Successfully launched Smiggle UK, with eight stores currently trading and very pleasing consumer acceptance. A total of 18 stores to be open by Christmas 2014
» Opened five new Smiggle stores in Australia and two new Smiggle stores in Singapore
» Delivered sales growth of 21.4% at Peter Alexander
» Opened eight new Peter Alexander stores in Australia and nine concession stores
» Expanded the Peter Alexander range into childrenswear
» Launched peteralexander.co.nz with local NZ fulfillment
» Delivered online sales growth of 30.5% (with 2H14 growth of 37.5%) across the portfolio, with Dotti and Portmans achieving outstanding online sales performance
» Launched a "store to door" multichannel offer across the portfolio
» Transformation underway of a fit-for-purpose, Premier owned, Australian distribution centre to support our growth strategies and aspirations

CORE BUSINESS REJUVENATION

There remains a great deal of potential upside in Premier's existing portfolio of iconic brands and the Premier Retail team remains committed to realising this value for shareholders. The Board believes that each brand now has outstanding leadership and management teams capable of delivering this objective.

All of Premier Retail's brands delivered positive like-for-like growth in the second half of the year, demonstrating your group's continued investment in core brands, product offering and store experience. During FY14, Management undertook targeted capital investment in 322 stores to support continued sales growth.

FINANCIAL STRENGTH

At the end of the financial year, Premier had free cash on hand of $313.3 million and Premier's equity accounted investment in Breville appears on the balance sheet at an accounted for value of $187.1 million whilst the market value was $264.9 million.

Due to the continued strength of the balance sheet and the strong performance of Premier Retail, your Board has declared a final fully franked dividend of 20 cents per share, bringing the full year dividend to 40 cents per share – an increase of 2 cents per share over the previous year. The final dividend will be payable on 20 November 2014.

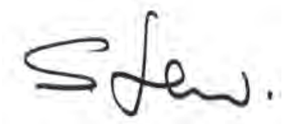
Premier continues to use its strong balance sheet to fund the expansion of its growth brands, while still retaining the flexibility to pursue other opportunities that may arise in the future. Your Board takes a patient and disciplined approach to assessing growth opportunities and will only act on acquisitions where there is a clear and long-term benefit for shareholders.

On behalf of the Board and all Shareholders, I would like to thank Mark McInnes, his senior team and our more than 6,000 talented employees across Australia, New Zealand, Singapore and the United Kingdom for delivering a strong result in a challenging environment which tested the broader retail industry and our competitors.

I would also like to thank my fellow directors for their dedication and service during the past year and for the experience, support and guidance they provide.

Finally and most importantly, I would like to thank all shareholders for their continued support and investment. As I have said previously, the Premier Board fully understands that our shareholders are the owners of the company who have entrusted to us at risk capital which they expect to be managed prudently to achieve strong investment returns and long term wealth creation.

I encourage all shareholders to attend the Annual General Meeting on 5 December 2014 and I look forward to updating you on the performance of your company in that forum.



Solomon Lew
Chairman and Non-Executive Director

The Directors

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Chairman and
Non-Executive Director

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

Timothy Antonie
Non-Executive Director

David M. Crean
Non-Executive Director

Lindsay E. Fox AC
Non-Executive Director

Sally Herman
Non-Executive Director

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

Mark McInnes
Executive Director

Michael R.I. McLeod
Non-Executive Director

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

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

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

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

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

Frank W. Jones FCA, CPA, ACIS
Mr. Jones is a Fellow of Chartered Accountants Australia and New Zealand and an Associate of CPA Australia and the Governance Institute of Australia. Mr. Jones has extensive experience as a financial and general advisor to some of Australia's leading importing and retailing companies.

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

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

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

From 1989 to 1992 he was the member for Denison in the House of Assembly. From 1993-1998 he held Shadow Portfolios of State Development, Public Sector Management, Finance and Treasury. David graduated from Monash University in 1976 with a Bachelor of Medicine and Bachelor of Surgery. Dr. Crean was appointed to the position of Chairman of the Audit and Risk Committee as from 1 August 2010.

Lindsay E. Fox A.C.
Mr. Fox has extensive experience in all aspects of the transport, distribution and warehousing industries. He is the founder of the Linfox Group of Companies. Today, the Linfox Group is one of the largest supply chain services groups with operations in 10 countries. The Linfox Group employs over 23,000 people, operates 4.8 million square metres of warehouses and a fleet of more than 5,000 vehicles and carries out distribution operations for leading companies across the Asia-Pacific region. The Linfox Group includes operations in the areas of transport and logistics, airport operations, property development and cash management services.

Mr. Fox has extensive involvement in Australian and international circles and, apart from his business interests, is well recognised and active in sport and charity work.

In 2010, Victoria University admitted Mr. Fox to the degree of Doctor of the University honoris causa for his outstanding achievements in the transport industry, for his contribution to the community through his sustained efforts to reduce unemployment and his campaign against youth suicide.

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

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

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

Sally Herman

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

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

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

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

Mr. Lanzer is Managing Partner of Arnold Bloch Leibler–a leading Australian commercial law firm–and has over 30 years' experience in providing legal and strategic advice to some of Australia's leading companies. He is a Director of Just Group Limited, a Director of Thorney Opportunities Limited and also a director of the TarraWarra Museum of Art. He is a Life Governor of the Mount Scopus College Council. Mr. Lanzer is Chairman of the Remuneration and Nomination Committee for Premier Investments Limited.

Mark McInnes

Mr. McInnes is a career retailer with a long track record of success in every role he has occupied. Like many great retailers, Mark started his career from the shop floor as a company cadet for Grace Brothers. Mark has been directly responsible for some of Australia's greatest retail success stories – including as a co-founder of the Officeworks concept which is today Australia's largest office supply superstore.

Prior to joining Premier, Mark led David Jones to its most successful time as a public listed company. Mark spent 13 years at David Jones – 6 years as Merchandise & Marketing Director and 7 years as CEO. From 2003 to 2010, Mark as CEO and Executive Director of David Jones turned the company into a fashion and financial powerhouse, creating in excess of $2 billion of shareholder value.

Mark was appointed CEO of Premier Retail in April 2011, and has set about transforming the company to compete in an industry under great structural pressure. Premier Retail today has a clear path and a clear focus.

In December 2012, Mark was appointed as an Executive Director of Premier Investments Limited. Mark holds an MBA from the University of Melbourne.

Michael R.I. McLeod

Mr. McLeod is a former Executive Director of the Century Plaza Group and has been involved with the Group since 1996 as an advisor in the areas of corporate strategy, investment, public affairs and is a director of a number of associated companies. He has been a Non-Executive Director of Premier Investments Limited since 2002 and a Non-Executive Director of Just Group Limited from 2007 to 2013. Past experience includes the Board of a fund manager (Scudder, Stevens and Clark Australia Limited), chief of staff to a Federal Cabinet Minister and statutory appointments including as a Commission Member of the National Occupational Health and Safety Commission.

He holds a Bachelor of Arts (First Class Honours and University Medal) from the University of New South Wales.

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

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

Dr Weiss is Chairman of Clearview Wealth Limited and Secure Parking Pty Ltd, Executive Director of Ariadne Australia Ltd, and a director of Premier Investments Limited, Ridley Corporation Ltd, Mercantile Investment Company Limited, Pro-Pac Packaging Limited, Tag Pacific Limited, Thorney Opportunities Limited and The Straits Trading Company Ltd. He was Chairman of Coats Plc from 2003 until April 2012 and executive director of Guinness Peat Group Plc from 1990 to April 2011 and has held directorships of numerous companies, including Westfield Group,

Tower Australia Ltd, Australian Wealth Management Limited, Tyndall Australia Ltd (Deputy Chairman), Joe White Maltings Ltd (Chairman), CIC Ltd, Whitlam Turnbull & Co Ltd and Industrial Equity Ltd.

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

Strategic Review Premier Retail

Management continued the rigorous implementation of the six key initiatives outlined in the 2011 Strategic Review.

	Focus Area	Status	
1	Rejuvenate and reinvigorate all five core apparel brands.	✓	Continued solid results were achieved in all five core brands in FY14. The group delivered +4.7% LFL growth in FY14 with all brands delivering positive LFL growth in 2H14. The turnaround at Just Jeans continues under Matthew McCormack's leadership, Jay Jays delivered three out of four quarters of positive LFL growth, whilst Dotti, Portmans and Jacqui E all delivered solid growth. The group continues to invest in upgrading its existing store network through targeted investment that deliver returns to shareholders.
2	Organisation-wide cost efficiency program.	✓	Cost of doing business continued to improve in FY14 and the group reduced its cost of doing business by 38 basis points in FY14. Rent expense decreased by 31 basis points despite landlord pressure for rent increases. Salaries continued to be tightly controlled with improved labour productivity offsetting most of the EBA increase. Our DC transformation is underway with three brands now operating out of the Premier Investments owned new facility based at Truganina on the outskirts of Melbourne.
3	Two phase gross margin expansion program.	✓	Premier Retail's gross margin of 62% continues to be very strong in a highly competitive market. Despite a sharp slowdown post the federal budget in May 2014 and trading through one of the warmest Winters on record, the management team cleared the inventory to ensure we started the new year with fresh merchandise. All brands have implemented detailed strategies to offset the fall in the Australian Dollar in FY15.
4	Expand and grow the internet business.	✓	Total online sales grew 30.5% in FY14 well above the industry growth of 8.6%. Pleasingly in 2H14, our online growth was 37.5%. We have maintained local leadership by offering global best practice websites to our customers. Premier Retail will continue to invest in IT, people, processes, marketing and supply chain initiatives to achieve our aspirational goal of 10% of total group sales being achieved from our multi-channel platform.
5	Grow Peter Alexander significantly.	✓	Peter Alexander achieved outstanding growth of 21% in FY14. As part of our FY13 result, we announced plans to increase our business by 40-50% by FY16. The company remains on track for this result.
6	Grow Smiggle significantly.	✓	Smiggle global sales grew by 17.4% in FY14. Pleasingly, the company achieved LFL growth in all core countries (Australia, New Zealand and Singapore) whilst expanding to the UK. The company opened its first UK store in February 2014 and aims to have 18 stores up and operating by this Christmas. The UK market has enormous potential with the personal stationery market valued at $2.4 billion.

Brand Performance Premier Retail

peteralexander

Peter Alexander delivered outstanding growth of 21% in FY14. Judy Coomber, Managing Director Peter Alexander and Peter Alexander, Creative Director have forged a strong partnership to deliver on our three year plan objectives.

smiggle®

Smiggle achieved exceptional growth of 17.4% in FY14. John Cheston, Managing Director of Smiggle has built a strong team and delivered an outstanding result in Australia, New Zealand and Singapore whilst launching Smiggle UK. Management remains confident in the size of the opportunity available to Smiggle and our capability to achieve it.

dotti

Dotti, led by David Bull, delivered another strong result in a highly competitive market. The brand has a world class digital offering and continues to lead the way in the local market, offering customers a world class multi-channel experience.

portmans

Jade Holgate and team delivered another strong result with total sales up 3.9% in FY14 and LFL significantly higher. The group continues to invest in refurbishing the chain whilst ensuring our multi-channel capability is world class.

JACQUI·E

Jacqui E has continued to deliver material sales and profit growth in FY14 under Karen Russell's strong leadership and product focus. The focus on product excellence, supported by a strong brand campaign, led by our ambassador Tara Moss, has continued to deliver exceptional results.

Just Jeans

Under Matthew McCormack's leadership, the brand has rebounded in FY14. Total sales were up 5.4% in the full year with the winter half delivering sales growth of 7.8%. Maintaining strong product focus has delivered a change in the brands momentum and our aim is to restore Just Jeans to its rightful place as the iconic jeans destination in Australia, New Zealand and online.

JayJays

The Jay Jays turnaround is on track and pleasingly we achieved positive LFL sales growth in three of the four quarters in FY14 whilst significantly improving margin throughout the year. Chris Thomas was appointed Group General Manager in March this year with a long track record of success in the Youth Apparel market. Premier Retail is confident in the turnaround of the brand.

Internet

- Online sales up 30.5% for FY14; 2H14 online sales up 37.5%. Portmans and Dotti online sales grew by 40% and 60% respectively.
- Online channel is very profitable and continuing to grow.
- Mobile optimised, enhanced sites and emails deployed for all brands.
- We will continue to invest in IT, people, processes, marketing, and supply chain initiatives to achieve our 10% of total sales aspirations from our multi-channel platform.

Ethical Sourcing Statement for Premier Retail ("Group")

OUR COMMITMENT

The Premier Retail Group ("Group") has 40 years history of Ethical Sourcing. We use three models for sourcing all of our product:

» Via Li & Fung (largest global public sourcing company)
» Via importers
» Direct with factories

The Group operate with strict principles which are outlined below.

The Group Ethical Sourcing and Supply Code ("The Code") supports the commitment to sourcing merchandise that is produced according to our strict principles regardless of origin. That is, in safe working conditions where human rights are respected and people have free right of association. The Group complies with all laws in the countries in which product is sourced. Our sourcing framework supports adherence, identifies non-compliance and supports corrective action and continuous improvement.

All suppliers are trained in The Code. Along with factory inspections, understanding and adherence to The Code is regularly monitored. The contracts we issue make it legally binding on manufacturers and suppliers to adhere to The Code.

PRINCIPLES

1. The Group complies with all relevant laws in the countries in which we source and operate.
2. The Group insists upon workers legal rights including worker empowerment and free association.
3. The Group has zero tolerance for child labour.
4. The Group has zero tolerance for bribery and corruption.

ASSURANCES

1. The Group inspects all factories who manufacture for us.
   » Personal visits to all factories are conducted by senior management prior to commencing business and regularly thereafter to ensure our principles are strictly administered.
   » Internationally recognised independent Qualified Assessment and Audit Firms verify all local laws and safety conditions - including labour, fire and building integrity - are complied with.
2. Thorough background and ongoing checks for compliance in factories are conducted by Li & Fung, the world's largest global sourcing agent and a publicly listed company.

ACTIVITIES TO SUPPORT PRINCIPLES & ASSURANCES

Our activities support our Principles and Assurances generally. However, we have a particular focus on audit and compliance in Bangladesh where the Ready Made Garment Industry is approximately 80% of all export earnings, a major contributor to GDP and employing 4.2 million workers, most of whom are women. Whilst Bangladesh is a very minor portion of our overall sourcing mission we have created a sourcing framework with strict guidelines and checks for that market. We joined the Alliance for Bangladesh Worker Safety (www.bangladeshworkersafety.org) in October 2013, together with some of the world's biggest and best known retailers including Nordstrom, Macy's, Gap, Sears and JC Penney with whom we work to improve workplace safety in a results oriented, measurable and verifiable way in Bangladesh.

Audit & Compliance in Bangladesh

Labour

Factories with which we do business are inspected by independent Qualified Assessment Firms for social compliance, wages, hours and training.

» Personnel records including age contracts, leave register and infirmary logs
» Shifts, operating hours, breaks and average hours worked
» Emergency preparedness
» Payroll audit

Worker representatives are invited to participate in factory inspections and shadow assessments.

The Group supports the worker's right to refuse unsafe work and the right to free association.

Safety

All factories are inspected by independent Qualified Assessment Firms to ensure they are compliant with agreed international standards for occupational health and safety for workers. All factories undergo relevant training. Follow up is conducted to ensure a safe environment is maintained.

Ethical Sourcing Statement for Premier Retail (“Group”) (Continued)

Fire

All factories are inspected and audited for appropriate fire equipment and training. Sprinkler systems, egress and hydrants are all audited. Extensive training for all workers is scheduled and followed up to ensure it takes place.

To increase fire and safety awareness, The Alliance has ensured over 1,000,000 workers and managers have been trained, with 100% of the Group’s factories included in the training.

Building Integrity

All factories are inspected and audited by independent Qualified Assessment Firms.

Certificate of occupancy are reviewed along with structural engineering and documentation for conformance with applicable international model codes, compliance with wind loading and storm surge loadings, expansion and extension integrity and approval, and structural configuration.

The Alliance for Bangladesh Worker Safety has developed and implemented the country’s first harmonised Fire Safety and Structural Integrity Standard.

Operational Processes in Bangladesh

» In keeping with our own principles and assurances we have, as noted above, joined The Alliance for Bangladesh Worker Safety with some of the world’s largest international retailers including Nordstrom, Macy’s, Gap, Sears and JC Penney among others with whom we work to improve the transparency of conditions and safety of workers in Bangladesh. This is done through the inspections, training, audits, Corrective Action Plans and continuous improvement in the Bangladesh Ready Made Garment Factories.

» The Group has its own office in Bangladesh which reports to Australia and is operated on the same ethical principles as Australia. We employ a team of expatriates and Bangladeshi nationals. Strict supervision and a rotating staff management system is used to prevent conditions for corruption arising.

» Corrective Action Plan (CAP) meetings are held between factory, The Alliance and the Group. These CAPs are rigorous in the follow up.

ONGOING FOCUS 2015

Re-audit, Remediation and Training in Bangladesh

» The Group will focus on the annual audit and compliance programme as well as active participation in the CAP meetings where remediation is required.

» The Group will continue to work with The Alliance and Alliance Members on the training initiatives around fire and safety.

» We will also continue our regular senior management and executive factory inspections and programme building, as well as the development of our Bangladesh team and mission in country.

Whilst Bangladesh will remain a small portion of our overall sourcing we will continue the heightened level of process to ensure adherence and compliance.

Premier Investments Limited

A.C.N. 006 727 966

Financial Report

For the Period

28 July 2013 To 26 July 2014

Contents

DIRECTORS' REPORT

The Board of Directors of Premier Investments Limited (A.C.N. 006 727 966) has pleasure in submitting its report in respect of the financial period ended 26 July 2014.

The directors present their report together with the consolidated financial report of Premier Investments Limited (the "Company") and its controlled entities for the period 28 July 2013 to 26 July 2014, together with the independent audit report to the members thereon.

DIRECTORS

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

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

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

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

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In December 2012, Mark was appointed as an Executive Director of Premier Investments Limited. Mark holds an MBA from the University of Melbourne.

Timothy Antonie ***Non-Executive Director***

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

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Mr. Fox has extensive involvement in Australian and international circles and, apart from his business interests, is well recognised and active in sport and charity work.

In 2010, Victoria University admitted Mr. Fox to the degree of Doctor of the University *honoris causa* for his outstanding achievements in the transport industry, for his contribution to the community through his sustained efforts to reduce unemployment and his campaign against youth suicide.

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

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

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

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

Mr. Lanzer is Managing Partner of Arnold Bloch Leibler - a leading Australian commercial law firm - and has over 30 years' experience in providing legal and strategic advice to some of Australia's leading companies. He is a Director of Just Group Limited, a Director of Thorney Opportunities Limited and also a director of the TarraWarra Museum of Art. He is a Life Governor of the Mount Scopus College Council. Mr. Lanzer is Chairman of the Remuneration and Nomination Committee for Premier Investments Limited.

Michael R.I. McLeod ***Non-Executive Director***

Mr. McLeod is a former Executive Director of the Century Plaza Group and has been involved with the Group since 1996 as an advisor in the areas of corporate strategy, investment, public affairs and is a director of a number of associated companies. He has been a Non-Executive Director of Premier Investments Limited since 2002 and a Non-Executive Director of Just Group Limited from 2007 to 2013. Past experience includes the Board of a fund manager (Scudder, Stevens and Clark Australia Limited), chief of staff to a Federal Cabinet Minister and statutory appointments including as a Commission Member of the National Occupational Health and Safety Commission.

He holds a Bachelor of Arts (First Class Honours and University Medal) from the University of New South Wales.

Gary H. Weiss ***LL.M, J.S.D., Non-Executive Director***

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

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

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

COMPANY SECRETARY

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

Mr. Davis was appointed as Alternate Director on 10 July 2008 for Mr. Jones. Mr. Davis has been the Company Secretary of Premier Investments Limited for 20 years. Prior to holding this position, Mr Davis had 15 years' experience within the accounting industry as a tax and financial advisor.

DIRECTORS' REPORT
(CONTINUED)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

	CENTS	$'000
Final Dividend recommended for 2014	20.00	31,143
Dividends paid in the year: Interim for the half-year	20.00	31,063
Final for 2013 shown as recommended in the 2013 report	19.00	29,499

OPERATING AND FINANCIAL REVIEW

Group Overview:

The Company acquired a controlling interest in Just Group Limited the ("Just Group"), a listed company on the Australian Securities Exchange in August 2008. Just Group is a leading speciality fashion retailer in Australia, New Zealand, Singapore and the United Kingdom and operates in South Africa through a joint venture. The Just Group has a portfolio of well-recognised retail brands, consisting of Just Jeans, Jay Jays, Jacqui E, Portmans, Dotti, Peter Alexander and Smiggle. Currently, these seven unique brands are trading from more than 990 stores throughout four countries and online. During the year, the Smiggle brand commenced operations in the United Kingdom, opening eight stores during the second half of the financial year.

The Group's emphasis is on a range of brands that provide diversification through breadth of target demographic and sufficiently broad appeal to enable a national footprint. Over 90% of the product range is designed, sourced and sold under its own brands. There is a continuing investment in these brands to ensure they remain relevant to changing customer tastes and remain at the forefront of their respective target markets.

Group Operating Results:

The Group's reported revenue from the sale of goods, total income and net profit after income tax for the 52 week period ended 26 July 2014 (2013: 27 July 2013) are summarised below:

	2014 $'000	2013 $'000	% CHANGE
Revenue from the sale of goods	892,570	843,172	5.9%
Total other income	17,400	175,072	(90.1%)
Total income	909,970	1,018,244	(10.6%)
Net profit after income tax	73,000	174,473	(58.2%)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Group Operating Results (continued):

The main components of total other income for the current and prior financial years are presented below:

	2014 $'000	2013 $'000	% CHANGE
Total interest income	11,139	13,856	(19.6 %)
Total dividend income	-	3,862	(100%)
Fair value gain on available-for-sale financial assets reclassified from equity to profit and loss	-	149,803	(100%)
Other revenues	6,261	7,551	(17.1 %)
Total other income	17,400	175,072	

The Group's other income for the 2013 financial year included a reclassification adjustment of $149,803,000. The net impact of the reclassification adjustment on the Group's net profit after income tax was $105,151,000. The non-cash adjustment related to the cumulative fair value gain on available-for-sale financial assets, which were reclassified from equity to profit and loss. The reclassification was as a result of a change in accounting for the Group's investment in Breville Group Limited, whereby the Group commenced equity accounting for its 25.7% interest in Breville Group Limited as of the 1st of March 2013. Prior to the 1st of March 2013, the investment was classified as an available-for-sale financial asset, and was accounted for at fair value as at the relevant reporting date, with gains or losses on fair value movements recognised as a separate component of equity.

As a result of equity accounting, as of the 1st of March 2013, the Group recognises dividend income from its investment in Breville Group Limited as a reduction to the carrying amount of the investment.

Excluding the net reclassification adjustment, the Group's net profit after income tax for the 2013 financial year was $69,322,000.

Retail Segment:

As Premier's core business, the Just Group was the key contributor to the Group's operating results for the financial year. Key financial indicators for the retail segment are highlighted below:

RETAIL SEGMENT	2014 $'000	2013 $'000	% CHANGE
Sale of goods	892,570	843,172	5.9%
Total segment revenue	899,265	847,886	6.1%
Supply chain transformation expense	4,482	-	100%
Segment net profit before income tax	79,299	76,686	3.4%
Capital expenditure	48,164	19,231	

The Retail Segment contributed $79.3 million to the Group's net profit before income tax, up 3.4% on the prior financial year. The increase in profit before income tax is a reflection of the Group's continued efforts to transform its core brands, the implementation of its organisation-wide cost efficiency program, as well as the focus on its growth initiatives, both locally and internationally.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Retail Segment (continued):

During the financial year, the Retail Segment incurred non-recurring investment costs associated with the Group's supply chain transformation as well as the Smiggle UK market entry. These investment costs are further detailed below. Adjusting for these non-recurring investment costs, the Retail Segment's net profit before tax increased 13.4% on the prior financial year.

Supply Chain Transformation

The Group announced its intention to consolidate its Australian Distribution Centres into one National Distribution Centre during the 2013 calendar year. The development and purchase of the new Distribution Centre was completed during the 2014 financial year, and a one-off capital expense of $18.2 million was incurred to acquire the land and buildings. A further capital investment of $8 million was incurred in relation to plant and equipment for the new Distribution Centre. The internal fit-out of the new Distribution Centre is expected to be completed in early 2015.

The Group is currently in the process of transitioning all brands to the new National Distribution Centre. As a consequence, the Group incurred non-recurring transformation expenses amounting to $4.5 million during the 2014 financial year. The existing distribution centre at Huntingwood, New South Wales, have closed and the existing distribution centre in Altona, Victoria, is expected to close in early 2015.

Smiggle UK Expansion

During the financial year, the Smiggle brand expanded its operations into the United Kingdom, with the first store opening in February 2014. As at the reporting date, the Group operates eight Smiggle stores within the United Kingdom, with a further ten stores expected to open in the first half of the 2015 financial year. Included in the Retail Segment's profit before income tax are initial market entry investment expenses, amounting to $3.1 million. The Smiggle brand has operations across four countries – Australia, New Zealand, Singapore and the United Kingdom.

GROUP PERFORMANCE

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

	2014	2013	2012	2011	2010
Basic earnings per share (cents)	47.0	112.4	44.0	26.1	52.8
Dividend paid per share (cents)	39.0	37.0	36.0	36.0	66.0
Return on equity (%)	5.6%	13.4%	5.5%	3.4%	6.6%
Net debt/equity ratio (%)	(14.9%)	(16.2%)	(13.7%)	(14.6%)	(17.8%)

DIRECTORS' REPORT
(CONTINUED)

SHARES ISSUED DURING THE FINANCIAL YEAR

A total of 454,396 shares (2013: nil) were issued during the year pursuant to the Group's Performance Rights Plan.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial period ended 26 July 2014.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

During September 2014, the Group's core debt facility relating to its unsecured bank loans was refinanced for a further three years.

Subsequent to year-end, Premier Investments Limited increased its shareholding in Breville Group Limited from 25.7% to 27.3% by purchasing a further 2.1 million shares for $15.2 million.

On 16 September 2014, the directors of Premier Investments Limited declared a final dividend in respect of the 2014 financial year. The total amount of the dividend is $31,143,000 (2013: $29,499,000) which represents a fully franked dividend of 20 cents per share (2013: 19 cents per share). The dividend has not been provided for in the 26 July 2014 financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Certain likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to the period ended 26 July 2014 are referred to in the preceding operating and financial review. No additional information is included on the likely developments in the operations of the economic entity and the expected results of those operations as the directors reasonably believe that the disclosure of such information would be likely to result in unreasonable prejudice to the economic entity if included in this report, and it has therefore been excluded in accordance with section 299(3) of the *Corporations Act 2001*.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

SHARE OPTIONS

Unissued Shares:

As at the date of this report, there were 1,849,080 unissued ordinary shares under options/performance rights (1,849,080 at the reporting date). Refer to the remuneration report for further details of the options outstanding.

Shares Issued as a Result of the Exercise of Options:

No shares were issued as a result of the exercise of options during the financial year and to the date of this report.

DIRECTORS' REPORT
(CONTINUED)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

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

S. Lew	4,437,699 ordinary shares**
F.W. Jones	207,592 ordinary shares
L.E. Fox	2,577,014 ordinary shares
S. Herman	8,000 ordinary shares
H.D. Lanzer	27,665 ordinary shares
M.R.I. McLeod	28,186 ordinary shares
G. H. Weiss	6,000 ordinary shares
M. McInnes	800,000 performance rights

**Mr. Lew is an associate of Century Plaza Investments Pty. Ltd. and Metrepark Pty. Ltd (Associated Entities). The Associated Entities, collectively, have a relevant interest in 59,804,731 shares in the company. However, Mr. Lew does not have a relevant interest in the shares of the company held by the Associated Entities.

DIRECTORS' REPORT
(CONTINUED)

DIRECTORS' MEETINGS

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

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
DIRECTOR	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS ATTENDED AS COMMITTEE MEMBER	NUMBER ATTENDED	MEETINGS ATTENDED AS COMMITTEE MEMBER	NUMBER ATTENDED
Mr S Lew	6	6	-	-	2	2
Mr F W Jones	6	6	4	4	-	-
Mr M McInnes	6	6	-	-	-	-
Mr T Antonie	6	6	-	3	-	-
Dr D Crean	6	6	4	4	-	-
Mr L E Fox	6	6	-	-	-	-
Ms S Herman	6	6	-	4	-	-
Mr H D Lanzer	6	6	-	2	2	2
Mr M R I McLeod	6	6	-	1	-	-
Dr G H Weiss	6	6	4	4	2	2

ROUNDING

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

AUDITOR INDEPENDENCE

The directors received the declaration on page 27 from the auditor of Premier Investments Limited.

NON-AUDIT SERVICES

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

Details of non-audit services provided by the entity's auditor, Ernst & Young, can be found in Note 24 of the Financial Report.

REMUNERATION REPORT (AUDITED)

The remuneration report for the 52 weeks ended 26 July 2014 outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by section 308 (3C) of the Act.

For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

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

DETAILS OF KEY MANAGEMENT PERSONNEL

(i) Non-Executive Directors

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

(ii) Executive Directors

Mr. M. McInnes	Executive Director and Chief Executive Officer Premier Retail

(iii) Executives

Mr. K.F. Davis	Company Secretary and Non-Executive Alternate Director
Mr. A. Gardner	Chief Financial Officer, Just Group Limited
Ms. C. Garnsey	Core Brand Director, Just Group Limited

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

REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee of the Board of Directors of the Group is responsible for determining and reviewing remuneration arrangements for the directors and executives. The remuneration and nomination committee comprises of three Non-Executive Directors.

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION PHILOSOPHY

The Group operates in the Retail Industry with revenues mainly earned in its traditional domestic markets of Australia and New Zealand whilst currently increasing its revenues from international growth. The industry in Australia in New Zealand has seen significant structural change over recent years from changes in technology, increased international competitors entering the Australian and New Zealand Retail Industry and significant changes in the general consumer sentiment. At the same time, the market for skilled and experienced executives in the industry has become increasingly competitive and international in nature.

The Board believe that, given these structural changes and growth of the Group's international business, it is critical and in the best interests of shareholders to attract and retain the best possible executive team by offering appropriate remuneration packages.

REMUNERATION STRUCTURE

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

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

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

Structure

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

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

Current total remuneration for non-executive directors remains below the shareholder approved limit. The Chairman of the Group, consistent with his past practice, has declined to accept any remuneration for his role as a director.

EXECUTIVE REMUNERATION

Objective

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

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

EXECUTIVE REMUNERATION (CONTINUED)

Structure

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

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

Remuneration consists of the following key elements:

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

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) for each executive is set out on pages 17 and 18 of this report.

FIXED REMUNERATION

Objective

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

During the 2011 financial year the Board reviewed the structural issues and opportunities facing the Group and the industry in which it operates. The Board made a key strategic decision to appoint Mr McInnes as CEO of Premier Retail. Mr McInnes has a long track record of success in every role he has occupied. He was directly responsible for some of Australia's greatest retail success stories – including as co-founder of the Officeworks concept. Prior to being appointed as CEO of Premier Retail, Mr McInnes led David Jones to its most successful time as a public listed company. From 2003 to 2010, he was CEO and executive Director of David Jones turning David Jones into a fashion and financial powerhouse, creating in excess of $2 billion of shareholder value. The Board believes that Mr McInnes' remuneration package is appropriate for an executive of his skills and experience.

Structure

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

SHORT-TERM INCENTIVE (STI)

Objective

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

SHORT-TERM INCENTIVE (STI) (CONTINUED)

Structure

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

DISCRETIONARY BONUSES

Bonuses are payable at the discretion of the board of directors upon the recommendation of the committee. These discretionary bonuses can be paid by way of cash or performance rights. It is the intention that discretionary bonuses only be given in exceptional circumstances when in the best interest of the Group. No discretionary bonuses were paid during the 2014 financial year.

LONG-TERM INCENTIVE (LTI)

Objective

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

Structure

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

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

During the current financial period, grants were made on 11 December 2013. All offers are made subject to the terms of the PRP rules, which confer various powers to the board to add to or vary any of the plan rules, subject to the requirements of the Australian Securities Exchange.

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

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

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

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

LONG-TERM INCENTIVE (LTI) (CONTINUED)

Target	Conversion ratio of rights to shares available to vest under the TSR Performance Condition
Below 50th percentile	0%
50th percentile	25%
Between 50th and 62.5th percentile	Pro Rata
62.5th percentile	50%
Between 62.5th and 75th percentile	Pro Rata
75th percentile and above	100%

Generally the rights are eligible to vest three years from the date of the grant, with the exception of grants given to Mr Mark McInnes and Ms Colette Garnsey. The performance rights issued on 10 May 2011 to Mr McInnes are eligible to vest in three tranches, on 4 April 2014, 4 April 2015 and 4 April 2016.

The performance rights issued to Ms Garnsey on 18 April 2013 were issued to replace certain performance rights that she was entitled to in her previous employment. The performance rights issued to Ms Garnsey are eligible to vest in three tranches on 20 June 2015, 20 June 2016 and 20 June 2017.

Any rights which do not vest but the TSR was between the 40th and 50th percentile, may be retested once, 12 months after the initial vesting date. Once rights have been allocated, disposal of performance shares is subject to restrictions whereby board approval is required to sell shares granted within 7 years under this plan. An unvested performance right will lapse if it fails to meet the TSR performance condition over the prescribed period. Holders of performance rights are not entitled to vote or receive dividends or other distributions.

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

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

No employees have any hedging arrangements in place.

PERFORMANCE RIGHTS TESTED DURING THE 2014 FINANCIAL YEAR

During the 2014 financial year, two tranches of LTI performance rights issued were tested.

In October 2013, a tranche of 515,242 LTI performance rights issued during the 2011 financial year was tested. 380,332 of these performance rights lapsed due to the respective executives no longer being employed by the company.

The testing period began on 1 October 2010. At this date, Premier Investments' share price was $7.08 per share. During the three year testing period, Premier Investments declared a total of $1.09 fully franked dividends per share. The historical data concerning the Group in respect of the 2014 financial period and the four previous financial periods is set out on page 8 of the Directors' Report under the heading "Group Performance". The testing period ended on 1 October 2013 when the share price was $8.65 per share.

REMUNERATION REPORT (AUDITED) (CONTINUED)

PERFORMANCE RIGHTS TESTED DURING THE 2014 FINANCIAL YEAR (CONTINUED)

The Group received an independent assessment of the performance over the three year testing period. The assessment concluded that Premier Investments' TSR was both positive and between the 50th and 62.5th percentile of the comparator group. As a result, 54,396 performance rights vested and converted into 54,396 newly issued ordinary shares. This is in line with the LTI scheme rules and represents a 40.3% conversion ratio for those individual executives. The balance of 80,514 performance rights lapsed.

In April 2014, a first tranche of 600,000 LTI performance rights issued to Mr McInnes in May 2011 were tested. The testing period began on 24 March 2011, being the day prior to the announced appointment of Mr McInnes. At this date, Premier Investments' share price was $5.88 per share. During the three year testing period, Premier Investments declared a total of $1.11 fully franked dividends per share. The historical data concerning the Group in respect of the 2014 financial period and the four previous financial periods is set out on page 8 of the Directors' Report under the heading "Group Performance". The testing period ended on 3 April 2014 when the share price was $9.84 per share.

The Group received an independent assessment of the performance over the three year testing period. The assessment concluded that Premier Investments' TSR was both positive and above the 75th percentile of the comparator group.

Under the LTI scheme rules, a test above the 75th percentile would have resulted in 100% conversion and vesting into 600,000 ordinary shares. However, in terms of Mr McInnes' contract in relation to this tranche of performance rights, one third of the performance rights had an additional 12 month retention clause. As a result, 400,000 performance rights vested and converted into 400,000 newly issued ordinary shares. The balance of 200,000 performance rights, in relation to this specific tranche, having already passed the 100% qualifying TSR test, will now be subject to a retention test to be performed in March 2015.

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REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	Short term			Post-employment		Share based		
2014	Salary/Fee	Cash	Non-Monetary Benefits	Superannuation	Termination	Long-term incentives	Total	Performance related
	$	$	$	$	$	$	$	%
Non-executive directors								
Mr. S. Lew	-	-	-	-	-	-	-	-
Mr. F. W. Jones	109,589	-	-	10,411	-	-	120,000	-
Mr. T. Antonie	73,213	-	-	6,787	-	-	80,000	-
Dr. D. Crean	109,819	-	-	10,181	-	-	120,000	-
Mr. L. E. Fox	73,213	-	-	6,787	-	-	80,000	-
Ms. S Herman	73,213	-	-	6,787	-	-	80,000	-
Mr. H. D. Lanzer[1]	80,000	-	-	-	-	-	80,000	-
Mr. M. R. I. McLeod	100,666	-	-	19,334	-	-	120,000	-
Dr. G. H. Weiss	73,213	-	-	6,787	-	-	80,000	-
Total non-executive directors	692,926	-	-	67,074	-	-	760,000	
Key management personnel								
Mr. M. McInnes	1,974,583	1,800,000[2]	-	25,417	-	564,090	4,364,090	54.17
Mr. K. F. Davis	422,225	-	-	17,775	-	-	440,000	-
Mr. A. Gardner	477,960	-	54,265	17,859	-	96,319	646,403	14.90
Ms. C. Garnsey	774,917	-	23,760	17,859	-	134,712	951,248	14.16
Total executive	3,649,685	1,800,000	78,025	78,910	-	795,121	6,401,741	
TOTAL 2014	4,342,611	1,800,000	78,025	145,984	-	795,121	7,161,741	

[1] Mr Lanzer's director's fees were paid to Arnold Bloch Leibler

[2] Mr McInnes' STI was paid due to growth in Premier Retail EBIT

DIRECTORS' REPORT
(CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

	Short term			Post-employment		Share based		
2013	Salary/Fee	Cash	Non-Monetary Benefits	Superannuation	Termination	Long-term incentives	Total	Performance related
	$	$	$	$	$	$	$	%
Non-executive directors								
Mr. S. Lew	-	-	-	-	-	-	-	-
Mr. F. W. Jones	115,556	-	-	4,444	-	-	120,000	-
Mr. T. Antonie	73,381	-	-	6,619	-	-	80,000	-
Dr. D. Crean	110,071	-	-	9,929	-	-	120,000	-
Mr. L. E. Fox	73,381	-	-	6,619	-	-	80,000	-
Ms. S Herman	73,381	-	-	6,619	-	-	80,000	-
Mr. H. D. Lanzer[1]	80,000	-	-	-	-	-	80,000	-
Mr. M. R. I. McLeod	73,381	-	-	6,619	-	-	80,000	-
Dr. G. H. Weiss	73,381	-	-	6,619	-	-	80,000	-
Total non-executive directors	672,532	-	-	47,468	-	-	720,000	
Key management personnel								
Mr. M. McInnes	1,975,000	-	-	25,000	-	643,943	2,643,943	24.36
Mr. K. F. Davis	413,805	25,000	-	16,580	-	-	455,385	5.49
Mr. A. Gardner	475,497	180,000[2]	57,925	16,579	-	94,549	824,550	11.47
Ms. C. Garnsey[3]	664,932	200,000[4]	-	20,886	-	33,678	919,496	3.66
Ms. R. Kelly[5]	427,605	-	-	11,422	200,000	-	639,027	-
Total executive	3,956,839	405,000	57,925	90,467	200,000	772,170	5,482,401	
TOTAL 2013	4,629,371	405,000	57,925	137,935	200,000	772,170	6,202,401	

[1] Mr Lanzer's director's fees were paid to Arnold Bloch Leibler.
[2] Mr Gardner received a cash payment as compensation for a change of his contract.
[3] Appointed 20 September 2012.
[4] Ms Garnsey received a one-off payment of $200,000 on signing of her contract with the Group. The payment was made as part compensation for benefits she would have been entitled to from her prior employer.
[5] Resigned 12 April 2013.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional disclosures relating to Rights and Shares

a) Rights awarded, vested and lapsed during the year

The table below discloses the number of share rights granted to executives as remuneration for the financial period ended 26 July 2014, as well as the number of rights vested and lapsed during the year:

		Terms and conditions						Rights vested and lapsed during the year	
2014	Year granted	Rights awarded during the year No.	Grant date	Fair value per right at award date $	Expiry date	First exercise date	Last exercise date	Rights vested during the year No.	Rights lapsed during the year No.
Key management personnel									
Mr. M. McInnes	2011	-	10-May-2011	-	-	04-Apr-2014	-	400,000	-
Mr. A. Gardner	2014	64,254	11-Dec-2013	4.28	1-Oct-2017	1-Oct-2016	1-Oct-2017	-	-
	2011	-	22-Nov-2010	-	-	1-Oct-2013	-	25,235	37,352

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional disclosures relating to Rights and Shares (Continued)

b) Value of options awarded, exercised and lapsed during the year

2014	Value of rights granted during the year $	Value of rights exercised during the year $	Value of rights lapsed during the year $	Remuneration consisting of rights for the year %
Key management personnel				
Mr. M. McInnes	-	3,944,000	-	12.93
Mr. A. Gardner	275,007	197,085	323,095	14.90

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

c) Shares issued on exercise of options

2014	Shares issued No	Paid per share $	Unpaid per share $
Key management personnel			
Mr. M. McInnes	400,000	-	-
Mr. A. Gardner	25,235	-	-

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional disclosures relating to Rights and Shares (Continued)

d) Rights holdings of key management personnel

2014	Balance at 28 July 2013	Granted as remuneration	Rights exercised	Rights lapsed	Balance at 26 July 2014	At 26 July 2014 Total	Exercisable	Not exercisable
Key management personnel								
Mr. M. McInnes	1,200,000	-	(400,000)	-	800,000	800,000	-	800,000
Mr. A. Gardner	243,786	64,254	(25,235)	(37,352)	245,453	245,453	-	245,453
Ms. C Garnsey	240,000	-	-	-	240,000	240,000	-	240,000

Rights granted to key management personnel were made in accordance with the provisions of the Group's Performance Rights Plan.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional disclosures relating to Rights and Shares (Continued)

e) Number of Shares held in Premier Investments Limited

2014	BALANCE 28 JULY 2013 ORDINARY	SHARE PURCHASE ORDINARY	SHARES ACQUIRED UNDER PERFORMANCE RIGHTS PLAN ORDINARY	NET CHANGE OTHER ORDINARY	BALANCE 26 JULY 2014 ORDINARY
NON-EXECUTIVE DIRECTORS					
Mr. S. Lew**	4,437,699	-	-	-	4,437,699
Mr. F.W. Jones	197,592	10,000	-	-	207,592
Mr. T. Antonie	-	-	-	-	-
Dr. D. Crean	-	-	-	-	-
Mr. L.E. Fox	5,577,014	-	-	(3,000,000)	2,577,014
Ms. S. Herman	-	8,000	-	-	8,000
Mr. H.D. Lanzer	27,665	-	-	-	27,665
Mr. M.R.I. McLeod	28,186	-	-	-	28,186
Dr. G.H. Weiss	10,000	-	-	-	10,000
EXECUTIVES					
Mr. M. McInnes	-	-	400,000	-	400,000
Mr. K.F. Davis	-	-	-	-	-
Mr. A. Gardner	84,763		25,235	-	109,998
Ms. C. Garnsey	-	-	-	-	-
TOTAL 2014	10,362,919	18,000	425,235	(3,000,000)	7,806,154

** Mr. Lew is an associate of Century Plaza Investments Pty. Ltd. and Metrepark Pty. Ltd (Associated Entities). The Associated Entities, collectively, have a relevant interest in 59,804,731 (2013: 59,804,731) shares in the company. However, Mr. Lew does not have a relevant interest in the shares in the company held by the Associated Entities.

Additional disclosures relating to transactions and balances with key management personnel

f) Other transactions and balances with key management personnel

Details and terms and conditions of other transactions with key management personnel and their related parties:

Mr. Lanzer is a partner of the legal firm Arnold Bloch Leibler. Group companies use the services of Arnold Bloch Leibler from time to time. Legal services totalling $1,216,100 (2013: $1,022,348), including Mr. Lanzer's directors fees, GST and disbursements were invoiced by Arnold Bloch Leibler to the consolidated group. The fees paid for these services were all at arm's length and on normal commercial terms.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Additional disclosures relating to transactions and balances with key management personnel (continued)

f) Other transactions and balances with key management personnel (continued)

Mr. Lanzer is a director of Loch Awe Pty Ltd. During the year operating lease payments totalling $378,629 (2013: $364,067) including GST was paid to Loch Awe Pty Ltd. The payments were at arm's length and on normal commercial terms.

Mr. Lew is a director of Voyager Distributing Company Pty Ltd and family companies associated with Mr. Lew have a controlling interest in Playcorp Pty Ltd and Sky Chain Trading Limited. During the year, purchases totalling $20,332,905 (2013: $20,250,393) including GST have been made by Group companies from Voyager Distributing Co. Pty Ltd, Playcorp Pty Ltd and Sky Chain Trading Limited, with $1,436,941 (2013: $1,430,634) remaining outstanding at year-end. The purchases were all at arm's length and on normal commercial terms. Additionally, fabric sales of $nil (2013: $276,687), inclusive of GST, have been made by Group companies to Voyager Distributing Co. Pty Ltd. Sales were at arm's length and on normal commercial terms.

Mr. Lew is a director of Century Plaza Trading Pty. Ltd. The company and Century Plaza Trading Pty Ltd are parties to a Services Agreement to which Century Plaza Trading agrees to provide certain services to the company to the extent required and requested by the company. The company is required to reimburse Century Plaza Trading for costs it incurs in providing the company with the services under the Service Agreement. The company reimbursed a total of $412,718 (2013: $352,570) costs including GST incurred by Century Plaza Trading Pty Ltd.

Amounts recognised in the financial report at the reporting date in relation to other transactions:

i) Amounts included within Assets and Liabilities

	2014 $'000
Current Liabilities	
Trade and other payables	1,437
	1,437

ii) Amounts included within Profit or Loss

	2014 $'000
Expenses	
Purchases/ Cost of goods sold	18,724
Operating lease rental expense	344
Legal fees	1,100
Other expenses	413
Total expenses	20,581

REMUNERATION REPORT (AUDITED) (CONTINUED)

SERVICE AGREEMENTS

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

					Termination benefits		
	Start date	Term of agreement	Review period	Period of written notice required from the company	Upon company initiated	Upon diminution of role	Period of written notice required from employee
Mr. M. McInnes	04-Apr-2011	Open	Annual	12 months	12 months TFR including notice	Nil	6 months (in first 12 months of employment) 12 months thereafter
Mr. K. F. Davis	17-Nov-1993	Open	Annual	3 months	Nil	Nil	3 months
Mr. A. Gardner	02-Jan-2007	Open	Annual	12 months	12 months TFR including notice	Nil	12 months
Ms. C. Garnsey	20-Sep-2012	Open	Annual	12 months	12 months TFR including notice	Nil	12 months

DIRECTORS' REPORT
(CONTINUED)

AUDITOR INDEPENDENCE

A copy of the Auditor's Independence Declaration in relation to the audit for the financial year is provided on page 27 of this report.

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

Solomon Lew
Chairman
17 October 2014

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

In relation to our audit of the financial report of Premier Investments Limited for the financial year ended 26 July 2014 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Brent Simonis
Partner
17 October 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 26 JULY 2014 AND 27 JULY 2013

		CONSOLIDATED	
	NOTES	2014 $'000	2013 $'000
Continuing operations			
Revenue from sale of goods	4	892,570	843,172
Other revenue	4	11,624	18,239
Total revenue		904,194	861,411
Other income	4	5,776	156,833
Total income		909,970	1,018,244
Changes in inventories of finished goods and work in progress and raw materials used		(341,078)	(321,813)
Employee expenses		(225,716)	(210,775)
Operating lease rental expense	5	(186,061)	(178,343)
Depreciation, impairment and amortisation	5	(21,941)	(19,187)
Advertising and direct marketing		(12,193)	(12,481)
Finance costs	5	(6,311)	(6,988)
Supply chain transformation	5	(4,482)	-
Other expenses		(26,608)	(25,815)
Total expenses		(824,390)	(775,402)
Share of profit of associates	13	12,785	3,114
Profit from continuing operations before income tax		98,365	245,956
Income tax expense	6	(25,365)	(71,483)
Net profit for the period attributable to owners		**73,000**	**174,473**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net fair value gains on available-for-sale financial assets	19	-	32,115
Fair value gain on available-for-sale financial assets reclassified from equity to profit and loss	19	-	(149,803)
Cash flow hedges	19	(21,436)	18,270
Foreign currency translation	19	728	1,211
Net movement in other comprehensive income of associates	19	(896)	1,219
Income tax on items of other comprehensive income	19	6,431	29,589
Other comprehensive loss for the period, net of tax		**(15,173)**	**(67,399)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS		**57,827**	**107,074**
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)	30	46.98	112.37
- diluted for profit for the year (cents per share)	30	46.36	111.07

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

STATEMENT OF FINANCIAL POSITION

AS AT 26 JULY 2014 AND 27 JULY 2013

		CONSOLIDATED	
	NOTES	2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	25	313,308	313,157
Trade and other receivables	8	12,155	6,858
Inventories	9	98,496	83,959
Other financial instruments	29	1,517	13,625
Other current assets	10	5,215	4,676
Total current assets		430,691	422,275
Non-current assets			
Trade and other receivables	8	1,004	1,929
Property, plant and equipment	11	109,028	83,402
Intangible assets	12	854,572	854,529
Deferred tax assets	6	12,147	10,928
Investments in associates	13	188,418	185,534
Other financial instruments	29	79	3,417
Total non-current assets		1,165,248	1,139,739
TOTAL ASSETS		1,595,939	1,562,014
LIABILITIES			
Current liabilities			
Trade and other payables	14	62,520	54,514
Interest-bearing liabilities	15	100,529	48
Other financial instruments	29	6,798	28
Income tax payable		24,642	13,463
Provisions	16	16,558	16,764
Other current liabilities	17	4,221	4,771
Total current liabilities		215,268	89,588
Non-current liabilities			
Interest-bearing liabilities	15	19,014	101,920
Deferred tax liabilities	6	52,586	58,295
Provisions	16	1,462	1,467
Other financial instruments	29	3	159
Other	17	9,077	10,219
Total non-current liabilities		82,142	172,060
TOTAL LIABILITIES		297,410	261,648
NET ASSETS		1,298,529	1,300,366
EQUITY			
Contributed equity	18	608,615	608,615
Reserves	19	2,514	16,789
Retained earnings	20	687,400	674,962
TOTAL EQUITY		1,298,529	1,300,366

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

STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 26 JULY 2014 AND 27 JULY 2013

		CONSOLIDATED	
	NOTES	2014 $'000	2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		985,643	931,411
Payments to suppliers and employees (inclusive of GST)		(894,487	(844,709)
Dividends received		-	3,862
Interest received		11,692	13,404
Borrowing costs paid		(5,815)	(6,386)
Income taxes paid		(13,653)	(8,474)
NET CASH FLOWS FROM OPERATING ACTIVITIES	25(b)	83,380	89,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of financial instruments		-	20,247
Dividends received from associates		8,698	4,683
Payment for trademarks		(106)	(96)
Proceeds from sale of property, plant and equipment		-	7
Payment for property, plant and equipment and leasehold premiums		(47,204)	(14,407)
NET CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		(38,612)	10,434
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividends paid		(60,562)	(57,446)
Proceeds from borrowings		83,000	22,000
Repayment of borrowings		(67,000)	(45,000)
Payment of finance lease liabilities		(55)	(107)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(44,617)	(80,553)
NET INCREASE IN CASH HELD		151	18,989
Cash at the beginning of the financial period		313,157	294,168
CASH AT THE END OF THE FINANCIAL PERIOD	25(a)	313,308	313,157

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

STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 26 JULY 2014 AND 27 JULY 2013

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 28 July 2013	608,615	464	2,383	11,440	2,502	-	674,962	1,300,366
Net Profit for the period	-	-	-	-	-	-	73,000	73,000
Other comprehensive loss	-	-	-	(15,005)	(168)	-	-	(15,173)
Total comprehensive income for the period	-	-	-	(15,005)	(168)	-	73,000	57,827
Transactions with owners in their capacity as owners:								
Performance rights issued	-	-	898	-	-	-	-	898
Dividends Paid	-	-	-	-	-	-	(60,562)	(60,562)
Balance as at 26 July 2014	608,615	464	3,281	(3,565)	2,334	-	687,400	1,298,529
At 29 July 2012	608,615	464	1,451	(1,349)	72	82,618	557,935	1,249,806
Net Profit for the period	-	-	-	-	-	-	174,473	174,473
Other comprehensive income (loss)	-	-	-	12,789	2,430	(82,618)	-	(67,399)
Total comprehensive income for the period	-	-	-	12,789	2,430	(82,618)	174,473	107,074
Transactions with owners in their capacity as owners:								
Performance rights issued	-	-	932	-	-	-	-	932
Dividends Paid	-	-	-	-	-	-	(57,446)	(57,446)
Balance as at 27 July 2013	608,615	464	2,383	11,440	2,502	-	674,962	1,300,366

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

1 CORPORATE INFORMATION

The financial report of Premier Investments Limited for the 52 weeks ended 26 July 2014 was authorised for issue in accordance with a resolution of the directors on 17 October 2014.

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report is prepared for the 52 weeks beginning 28 July 2013 to 26 July 2014.

(a) BASIS OF PREPARATION

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

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

(b) STATEMENT OF COMPLIANCE

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

(c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policies, disclosures, standards and interpretations

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

As of the beginning of the financial year, the Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations that are relevant to the Group and its operations and that are effective for the current annual reporting period.

(i) *AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements:* This amendment deletes from *AASB 124 Related Party Disclosures* individual key management personnel disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. In the current year, individual key management personnel disclosure relating to equity holdings and other related party transactions is now disclosed in the Remuneration Report, due to an amendment to the *Corporations Regulations 2001* issued in June 2013.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)*

(ii) *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities:* The Standard principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of set-off arrangements. As the Group does not have any offsetting arrangements in place, the application of the amendment does not have any material impact on the consolidated financial statements.

(iii) *AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle*: Key amendments include the clarification of the requirements of comparative information as well as interim reports and segment information for total assets and total liabilities.

(iv) *AASB 2012*-9 Amendments to AASB 1048 arising from the withdrawal of Australian Interpretation 1039: The amendments evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

(v) *AASB 119 Employee Benefits:* The revised standard distinguishes between short term and other long term employee benefits based on whether the benefits are expected to be settled wholly within 12 months after reporting date. The application of the revised standard does not have any material impact on the consolidated financial statements.

(vi) *New and revised Standards on consolidation, joint arrangements, associates and disclosures:* In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 (as revised in 2011) Separate Financial Statements,* and *AASB 128 (as revised in 2011) Investments in Associates and Joint Ventures.* Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12 and AASB 127 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding transitional guidance. AASB 127 (as revised in 2011) is not applicable to the Group as it only relates to separate financial statements.

AASB 10 establishes a new control model that applies to all entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations. AASB 11 uses the principle of control in AASB 10 to define joint control. It further removes the option to account for jointly controlled entities using proportionate consolidation. The application of these standards have not had an impact on the current composition of the Group.

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates. The application of AASB 12 has not materially impacted the disclosures presented in the consolidated financial statements.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) *NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)*

(vii) *AASB 13 Fair Value Measurements:* The standard establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. The standard requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these provisions, the Group has not made any new disclosures required by AASB 13 for the comparative period ending 27 July 2013. Other than the expanded disclosure requirements, AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.

The Group has elected to early adopt the following New Standards or amendments for this financial year:

(i) *AASB 2013-3 Amendments to AASB 136 – Recoverable amount disclosures for Non-Financial Assets:* These amendments remove the unintended consequences of AASB 13 *Fair Value Measurements* on the disclosure required under AASB 136 *Impairment of Assets.* In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units for which impairment losses have been recognised or reversed during the period. These amendments are effective retrospectively for annual reporting periods beginning on or after 1 January 2014 with earlier application permitted, provided AASB 13 is also applied. The Group has early adopted these amendments to AASB 136 in the current period. Accordingly, these amendments have been incorporated in the disclosures for non-financial assets in Note 12. The amendments will continue to be applicable for future disclosures.

Adoption of these new and revised Standards did not have any effect on the financial position or performance of the Group.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

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 ending 26 July 2014, are outlined in the table below:

Title	Summary	Effective for annual reporting periods beginning on or after	Impact on Group financial report	Expected to be initially applied by the Group for the financial year beginning
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right to set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Group has not yet determined the potential effects of the standard.	27 July 2014
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting	AASB 2013-4 amends AASB 139 *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	The Group does not expect the amendment to have a significant impact on the current reported results position of the Group.	27 July 2014
AASB 1031 Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework* (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	The Group has not yet determined the potential effects of the standard.	27 July 2014
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The standard contains 3 main parts and makes amendments to a number of other Standards and Interpretations: • Part A makes consequential amendments arising from the issuance of AASB CF 2013-1 *Amendments to the Australian Conceptual Framework*. • Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 *Materiality* and also makes minor editorial amendments to various other standards. • Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into *AASB 9 Financial Instruments*.	The application dates of AASB 2013-9 are as follows: Part A: periods ending on or after 20 December 2013 Part B: periods beginning on or after 1 January 2014 Part C: periods beginning on or after 1 January 2015	The application of Part A does not have any material impact on the consolidated financial statements. The Group has not yet determined the potential effects of Part B or part C of the amendment.	The application dates of AASB 2013-9 for the Group are as follows: Part A: 28 July 2013 Part B: 27 July 2014 Part C: 26 July 2015

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Title	Summary	Effective for annual reporting periods beginning on or after	Impact on Group financial report	Expected to be initially applied by the Group for the financial year beginning
Interpretation 21 Levies	This interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	The Group has not yet determined the potential effects of the standard.	27 July 2014
Annual Improvements to IFRS 2010 – 2012 Cycle	This Standard sets out amendments to International Financial Reporting Standards and the related bases for conclusions and guidance made during the IASB Annual Improvements Process. These amendments have not yet been adopted by the AASB. Key amendments, applicable to the Group, include: • IFRS 2: Clarifies the definition of a "vesting condition" and "market condition". • IFRS 8: Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. • IAS 16 and IAS 38: Clarifies that the determination of accumulated depreciation does not depend on the selection of valuation technique and that it is calculated as the difference between gross and net carrying amounts. • IAS 24: Defines a management entity providing Key Management Personnel (KMP) services as a related party of the reporting entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	The Group has not yet determined the potential effects of the standard.	27 July 2014
Annual Improvements to IFRS 2011 – 2013 Cycle	This standard sets out amendments to International Financial Reporting Standards and the related bases for conclusions and guidance made during the IASB Annual Improvements Process. These amendments have not yet been adopted by the AASB. Key amendments, applicable to the Group, include: • IFRS 13: Clarifies that the portfolio exception in par 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9.	1 July 2014	The Group has not yet determined the potential effects of the standard.	27 July 2014

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Title	Summary	Effective for annual reporting periods beginning on or after	Impact on Group financial report	Expected to be initially applied by the Group for the financial year beginning
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures	AASB 9 introduces new requirements for classifying and measuring financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These measures improve and simplify the approach for classification and measurement of financial assets. The main changes are described below: • Debt instruments will be classified based on the objective of the entity's business model for managing the financial asset, and the characteristics of the contractual cash flows. • Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. • Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. • New requirements apply where an entity chooses to measure a liability at fair value through profit or loss. In these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: • New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. • Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time. • In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018.	1 January 2018	The Group has not yet determined the potential effects of the standard. Retrospective application is generally required.	29 July 2018

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Title	Summary	Effective for annual reporting periods beginning on or after	Impact on Group financial report	Expected to be initially applied by the Group for the financial year beginning
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 supersedes IAS 18 *Revenue* and IFRIC 13 *Customer Loyalty Programmes.*	1 January 2017	The Group has not yet determined the potential effects of the standard.	30 July 2017

(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 judgement and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

Classification of assets and liabilities as held for sale

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Taxation

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

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

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

(ii) Significant accounting estimates and assumptions

Estimated impairment of goodwill and intangibles with indefinite useful lives

The Group tests whether goodwill and intangibles with indefinite useful lives have suffered any impairment annually, in accordance with the accounting policies stated in note 2(n) and note 2(o). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 12 for details of these assumptions and the potential impact of changes to the assumptions.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined at grant date using the Black-Scholes Model and taking into account the terms and conditions upon which the instruments were granted. The related assumptions are detailed in note 27.

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

Estimation of useful lives of assets

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

Depreciation charges are included in note 5.

Estimated gift card redemption rates

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

Onerous lease provisions

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

Supply chain transformation provisions

The Group’s consolidation process of its Australian Distribution Centres into one national distribution centre in Truganina, Victoria have resulted in a supply chain transformation provision in which judgements and estimations were made. The Group follows the guidance of AASB 137 Provisions, Contingent Liabilities and Contingent Assets to determine whether a provision is required. A restructuring provision is recognised when a detailed formal plan about the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and appropriate time lines have been established. The people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fair value of financial instruments

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The fair value disclosures are detailed in note 3.

(e) BASIS OF CONSOLIDATION

The consolidated financial statements are those of the consolidated entity, comprising Premier Investments Limited (the parent entity) and its subsidiaries ('the Group') as at the end of each financial year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

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.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interest, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. 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.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) BASIS OF CONSOLIDATION (CONTINUED)

Investments in subsidiaries held by Premier Investments Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment losses. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received and of any investment retained,
- Recognises the surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(f) INVESTMENT IN ASSOCIATES

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's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements.

Under the equity method, investments in the associates are initially recognised at deemed cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate.

The Group's share of profit or loss of an associate is recognised in the statement of comprehensive income and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any change, when applicable, in the statement of changes in equity. Dividends receivable from the associate is recognised in the parent entity's statement of comprehensive income, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 associates. At each reporting period, the Group determines whether there is objective evidence that the investment in 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 loss in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

(g) BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating and accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

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

(h) CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/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 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is internally provided and used by the chief operating decision maker in assessing the performance of the entity and in determining the allocation of resources.

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

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

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

(j) FOREIGN CURRENCY TRANSLATION

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

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

The New Zealand subsidiaries' functional currency is New Zealand Dollars. The Singapore subsidiaries' functional currency is Singapore Dollars. The United Kingdom subsidiaries' functional currency is Pound Sterling. Just Kor Fashion Group (Pty) Ltd, the South African joint venture, has a functional currency of South African Rand.

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

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) CASH AND CASH EQUIVALENTS

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

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

(l) INVENTORIES

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

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

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

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

(m) PROPERTY, PLANT AND EQUIPMENT

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 8 years
- Leased plant and equipment 2 to 5 years
- Other plant and equipment 2 to 20 years

Freehold land is not depreciated.

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

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

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) GOODWILL

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

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

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Impairment losses recognised for goodwill are not subsequently reversed.

(o) INTANGIBLE ASSETS (excluding goodwill)

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

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

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

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

The recoverable amount is determined for an individual asset, unless the asset's value-in-use cannot be estimated to be close to its fair value, less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) INTANGIBLE ASSETS (excluding goodwill) (CONTINUED)

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

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

(p) OTHER FINANCIAL ASSETS

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

(i) Loans and Receivables

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

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

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

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) OTHER FINANCIAL LIABILITIES

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

(i) Trade and other payables

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

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

(ii) Loans and borrowings

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

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

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

(iii) 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, to realise the assets and settle the liabilities simultaneously.

(r) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

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

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

Cash flow hedges

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (CONTINUED)

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

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

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

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

(s) LEASES

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

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

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

(t) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of the funds.

(u) PROVISIONS

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

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) ONEROUS LEASE PROVISIONS

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

(w) SUPPLY CHAIN TRANSFORMATION PROVISIONS

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

(x) EMPLOYEE BENEFITS

(i) Wages, salaries and annual leave

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Related on-costs have also been included in the liability.

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

(iii) Retirement benefit obligations

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

(y) DEFERRED INCOME

(i) Lease Incentives

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) DEFERRED INCOME (CONTINUED)

(ii) Deferred rent

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

(z) REVENUE RECOGNITION

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

(i) Sale of goods

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

(ii) Interest revenue

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

(iii) Dividends

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

(iv) Lay-by sales

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

(v) Gift cards

Revenue from the sale of gift cards is recognised upon redemption of the gift card, or when the card is no longer expected to be redeemed, based on analysis of historical non-redemption rates.

(aa) INCOME TAX

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

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) INCOME TAX (CONTINUED)

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

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

- When the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- When the taxable temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) INCOME TAX (CONTINUED)

Tax consolidation

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

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

(bb) OTHER TAXES

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

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

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

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

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

(cc) CONTRIBUTED EQUITY

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

(dd) EARNINGS PER SHARE

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

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

2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ee) SHARE-BASED REMUNERATION SCHEMES

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

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

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

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

(i) The grant date fair value of the award;

(ii) The extent to which the vesting period has expired; and

(iii) The current best estimate of the number of awards that will vest as at the grant date.

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

No expense is recognised for awards that do not ultimately vest, except for equity settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested, irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and service conditions are met.

(ff) COMPARATIVES

The current reporting period, 28 July 2013 to 26 July 2014, represents 52 weeks and the comparative reporting period is from 29 July 2012 to 27 July 2013 which also represents 52 weeks. From time to time, management may change prior year comparatives to reflect classifications applied in the current year.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's principal financial instruments comprise cash and short-term deposits, derivative financial instruments, receivables, payables, bank overdraft, interest-bearing liabilities and finance leases.

RISK EXPOSURES AND RESPONSES

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

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

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

Interest rate risk

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

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

		CONSOLIDATED	
	NOTES	2014 $'000	2013 $'000
Financial Assets			
Cash	25	313,308	313,157
Other receivables	8	3,596	4,321
		316,904	317,478
Financial Liabilities			
Finance lease liability	22	66	113
Bank loans AUD	15	101,000	85,000
Bank loans (NZD 20.0 million)	15	18,477	17,240
		119,543	102,353
Net Financial Assets		197,361	215,125

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Interest rate risk (Continued)

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

The Group has conducted a sensitivity analysis of the Group's exposure to interest rate risk. The sensitivity analysis below has been determined based on the exposure to interest rates from financial instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period, holding all other variables constant. A 100 (2013:100) basis point increase and decrease in Australian interest rates represents management's assessment of the possible change in interest rates. A positive number indicates an increase in profit after tax and equity, whilst a negative number indicates a reduction in profit after tax and equity.

	POST-TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements:	2014 $000	2013 $000	2014 $000	2013 $000
CONSOLIDATED				
+1.0% (100 basis points)	1,357	1,476	-	-
-1.0% (100 basis points)	(1,357)	(1,476)	-	-

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

Significant assumptions used in the interest rate sensitivity analysis include:

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

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Credit risk

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised creditworthy third parties, there is no requirement for collateral by either party.

Credit risk for the Group also arises from financial guarantees that members of the Group act as guarantor. At 26 July 2014, the maximum exposure to credit risk of the Group is the amount guaranteed as disclosed in note 33.

Foreign operations

The Group has operations in New Zealand. As a result, movements in the Australian Dollar and New Zealand Dollar ("AUD/NZD") exchange rate affect the Group's statement of financial position and results from operations. The Group has obtained New Zealand Dollar denominated financing facilities from a financial institution to provide a natural hedge of the Group's exposure to movements in the AUD/NZD on translation of the New Zealand statement of financial position. In addition, the Group, on occasion, hedges its cash flow exposure to movements in the AUD/NZD.

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

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

Operations in the United Kingdom commenced in this current financial year. Movement in the Australian Dollar and Pound Sterling ("AUD/GBP") exchange rates can affect the Group's statement of financial position and results from operations. The Group does not consider this risk to be material, and as such, has not sought to hedge this exposure.

Foreign currency transactions

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

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Foreign currency transactions (Continued)

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

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

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

The policy requires periodic reporting to the Audit and Risk Committee, and its application is subject to oversight from the Chairman of the Audit and Risk Committee or the Chairman of the Board. The policy allows the use of forward exchange contracts and foreign currency options.

At reporting date, the Group had the following exposures to movements in the United States Dollar, Singapore Dollar, South African Rand and Pound Sterling:

	USD EXPOSURE		***SGD EXPOSURE***		***ZAR EXPOSURE***		***GBP EXPOSURE***	
	CONSOLIDATED		CONSOLIDATED		CONSOLIDATED		CONSOLIDATED	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
FINANCIAL ASSETS								
Cash and cash equivalents	648	5	1,750	1,106	-	-	4,044	-
Trade and other receivables	340	36	-	-	2,157	2,399	-	-
Derivative financial assets (cash flow hedges)	1,596	17,042	-	-	-	-	-	-
	2,584	17,083	1,750	1,106	2,157	2,399	4,044	-
FINANCIAL LIABILITIES								
Trade and other payables	(20,765)	(20,537)	(111)	(202)	-	-	(13)	-
Derivative financial liabilities (cash flow hedges)	(6,801)	(187)	-	-	-	-	-	-
	(27,566)	(20,724)	(111)	(202)	-	-	(13)	-
Net exposure	(24,982)	(3,641)	1,639	904	2,157	2,399	4,031	-

The Group has forward currency contracts and foreign currency options designated as cash flow hedges that are subject to movements through equity and profit and loss respectively as foreign exchange rates move (refer to Note 29).

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Foreign currency risk

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

	POST-TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
Judgements of reasonably possible movements:	2014 $000	2013 $000	2014 $000	2013 $000
CONSOLIDATED				
AUD/USD + 2.5%	401	361	(4,063)	(4,488)
AUD/USD – 10.0%	(1,829)	(1,628)	18,417	21,010
AUD/ZAR + 2.5%	(53)	(59)	-	-
AUD/ZAR – 10.0%	240	267	-	-
AUD/SGD + 2.5%	(40)	(22)	-	-
AUD/SGD –10.0%	182	100	-	-
AUD/GBP + 2.5%	(98)	-	-	-
AUD/GBP –10.0%	448	-	-	-

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

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

Liquidity risk

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

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES (CONTINUED)

Liquidity risk (Continued)

The Group has at balance date $27 million (2013: $31 million) cash held in deposit with 11am at call term and the remaining $286 million (2013: $282 million) cash held in deposit with maturity terms ranging from 30 to 180 days. Hence management believe there is no significant exposure to liquidity risk at 26 July 2014 and 27 July 2013.

The Group aims to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases with a variety of counterparties.

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

	CONSOLIDATED	
	2014 $'000	2013 $'000
Maturity < 6 months	170,086	147,931
Maturity 6–12 months *	203,773	99,329
Maturity 12–24 months	27,565	186,087
Maturity > 24 months	19,000	14
	420,424	433,361

* Refer to Note 32 for details regarding the subsequent to year end extension of the Group's core debt facility.

Fair value of financial assets and liabilities

The Group measures financial instruments, such as derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in either the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability, which is accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value of financial assets and financial liabilities is based on market prices (where a market exists) or using other widely accepted methods of valuation.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described below, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Fair value of financial assets and liabilities (Continued)

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

	CONSOLIDATED							
	FINANCIAL PERIOD ENDED 26 JULY 2014				FINANCIAL PERIOD ENDED 27 JULY 2013			
	QUOTED MARKET PRICE (LEVEL 1)	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2)	VALUATION TECHNIQUE – NON MARKET OBSERVABLE INPUTS (LEVEL 3)	TOTAL	QUOTED MARKET PRICE (LEVEL 1)	VALUATION TECHNIQUE – MARKET OBSERVABLE INPUTS (LEVEL 2)	VALUATION TECHNIQUE – NON MARKET OBSERVABLE INPUTS (LEVEL 3)	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets								
Foreign Exchange Contracts	-	1,596	-	1,596	-	17,042	-	17,042
	-	1,596	-	1,596	-	17,042	-	17,042
Financial Liabilities								
Foreign Exchange Contracts	-	6,801	-	6,801	-	187	-	187
	-	6,801	-	6,801	-	187	-	187

There have been no transfers between Level 1 and Level 2 during the financial period.

At 26 July 2014 and 27 July 2013 the fair value of cash and cash equivalents, short-term receivables and payables approximates their carrying value. The carrying value of interest bearing liabilities is assumed to approximate the fair value, being the amount at which the liability could be settled in a current transaction between willing parties.

Foreign exchange contracts are initially recognised in the statement of financial position at cost, and subsequently remeasured to fair value. Accordingly, the carrying amounts of forward exchange contracts approximate their fair values at the reporting date.

Foreign exchange contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spread between the respective currencies.

	CONSOLIDATED	
	2014 $'000	2013 $'000
4 REVENUE		
REVENUE		
Revenue from sale of goods	888,426	836,454
Revenue from sale of goods to associate	4,144	6,718
TOTAL REVENUE FROM SALE OF GOODS	892,570	843,172
OTHER REVENUE		
Membership program fees	465	521
Other sundry revenue	20	-
INTEREST		
Other persons	10,848	13,520
Associate	291	336
Total Interest	11,139	13,856
DIVIDENDS		
Other listed companies	-	3,862
Total Dividends	-	3,862
TOTAL OTHER REVENUE	11,624	18,239
TOTAL REVENUE	904,194	861,411
OTHER INCOME		
Amortisation of deferred income	3,836	2,539
Gain on ineffective cash flow hedges	-	632
Net gain on financial instruments	-	3,350
Fair value gain on available-for-sale financial assets reclassified from equity to profit and loss	-	149,803
Royalty and licence fees		
Other persons	821	377
Associate	266	-
Insurance proceeds	427	-
Other	426	132
TOTAL OTHER INCOME	5,776	156,833
TOTAL INCOME	909,970	1,018,244

	NOTES	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000

5 EXPENSES AND LOSSES

EXPENSES

	NOTES	2014 $'000	2013 $'000
DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS			
Depreciation of property, plant and equipment	11	21,132	18,804
Amortisation of property, plant and equipment under lease	11	47	53
Impairment of property, plant and equipment	11	697	262
TOTAL DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS		21,876	19,119
AMORTISATION OF NON-CURRENT ASSETS			
Amortisation of leasehold premiums	12	65	68
TOTAL AMORTISATION OF NON-CURRENT ASSETS		65	68
TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION		21,941	19,187
FINANCE COSTS			
Finance charges payable under finance leases		25	36
Interest on bank loans and overdraft		6,245	6,198
Provision for discount adjustment on onerous leases		41	754
TOTAL FINANCE COSTS		6,311	6,988
OPERATING LEASE EXPENSES			
Minimum lease payments – operating leases		158,415	152,533
Contingent rentals		27,646	25,810
TOTAL OPERATING LEASE EXPENSES		186,061	178,343
OTHER EXPENSES INCLUDES			
Share-based payments expense		898	932
Foreign exchange losses		345	243
Loss on ineffective cash flow hedges		625	-
Net loss on disposal of property, plant and equipment		426	352

MARKET ENTRY COSTS

During the financial year, Smiggle commenced operations in the United Kingdom. As a consequence, included in other expenses are costs amounting to $3.1 million incurred as a result of the Group's entry into the UK market.

SUPPLY CHAIN TRANSFORMATION

The Group is currently in the process of consolidating its Australian Distribution Centres into one national distribution centre in Truganina, Victoria. As a result of this transformation, expenses totalling $4.5 million have been incurred in the 2014 financial year. As a consequence of this transformation, the existing distribution centre at Huntingwood, NSW closed in June 2014. The existing distribution centre in Altona, Victoria, is expected to close in early 2015.

		CONSOLIDATED	
		2014 $'000	2013 $'000
6	**INCOME TAX**		
	The major components of income tax expense are:		
(a)	*INCOME TAX RECOGNISED IN PROFIT AND LOSS*		
	CURRENT INCOME TAX		
	Current income tax charge	25,936	21,111
	Adjustment in respect of current income tax of previous years	(74)	(279)
	DEFERRED INCOME TAX		
	Relating to origination and reversal of temporary differences	(497)	5,999
	Deferred income tax reclassified from equity to profit and loss	-	44,652
	INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	25,365	71,483
(b)	*STATEMENT OF CHANGES IN EQUITY*		
	Deferred income tax related to items charged (credited) directly to equity:		
	Net deferred income tax on movements on cash-flow hedges	(6,431)	5,481
	Unrealised gain on available-for-sale investments	-	9,582
	Deferred income tax reclassified from equity to profit and loss	-	(44,652)
	INCOME TAX BENEFIT REPORTED IN EQUITY	(6,431)	(29,589)
(c)	*NUMERICAL RECONCILIATION BETWEEN AGGREGATE TAX EXPENSE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME AND TAX EXPENSE CALCULATED PER THE STATUTORY INCOME TAX RATE*		
	A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:		
	Accounting profit before income tax	98,365	245,956
	At the Parent Entity's statutory income tax rate of 30% (2013: 30%)	29,510	73,787
	Adjustment in respect of current income tax of previous years	(74)	(279)
	Items not recognised in deferred tax balances	(179)	(447)
	Expenditure not allowable for income tax purposes	39	424
	Income not assessable for tax purposes	(3,931)	(2,002)
	AGGREGATE INCOME TAX EXPENSE	25,365	71,483

	CONSOLIDATED	
	2014 $'000	2013 $'000
6 INCOME TAX (CONTINUED)		
(d) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES		
DEFERRED TAX RELATES TO THE FOLLOWING:		
Intangibles	(969)	(943)
Foreign currency balances	204	(4,998)
Potential capital gains tax on financial investments	(44,637)	(44,637)
Deferred gains and losses on foreign exchange contracts	1,589	-
Inventory provisions	468	235
Deferred income	3,962	4,465
Employee provisions	4,874	5,211
Other receivables and prepayments	(96)	(316)
Property, plant and equipment	(6,539)	(7,134)
R&D depreciation equipment	(33)	(113)
Leased plant and equipment	(18)	(32)
Other	736	861
Lease liability	20	34
NET DEFERRED TAX LIABILITIES	(40,439)	(47,367)
REFLECTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS:		
Deferred tax assets	12,147	10,928
Deferred tax liabilities	(52,586)	(58,295)
NET DEFERRED TAX LIABILITIES	(40,439)	(47,367)

	CONSOLIDATED	
	2014 $'000	2013 $'000
7 DIVIDENDS PAID AND PROPOSED		
RECOGNISED AMOUNTS		
Declared and paid during the year		
Interim franked dividends for 2014:		
20 cents per share (2013: 19 cents)	31,063	29,499
Final franked dividends for 2013:		
19 cents per share (2012: 18 cents)	29,499	27,947
UNRECOGNISED AMOUNTS		
Final franked dividend for 2014:		
20 cents per share (2013: 19 cents)	31,143	29,499
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% (2013: 30%)	204,477	213,809
- franking credits that will arise from the payment of income tax payable (receivable) as at the end of the financial year	23,035	13,141
- franking debits that will arise from the payment of dividends as at the end of the financial year	(13,347)	(12,642)
TOTAL FRANKING CREDIT BALANCE	214,165	214,308

The tax rate at which paid dividends have been franked is 30% (2013: 30%). Dividends proposed will be franked at the rate of 30% (2013: 30%).

		CONSOLIDATED	
		2014 $'000	2013 $'000
8	TRADE AND OTHER RECEIVABLES		
	CURRENT		
	Sundry debtors	11,002	6,388
	Associate	1,153	470
	Carrying amount of trade and other receivables	12,155	6,858
	NON-CURRENT		
	Associate	1,004	1,929
	Carrying amount of trade and other receivables	1,004	1,929

(a) Impairment losses

Receivables are non-interest-bearing and are generally on 30 to 60 day terms. A provision for impairment loss is recognised where there is objective evidence that an individual receivable balance is impaired. No impairment loss has been recognised by the Group during the financial period ended 26 July 2014 (2013: $nil). During the year, a bad debt expense of $nil (2013: $nil) was recognised.

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

(b) Related party receivables

For terms and conditions of related party receivables refer to Note 26.

(c) Fair value and credit risk

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

(d) Foreign exchange and interest rate risk

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

		CONSOLIDATED	
		2014 $'000	2013 $'000
9	INVENTORIES		
	The valuation policy adopted in respect of the following is set out in Note 2(l)		
	Raw materials	491	989
	Finished goods	98,005	82,970
	TOTAL INVENTORIES AT THE LOWER OF COST AND NET REALISABLE VALUE	98,496	83,959

			CONSOLIDATED	
		NOTES	2014 $'000	2013 $'000
10	**OTHER ASSETS**			
	CURRENT			
	Deposits and prepayments		5,215	4,676
	TOTAL OTHER CURRENT ASSETS		5,215	4,676
11	**PROPERTY, PLANT AND EQUIPMENT**			
	Land – at cost		3,203	-
	Buildings – at cost		14,985	-
	Less: accumulated depreciation and impairment		(57)	-
	Total		14,928	-
	Plant and equipment – at cost		192,492	169,726
	Less: accumulated depreciation and impairment		(101,654)	(88,603)
	Total		90,838	81,123
	Capitalised leased assets – at cost		343	343
	Less: accumulated depreciation and impairment		(284)	(237)
	Total		59	106
	Capital works in progress		-	2,173
	TOTAL PROPERTY, PLANT AND EQUIPMENT		109,028	83,402
	RECONCILIATIONS			
	Reconciliations of the carrying amounts for each class of plant and equipment are set out below:			
	Land			
	At beginning of the financial period		-	-
	Additions		3,203	-
	Net carrying amount at end of financial period		3,203	-
	Buildings			
	At beginning of financial period		-	-
	Transferred from capital works in progress		2,173	-
	Additions		12,812	-
	Depreciation	5	(57)	-
	Net carrying amount at end of financial period		14,928	-
	Plant and equipment			
	At beginning of the financial period		81,123	80,083
	Additions		32,149	19,231
	Disposals		(845)	(360)
	Exchange differences		433	1,235
	Impairment – plant and equipment	5	(697)	(262)
	Impairment – supply chain transformation	5	(250)	-
	Depreciation	5	(21,075)	(18,804)
	Net carrying amount at end of financial period		90,838	81,123

		CONSOLIDATED	
	NOTES	2014 $'000	2013 $'000
11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)			
RECONCILIATIONS (CONTINUED)			
Leased plant and equipment			
At beginning of the financial period		106	243
Disposals		-	(84)
Amortisation	5	(47)	(53)
Net carrying amount at end of financial period		59	106
Capital works in progress			
At beginning of the financial period		2,173	-
Additions		-	2,173
Transferred to Buildings		(2,173)	-
Net carrying amount at end of financial period		-	2,173
TOTAL PROPERTY PLANT AND EQUIPMENT		109,028	83,402

LAND AND BUILDINGS

During the year ending 27 July 2013, the Group entered into an agreement to acquire a property in Truganina Victoria, to establish a National Distribution Centre. As at 27 July 2013, the Group recognised capital works in progress amounting to $2,173,000 in relation to the Distribution Centre. Settlement of the Distribution Centre occurred on 16 January 2014, and the internal fit-out of the property was completed in May 2014.

The land and buildings with a combined carrying amount of $18,131,000 have been pledged to secure certain interest-bearing borrowings of the Group (refer to note 15).

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

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

The post-tax discount rate applied to the cash flow projections is 10.5% (2013: 10.5%) and the cash flows beyond the five year period are extrapolated using a growth rate of 3%. The discount rate used reflects management's estimate of the time value of money and risks specific to each unit not already reflected in the cash flow. In determining the appropriate discount rate, regard has been given to the weighted average cost of capital for the retail segment.

When considering the recoverable amount, the net present value of cash flows has been compared to reasonable earnings multiples for comparable companies. An impairment review was conducted based on a store by store review. As a result, a net impairment loss of $697,000 was recognised during the financial year (2013: $262,000).

12 INTANGIBLES

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

	CONSOLIDATED				
	GOODWILL $'000	BRAND NAMES $'000	TRADEMARK $'000	LEASEHOLD PREMIUMS $'000	TOTAL $'000
YEAR ENDED 26 JULY 2014					
As at 28 July 2013 net of accumulated amortisation and impairment	477,085	376,179	1,176	89	854,529
Trademark registrations	-	-	106	-	106
Amortisation	-	-	-	(65)	(65)
Exchange differences	-	-		2	2
As at 26 July 2014 net of accumulated amortisation and impairment	477,085	376,179	1,282	26	854,572
AS AT 26 JULY 2014					
Cost (gross carrying amount)	477,085	376,179	1,282	797	855,343
Accumulated amortisation and impairment	-	-	-	(771)	(771)
Net carrying amount	477,085	376,179	1,282	26	854,572
YEAR ENDED 27 JULY 2013					
As at 29 July 2012 net of accumulated amortisation and impairment	477,085	376,179	1,080	146	854,490
Trademark registrations	-	-	96	-	96
Amortisation	-	-	-	(68)	(68)
Exchange differences	-	-	-	11	11
As at 27 July 2013 net of accumulated amortisation and impairment	477,085	376,179	1,176	89	854,529
AS AT 27 JULY 2013					
Cost (gross carrying amount)	477,085	376,179	1,176	768	855,208
Accumulated amortisation and impairment	-	-	-	(679)	(679)
Net carrying amount	477,085	376,179	1,176	89	854,529

GOODWILL AND BRAND NAMES

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

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

12 INTANGIBLES (CONTINUED)

IMPAIRMENT TESTING OF GOODWILL

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

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

The recoverable amount of the CGU has been determined based upon a value in use calculation, using cash flow projections as at July 2014 for a period of five years plus a terminal value. The cash flow projections are based on financial estimates approved by the senior management and the Board for the 2015 financial year and are projected for a further four years based on estimated growth rates of 3.4% to 3.5% (2013: 3.4% to 3.6%). 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% which reflects the long-term growth expectation beyond the five year projection.

The post-tax discount rate applied to these cash flow projections is 10.8% (2013: 11.1%). 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.

Management has considered the possible change in expected sales growth, forecast Earnings Before Interest, Tax and Amortisation (EBITA) and discount rates applied within the CGU to which goodwill relate, 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 are determined on an individual brand basis based upon a value in use calculation. The value in use calculation has been determined based upon the relief from royalty method using cash flow projections as at July 2014 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 2015 financial year and are projected for a further four years based on estimated growth rates.

12 INTANGIBLES (CONTINUED)

IMPAIRMENT TESTING OF BRAND NAMES (CONTINUED)

The extrapolated growth rates at which cash flows have been discounted or the individual brands within each of the CGU groups have been summarised below:

CGU	*AVERAGE GROWTH RATES APPLIED TO PROJECTED CASH FLOWS*	*TERMINAL VALUE GROWTH RATE*
Casual wear	3% to 4%	3%
Women's wear	3% to 11%	3%
Non Apparel	4% to 8%	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.

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

The post-tax discount rate applied to the cash flow projections for each of the three CGU groups is 9.8% (2013: 10.1%). The discount rate has been determined using the weighted average cost of capital which incorporates both the cost of debt and cost of capital.

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 8.5%.

Management has considered reasonable possible adverse changes in key assumptions applied to brands within the relevant CGU groups, each of which have been subjected to sensitivities.

In particular, one brand within the Women's Wear CGU group with a carrying value of $31.6 million, which approximates its recoverable amount, indicated sensitivity to a reasonably possible adverse change in forecast sales growth, as well as indicating sensitivity to a reasonably possible adverse change to the post-tax discount rate applied to the cash flow projections.

It is estimated that a 5% reduction in forecast sales growth could result in a decrease in the recoverable amount of the brand within the particular CGU group leading to a potential impairment of $2.8 million. Similarly, an estimated 50 basis point increase in the 9.8% post-tax discount rate applied to the cash flow projections could result in a decrease in the recoverable amount of the brand within the CGU group leading to a possible impairment of $3.4 million. The potential impairment losses as a result of the reasonably possible adverse changes to these key assumptions are not considered material to the overall recoverable amount of the CGU group to which the brand relates.

	CONSOLIDATED	
	2014 $'000	2013 $'000

13 INVESTMENTS IN ASSOCIATES

	2014 $'000	2013 $'000
Movements in carrying amounts		
Carrying amount at the beginning of the financial year	185,534	1,484
Fair value of investment in Breville Group Limited at commencement of equity accounting	-	184,326
Share of profit after income tax	12,785	3,114
Share of other comprehensive income	(896)	1,219
Foreign currency translation of investment	(307)	74
Dividends received	(8,698)	(4,683)
Investments in associates	188,418	185,534

Just Kor Fashion Group (Pty) Ltd

Just Jeans Group Pty Ltd, a subsidiary of Premier Investments Limited, has a 50% interest in a joint venture entity, Just Kor Fashion Group (Pty) Ltd, which is involved in retailing of the Jay Jays concept in South Africa. Just Kor Fashion Group (Pty) Ltd is a small proprietary company incorporated in South Africa. Its functional currency is South African Rand.

There were no impairment losses relating to the investment in the associate and no capital commitments or other commitments relating to the associate. The Group's share of the profit in its investment in the associate for the year was $247,215 (2013: loss of $132,554).

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

GROUP'S SHARE OF THE ASSOCIATE'S STATEMENT OF FINANCIAL POSITION	2014 $'000	2013 $'000
Current assets	4,211	3,373
Non-current assets	1,359	1,539
Total assets	5,570	4,912
Current liabilities	(2,833)	(1,436)
Non-current liabilities	(1,381)	(2,050)
Total liabilities	(4,214)	(3,486)
NET ASSETS		
Share of associates net assets	1,356	1,426

GROUP'S SHARE OF THE ASSOCIATE'S STATEMENT OF COMPREHENSIVE INCOME	2014 $'000	2013 $'000
Revenue	12,744	12,663
Profit (Loss) after income tax	247	(133)

13 INVESTMENTS IN ASSOCIATES (CONTINUED)

Breville Group Limited

As at 26 July 2014, Premier Investments Limited holds 25.7% (2013: 25.7%) of Breville Group Limited, a company incorporated in Australia whose shares are quoted on the Australian Stock Exchange. The principal activities of Breville Group Limited involves the innovation, development, marketing and distribution of small electrical appliances.

The Group commenced equity accounting for its investment in Breville Group Limited on 1 March 2013, which was considered the date that the Group gained significant influence. The fair value of the Group's investment in Breville Group Limited on 1 March 2013 amounted to $184,325,534.

As at 26 July 2014, the fair value of the Group's interest in Breville Group Limited as determined based on the quoted market price was $264,947,047 (2013: $248,889,650).

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 in its investment in associate for the year was $12,537,482 (2013: apportioned from 1 March 2013 $3,246,659).

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 2014 have been used.

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

GROUP'S SHARE OF THE ASSOCIATE'S STATEMENT OF FINANCIAL POSITION	2014 $'000	2013 $'000
Current assets	63,593	63,863
Non-current assets	22,860	23,152
Total assets	86,453	87,015
Current liabilities	(25,172)	(30,351)
Non-current liabilities	(6,506)	(4,936)
Total liabilities	(31,678)	(35,287)
NET ASSETS		
Share of associates net assets	54,775	51,728

GROUP'S SHARE OF THE ASSOCIATE'S STATEMENT OF COMPREHENSIVE INCOME	2014 $'000	APPORTIONED FROM 1 MARCH 2013 $'000
Revenue	139,249	39,976
Profit after income tax	12,538	3,247
Other comprehensive (loss) income	(886)	1,219

			CONSOLIDATED	
		NOTES	2014 $'000	2013 $'000
14	**TRADE AND OTHER PAYABLES**			
	CURRENT			
	Trade creditors		35,118	34,808
	Other creditors and accruals		27,402	19,706
	TOTAL CURRENT		62,520	54,514

(a) *Fair values*

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

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

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

		NOTES	2014 $'000	2013 $'000
15	**INTEREST-BEARING LIABILITIES**			
	CURRENT			
	Lease liability	22	52	48
	Bank loans* unsecured ^		82,000	-
	Bank loans* unsecured (NZ$20.0 million) ^		18,477	-
	Net bank loans		100,477	-
	TOTAL CURRENT		100,529	48

^ Details regarding the subsequent to year end extension of the Just Group Ltd finance facilities is disclosed in Note 32.

		NOTES	2014 $'000	2013 $'000
	NON-CURRENT			
	Lease liability	22	14	65
	Bank loans ** secured		19,000	-
	Bank loans* unsecured		-	85,000
	Bank loans* unsecured (NZ$20.0 million)		-	17,240
			19,000	102,240
	Less directly attributable borrowing costs		-	(385)
	Net bank loans		19,000	101,855
	TOTAL NON-CURRENT		19,014	101,920

* 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 a bank borrowing amounting to $19 million. The borrowing is secured by a mortgage over the newly acquired National Distribution Centre in Truganina, Victoria. The proceeds from the loan were used to facilitate settlement of the Distribution Centre. The borrowing is repayable in full at the end of 5 years.

(a) *Fair values*

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

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

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

(c) *Defaults and breaches*

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

		CONSOLIDATED	
		2014 $'000	2013 $'000
16	**PROVISIONS**		
	CURRENT		
	Employee entitlements – Annual Leave	10,011	10,137
	Employee entitlements – Long Service Leave	4,906	5,076
	Supply chain transformation	1,100	-
	Onerous leases	541	1,551
	TOTAL CURRENT	16,558	16,764
	NON-CURRENT		
	Employee entitlements – Long Service Leave	1,462	1,467
	MOVEMENTS IN PROVISIONS		
	Supply chain transformation		
	Opening balance	-	-
	Charged to Profit and Loss	4,482	-
	Utilised during the period	(3,382)	-
	Closing balance	1,100	-
	Onerous leases		
	Opening balance	1,551	4,739
	Charged (credited) to Profit and Loss	248	(927)
	Utilised during the period	(1,258)	(2,261)
	Closing balance	541	1,551

NATURE AND TIMING OF PROVISIONS

Supply chain transformation, onerous lease and employee entitlements provisions

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

		2014 $'000	2013 $'000
17	**OTHER LIABILITIES**		
	CURRENT		
	Deferred income	4,221	4,771
	TOTAL CURRENT	4,221	4,771
	NON-CURRENT		
	Deferred income	9,077	10,219
	TOTAL NON-CURRENT	9,077	10,219

		CONSOLIDATED	
		2014 $'000	2013 $'000
18	**CONTRIBUTED EQUITY**		
	Ordinary shares	608,615	608,615
		NO. ('000)	$'000
(a)	*MOVEMENTS IN SHARES ON ISSUE*		
	Shares on issue 28 July 2013	155,260	608,615
	Shares issued during the year (i)	454	-
	Shares on issue at 26 July 2014	155,714	608,615
	Shares on issue 29 July 2012	155,260	608,615
	Shares issued during the year (i)	-	-
	Shares on issue at 27 July 2013	155,260	608,615

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

(i) A total of 454,396 shares (2013: nil) were issued in relation to the performance rights plan.

(b) CAPITAL MANAGEMENT

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

The capital structure of the Group consists of debt which includes borrowings as disclosed in Note 15, cash and cash equivalents as disclosed in Note 25 and equity attributable to the equity holders of the parent comprising of issued capital, reserves and retained profits as disclosed in Notes 18, 19 and 20 respectively.

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

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

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

(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.

	CONSOLIDATED	
	2014 $'000	2013 $'000

19 RESERVES

RESERVES COMPRISE:		
Capital profits reserve (a)	464	464
Fair value reserve (b)	-	-
Foreign currency translation reserve (c)	2,334	2,502
Cash flow hedge reserve (d)	(3,565)	11,440
Performance rights reserve (e)	3,281	2,383
TOTAL RESERVES	2,514	16,789

(a) *CAPITAL PROFITS RESERVE*

(i) Nature and purpose of reserve

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

(b) *FAIR VALUE RESERVE*

(i) Nature and purpose of reserve

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

(ii) Movements in the reserve

Opening balance	-	82,618
Increment on revaluation of available-for-sale financial assets	-	32,115
Net deferred income tax movement on financial assets	-	(9,582)
Fair value gain on available-for-sale financial assets reclassified from equity to profit and loss	-	(149,803)
Net deferred income tax reclassified from equity to profit and loss	-	44,652
CLOSING BALANCE	-	-

(c) *FOREIGN CURRENCY TRANSLATION RESERVE*

(i) Nature and purpose of reserve

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

(ii) Movements in the reserve

Opening balance	2,502	72
Foreign currency translation of overseas subsidiaries	728	1,211
Net movement in associate entity's reserves	(896)	1,219
CLOSING BALANCE	2,334	2,502

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000

19 RESERVES (CONTINUED)

(d) *CASH FLOW HEDGE RESERVE*

(i) Nature and purpose of reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

(ii) Movements in the reserve

	2014 $'000	2013 $'000
Opening balance	11,440	(1,349)
Net losses on cash flow hedges	(5,355)	(1,712)
Transferred from statement of financial position/comprehensive income	(16,081)	19,982
Net deferred income tax movement on cash flow hedges	6,431	(5,481)
CLOSING BALANCE	(3,565)	11,440

(e) *PERFORMANCE RIGHTS RESERVE*

(i) Nature and purpose of reserve

This reserve is used to record the cumulative amortised value of performance rights issued to key senior employees net of the value of performance shares acquired under the performance rights plan.

(ii) Movements in the reserve

	2014 $'000	2013 $'000
Opening balance	2,383	1,451
Performance rights expense for the year	898	932
CLOSING BALANCE	3,281	2,383

20 RETAINED EARNINGS

	2014 $'000	2013 $'000
Opening balance	674,962	557,935
Net profit for the period attributable to owners	73,000	174,473
Dividends paid	(60,562)	(57,446)
CLOSING BALANCE	687,400	674,962

21 OPERATING SEGMENTS

Identification of reportable segments

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

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

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

Types of products and services

Retail

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

Investment

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

Accounting policies

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

Income tax expense

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

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

The following table presents revenue and profit information for reportable segments for the period ended 26 July 2014 and 27 July 2013.

21 OPERATING SEGMENTS (CONTINUED)

(a) OPERATING SEGMENTS

	RETAIL		INVESTMENT		ELIMINATION		TOTAL	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
REVENUE								
Sale of goods	892,570	843,172	-	-	-	-	892,570	843,172
Interest revenue	449	510	10,690	13,346	-	-	11,139	13,856
Other revenue	470	524	45,015	45,859	(45,000)	(42,000)	485	4,383
Other income	5,776	3,680	-	153,153	-	-	5,776	156,833
Total Segment Revenue	899,265	847,886	55,705	212,358	(45,000)	(42,000)	909,970	1,018,244
Total revenue per the statement of comprehensive income							909,970	1,018,244
RESULTS								
Depreciation and amortisation	21,244	18,925	-	-	-	-	21,244	18,925
Impairment of property plant and equipment	697	262	-	-	-	-	697	262
Interest expense	6,311	6,988	-	-	-	-	6,311	6,988
Supply chain transformation expense	4,482	-	-	-	-	-	4,482	-
Share of profit (loss) of associates	247	(133)	12,538	3,247	-	-	12,785	3,114
Segment result	79,299	76,686	64,066	211,270	(45,000)	(42,000)	98,365	245,956
Income tax expense							(25,365)	(71,483)
Net profit after tax per the statement of comprehensive income							73,000	174,473
ASSETS AND LIABILITIES								
Segment assets	378,808	345,484	1,279,885	1,269,010	(62,754)	(52,480)	1,595,939	1,562,014
Segment liabilities	247,203	210,913	68,298	58,551	(18,091)	(7,816)	297,410	261,648
Capital expenditure	48,164	19,231	-	2,173	-	-	48,164	21,404

21 OPERATING SEGMENT (CONTINUED)

(b) GEOGRAPHIC SEGMENTS

	AUSTRALIA		NEW ZEALAND		SINGAPORE		UNITED KINGDOM		TOTAL		ELIMINATIONS		CONSOLIDATED	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
REVENUE														
Sale of goods	752,505	723,194	119,561	106,134	18,393	13,844	2,111	-	892,570	843,172	-	-	892,570	843,172
Other revenue and income	16,794	174,580	577	488	14	4	15	-	17,400	175,072	-	-	17,400	175,072
Segment income	769,299	897,774	120,138	106,622	18,407	13,848	2,126	-	909,970	1,018,244	-	-	909,970	1,018,244
Segment non-current assets	1,203,680	1,213,052	8,730	9,975	2,868	3,517	4,465	-	1,219,743	1,226,544	(54,495)	(86,805)	1,165,248	1,139,739
Capital expenditure	26,600	19,463	980	836	270	1,105	4,299	-	32,149	21,404	-	-	32,149	21,404

	NOTES	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
22 EXPENDITURE COMMITMENTS			
CAPITAL EXPENDITURE COMMITMENTS			
Plant and equipment			
Payable within one year		-	-
Capital works in progress			
Payable within one year		-	15,615
TOTAL CAPITAL EXPENDITURE		-	15,615
LEASE EXPENDITURE COMMITMENTS			
(i) Operating leases			
Payable within one year		101,646	106,685
Payable within one to five years		138,965	156,937
Payable in more than five years		13,554	4,540
Total operating leases		254,165	268,162
(ii) FINANCE LEASES			
Total lease liability – current	15	52	48
Total lease liability – non-current	15	14	65
Total finance leases		66	113
FINANCE LEASE COMMITMENTS			
Payable within one year		55	55
Payable within one to five years		14	69
Minimum lease payments		69	124
Less future finance charges		(3)	(11)
TOTAL LEASE LIABILITY		66	113

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

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

		CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
23	**KEY MANAGEMENT PERSONNEL**		
	COMPENSATION FOR KEY MANAGEMENT PERSONNEL		
	Short-term employee benefits	6,220,636	5,092,296
	Post-employment benefits	145,984	137,935
	Termination benefits	-	200,000
	Share-based payments	795,121	772,170
	TOTAL	7,161,741	6,202,401

Information regarding individual key management personnel compensation, shareholdings of key management personnel, as well as other transactions and balances with key management personnel and their related parties, as required by Regulation 2M.3.03 of the *Corporations Regulations 2001* is provided in the Remuneration Report section of the Directors' Report.

		CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
24	**AUDITOR'S REMUNERATION**		
	The auditor of Premier Investments Limited is Ernst and Young. Amounts received, or due and receivable, by Ernst and Young (Australia) for:		
	- An audit or review of the financial report of the entity and any other entity in the consolidated group.	431,210	519,709
	Other services in relation to the entity and any other entity in the consolidated group:		
	- Taxation advice	-	906
	- Other	46,218	38,348
	Total – Other services	46,218	39,254
	TOTAL AUDITOR'S REMUNERATION	477,428	558,963

		CONSOLIDATED	
		2014 $'000	2013 $'000
25	**NOTES TO THE STATEMENT OF CASH FLOWS**		
(a)	*RECONCILIATION OF CASH AND CASH EQUIVALENTS*		
	Cash at bank and in hand	27,187	31,445
	Short-term deposits	286,121	281,712
	TOTAL CASH ASSETS AND CASH EQUIVALENTS	313,308	313,157
(b)	*RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS TO NET PROFIT AFTER INCOME TAX*		
	Net profit for the period	73,000	174,473
	Adjustments for:		
	Fair value gain on available-for-sale financial assets reclassified from equity to profit and loss, net of tax	-	(114,733)
	Net gain on financial instruments	-	(3,350)
	Amortisation	112	121
	Depreciation	21,132	18,804
	Impairment and write-off of non-current assets	947	372
	Foreign exchange losses	345	243
	Share of profit of associates	(12,785)	(3,114)
	Finance charges on capitalised leases	25	36
	Borrowing costs	387	233
	Net loss on disposal of property, plant and equipment	426	352
	Share-based payments expense	898	932
	Movement in cash flow hedge reserve	(15,005)	12,790
	Net exchange differences	(276)	1,335
	Changes in assets and liabilities net of the effects from acquisition and disposal of businesses:		
	Decrease in income tax receivable	-	3,413
	Decrease in provisions	(211)	(3,176)
	Increase (decrease) in deferred tax liabilities	(5,709)	14,351
	Increase in trade and other payables	12,086	7,185
	Increase (decrease) in other financial liabilities	6,614	(2,114)
	Decrease in deferred income	(1,692)	(2,976)
	Increase in trade and other receivables	(7,244)	(722)
	Increase in other current assets	(539)	(384)
	Increase in inventories	(14,537)	(12,867)
	Decrease (increase) in other financial assets	15,446	(16,789)
	(Increase) decrease in deferred tax assets	(1,219)	1,230
	Increase in income tax payable	11,179	13,463
	NET CASH FLOWS FROM OPERATING ACTIVITIES	83,380	89,108

25 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(c) FINANCE FACILITIES

	CONSOLIDATED 2014 $'000	CONSOLIDATED 2013 $'000
Working capital and bank overdraft facility		
Used	-	-
Unused	12,000	12,000
	12,000	12,000
Finance facility ^		
Used	119,477	102,240
Unused	39,523	37,760
	159,000	140,000
Bank guarantee facility		
Used	607	538
Unused	1,393	1,462
	2,000	2,000
Interchangeable facility		
Used	2,134	1,402
Unused	5,866	6,598
	8,000	8,000
Leasing facility		
Used	66	113
Unused	-	-
	66	113
Total facilities		
Used	122,284	104,293
Unused	58,782	57,820
TOTAL	181,066	162,113

^ Details regarding the subsequent to year end extension of the Just Group Ltd finance facilities are disclosed in Note 32.

26 RELATED PARTY DISCLOSURES

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

(a) *SUBSIDIARIES*

	COUNTRY OF INCORPORATION	2014 INTEREST HELD	2013 INTEREST HELD
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 Pty Ltd	Australia	100%	100%
Portmans Pty Limited	Australia	100%	100%
Dotti Pty Ltd	Australia	100%	100%
Smiggle Pty Limited	Australia	100%	100%
Just Group International Pty Limited **	Australia	100%	100%
Smiggle Singapore Pte Ltd	Singapore	100%	100%
Just Group International HK Limited**	Hong Kong	100%	100%
Smiggle HK Limited**	Hong Kong	100%	100%
Just Group USA Inc.**	USA	100%	100%
Peter Alexander USA Inc.**	USA	100%	100%
Smiggle USA Inc.**	USA	100%	100%
Just UK International Limited**	UK	100%	100%
Smiggle UK Limited	UK	100%	100%
Peter Alexander UK Limited**	UK	100%	100%
ETI Holdings Limited**	New Zealand	100%	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%
Smiggle Japan KK **	Japan	100%	100%

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

26 RELATED PARTY DISCLOSURES (CONTINUED)

(b) GROUP TRANSACTIONS WITH ASSOCIATES

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

(i) Sale of inventory in the amount of $4,143,973 (2013: $6,717,618).

(ii) Management fee charged for services provided in the amount of $70,901 (2013: $71,451).

(iii) Royalty income of $266,180 (2013: $nil) is due for the financial year.

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

(v) The Group provided a loan to the associate. The loan is denominated in South African Rand. Interest is charged at a commercial rate and payable monthly. Interest earned on the loan is disclosed in Note 4.

(c) KEY MANAGEMENT PERSONNEL

Details relating to remuneration paid to key management personnel are included in Note 23.

(d) TERMS AND CONDITIONS

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

(e) ULTIMATE PARENT

Premier Investments Limited is the ultimate parent entity.

27 SHARE-BASED PAYMENT PLANS

(a) *RECOGNISED SHARE-BASED PAYMENT EXPENSES*

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

	CONSOLIDATED	
	2014 $'000	2013 $'000
Total Expense arising from equity-settled share-based payment transactions	898	932

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

Performance rights

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

A performance right is a right to acquire one fully paid ordinary share of the company after meeting a maximum three year performance period, provided specific performance hurdles are met. The number of performance rights to vest is determined by a vesting schedule based on the performance of the company. These performance hurdles have been discussed in the Remuneration Report on pages 12 - 24.

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

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

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

	NUMBER	GRANT DATE	FAIR VALUE AT GRANT DATE
Granted on 18 December 2009	115,708	18/12/2009	$4.17
Granted on 28 June 2010	24,281	28/06/2010	$4.17
Granted on 22 November 2010	134,910	22/11/2010	$3.60
Granted on 10 May 2011	1,200,000	10/05/2011	$3.00
Granted on 25 May 2012	185,201	25/05/2012	$2.62
Granted on 12 April 2013	304,386	12/04/2013	$2.88
Granted on 18 April 2013	240,000	18/04/2013	$4.20
Granted on 11 December 2013	319,493	11/12/2013	$4.28

27 SHARE-BASED PAYMENT PLANS (CONTINUED)

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

GRANT DATE	SHARE PRICE	OPTION LIFE	DIVIDEND YIELD	VOLATILITY	RISK-FREE RATE	FAIR VALUE
18/12/2009	$8.34	3.3 years	5%	40%	4.50%	$4.17
28/06/2010	$8.34	3.3 years	5%	40%	4.50%	$4.17
22/11/2010	$7.19	3.8 years	5%	40%	5.23%	$3.60
10/05/2011	$6.00	4-5 years	5%	40%	5.10%	$3.00
25/05/2012	$5.24	3.4 years	5%	40%	2.39%	$2.62
12/04/2013	$5.77	3.5 years	5%	40%	2.81%	$2.88
18/04/2013	$8.40	4.2 years	5%	40%	2.71%	$4.20
11/12/2013	$8.56	3.8 years	5%	40%	2.98%	$4.28

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

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

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
Balance at beginning of the year	2,212,962	-	1,808,565	-
Granted during the year	319,493	-	544,386	-
Forfeited during the year	(148,465)	-	-	-
Exercised during the year	(454,396)	-	-	-
Expired during the year	(80,514)	-	(139,989)	-
Balance at the end of the year	1,849,080	-	2,212,962	-

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

(d) *WEIGHTED AVERAGE FAIR VALUE*

The weighted average fair value of performance rights granted during the year was $4.28 (2013: $3.46).

28 DEED OF CROSS GUARANTEE

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

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

		CONSOLIDATED	
		2014 $'000	2013 $'000
29	**OTHER FINANCIAL INSTRUMENTS**		
	CURRENT ASSETS		
	Derivatives designated as hedging instruments		
	Forward currency contracts – cash flow hedges	1,517	13,625
		1,517	13,625
	NON -CURRENT ASSETS		
	Derivatives designated as hedging instruments		
	Forward currency contracts – cash flow hedges	79	3,417
		79	3,417
	CURRENT LIABILITIES		
	Derivatives designated as hedging instruments		
	Forward currency contracts – cash flow hedges	6,798	28
		6,798	28
	NON -CURRENT LIABILITIES		
	Derivatives designated as hedging instruments		
	Forward currency contracts – cash flow hedges	3	159
		3	159

(a) INSTRUMENTS USED BY THE GROUP

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

(i) Forward currency contracts – cash flow hedges

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

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

29 OTHER FINANCIAL INSTRUMENTS (CONTINUED)

(a) *INSTRUMENTS USED BY THE GROUP (CONTINUED)*

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

The cash flows are expected to occur between one to twenty four months from 26 July 2014 and the profit and loss within cost of sales will be affected over the next couple of years as the inventory is sold. At reporting date, the details of the outstanding contracts are:

	CONSOLIDATED			
	2014 $'000	2013 $'000	2014	2013
Buy USD / Sell AUD	NOTIONAL AMOUNTS $AUD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	80,467	79,021	0.9237	0.9906
Maturity 6 – 12 months	98,823	85,944	0.9006	0.9978
Maturity 12 – 24 months	14,085	77,801	0.9230	0.9333
Buy USD / Sell NZD	NOTIONAL AMOUNTS $NZD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	16,685	12,539	0.7943	0.8042
Maturity 6 – 12 months	15,844	13,361	0.7822	0.8167
Maturity 12 – 24 months	15,839	5,994	0.8208	0.8206

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

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

(b) *INTEREST RATE RISK*

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

(c) *CREDIT RISK*

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

		CONSOLIDATED	
		2014 $'000	2013 $'000

30 EARNINGS PER SHARE

	2014 $'000	2013 $'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	73,000	174,473

	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in calculating:		
- basic earnings per share	155,384	155,260
- diluted earnings per share	157,455	157,083

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.

31 PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 2 for a summary of the significant accounting policies of the Group.

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

		2014 $'000	2013 $'000
(a)	*Summary financial information*		
	Statement of financial position		
	Current assets	312,461	302,903
	Total assets	1,360,447	1,331,978
	Current liabilities	23,189	14,038
	Total liabilities	86,759	121,187
	Shareholders' equity		
	Issued capital	608,615	608,615
	Reserves		
	- Foreign currency translation reserve	333	1,219
	- Performance rights reserve	3,281	2,383
	Retained earnings	661,459	598,574
	Net profit for the year	123,447	163,557
	Total comprehensive income	(886)	82,158

		2014 $'000	2013 $'000

31 PARENT ENTITY INFORMATION (CONTINUED)

		2014 $'000	2013 $'000
(b)	*Guarantees entered into by the parent entity*	-	-
	Carrying amount included in current liabilities	-	-

The parent entity has provided financial guarantees in respect of bank overdrafts and loans of subsidiaries amounting to $nil (2013: $nil).

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

(i) Finance leases of subsidiaries amounting to $nil (2013: $nil).

(ii) The bank overdraft of a subsidiary amounting to $nil (2013: $nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 26 July 2014 or 27 July 2013.

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

The parent entity did not have any contractual commitments to purchase property, plant and equipment as at 26 July 2014. During the year ending 27 July 2013, Premier Investments Limited entered into an agreement to acquire a property in Truganina, Victoria, to establish a National Distribution Centre. As at 27 July 2013, capital works in progress amounting to $2,173,000 was recognised by the parent entity. The balance of the purchase price, being $15,615,000, was paid upon settlement, which occurred on 16 January 2014.

32 EVENTS AFTER THE REPORTING DATE

During September 2014, the Group's core debt facility relating to its unsecured bank loans was refinanced for a further three years.

Subsequent to year-end, Premier Investments Limited increased its shareholding in Breville Group Limited from 25.7% to 27.33% by purchasing a further 2.1 million shares for $15.2 million.

On 16 September 2014, the directors of Premier Investments Limited declared a final dividend in respect of the 2014 financial year. The total amount of the dividend is $31,143,000 (2013: $29,499,000) which represents a fully franked dividend of 20 cents per share (2013: 19 cents per share).

33 CONTINGENT LIABILITIES

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

The Group has bank guarantees totalling $2,740,170 (2013: $1,940,687).

DIRECTORS' DECLARATION

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

In the directors' opinion:

(a) the financial statements and notes of Premier Investments Limited for the financial year ended 26 July 2014 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 26 July 2014 and of its performance for the financial year ended on that date, and

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

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

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

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

On behalf of the Board

Solomon Lew
Chairman

17 October 2014

Building a better working world

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

Report on the financial report

We have audited the accompanying financial report of Premier Investments Limited, which comprises the consolidated statement of financial position as at 26 July 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

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Opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position as at 26 July 2014 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 26 July 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Premier Investments Limited for the year ended 26 July 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Brent Simonis
Partner
Melbourne
17 October 2014

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CORPORATE GOVERNANCE STATEMENT

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

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

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

This corporate governance statement outlines Premier's corporate governance policies and practices for the 2013/14 financial year.

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

1 PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 Role of the Board

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

The Board's key responsibilities are set out in its Board Charter, a summary of which is disclosed on Premier's website, and include:

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

1.1 Role of the Board (continued)

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The Board has a number of mechanisms in place to ensure this is achieved, including:

- Board approval of strategic plans designed to meet stakeholder's needs and manage business risk; and
- ongoing development of the strategic plans and approving initiatives and strategies designed to ensure continued growth.

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

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

The Company Secretary is accountable directly to the Board and provides support to the Board and its committees on all matters to do with the proper functioning of the Board. The role of the Company Secretary includes:

- advising the Board and its committees on governance matters;
- coordinating the timely completion and dispatch of board and committee papers;
- ensuring that the business at board and committee meetings are accurately captured in the minutes; and
- helping to organise and facilitate the induction of directors.

Each director is able to communicate directly with the Company Secretary. The decision to appoint or remove the Company Secretary is made by the Board.

1.2 Evaluating the Performance of Senior Executives

Until such time that a CEO is appointed, the Board will continue to delegate the responsibilities allocated to the CEO to other persons, such as:

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

1.2 *Evaluating the Performance of Senior Executives (continued)*

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

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

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

The performance of senior executives is reviewed against specific measurable and qualitative indicators, which include:

- financial measure of the company's performance;
- achievement of strategic objectives; and
- achievement of key operational targets.

The CEO of Premier Retail and the Board of the relevant subsidiary are responsible for the review of the performance of senior executives, in line with their respective key performance indicators.

The Group has an induction process for all senior executives and directors. All new directors are provided with the key policies and procedures affecting the Group.

1.3 *Performance Assessments*

The Board continuously evaluates the performance of those carrying out the responsibilities of CEO in accordance with the Board Charter. The evaluation is based on criteria that include the performance of the business, the accomplishment of long-term strategic objectives and other non-quantitative objectives established at the beginning of each year. A performance evaluation was undertaken on senior executives during the 2013/14 financial year in accordance with the process disclosed above.

2 PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board of Premier comprises ten directors. The skills, experience and expertise relevant to the position of director held by each director in office at the date of this report are included in the Directors' Report. The members of the Board and their positions as at the date of this report are:

Director	Appointed	Non-Executive	Independent
Solomon Lew (Chairman)	March 2008	Yes	No
Timothy Antonie	December 2009	Yes	Yes
David Crean	December 2009	Yes	Yes
Lindsay Fox	April 1987	Yes	Yes
Sally Herman	December 2011	Yes	Yes
Frank Jones	April 1987	Yes	No
Henry Lanzer	March 2008	Yes	No
Mark McInnes	December 2012	No	No
Michael McLeod	August 2002	Yes	No
Gary Weiss	March 1994	Yes	Yes

2 PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)

Mr Frank Jones will retire as non-executive director of Premier at the conclusion of the 2015 financial year.

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

2.1 Director Independence

ASX Recommendation 2.1 recommends that the Board comprise a majority of independent directors. Premier has adopted the definition of independence set out in the commentary to ASX Recommendation 2.1 as disclosed in the Director Independence Policy on Premier's website. Directors are assessed as independent where they are independent of management and free of any business or other relationship that could materially interfere, or be perceived to materially interfere, with the exercise of their unfettered and independent judgement.

During the 2013/14 financial year, the Board considered that 5 of its 10 directors were independent. In previous years, Mr Fox has not been considered an independent director due to his previous substantial shareholding in Premier. However, Mr Fox and companies associated with Mr Fox are no longer substantial shareholders of Premier, and since sufficient time has passed since Mr Fox ceased to be a substantial shareholder, the Board elected to consider Mr Fox as an independent director during this financial year.

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

Premier permits individual directors to engage separate independent counsel or advisors at the expense of the Group in appropriate circumstances, with the approval of the Chairman or by resolution of the Board.

2.2 Chairman of the Board

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

In October 2014, the Board appointed Mr Antonie as lead independent director. The Board considers the appointment of a lead independent director as an important step in providing support to the Chairman in facilitating effective contributions of all directors, and to promote constructive relations between directors, and between the Board and management.

2.3 Role of Chairman and CEO

As evidenced from its Board Charter, Premier's Board supports the separation of the role of the Chairman from that of the Chief Executive Officer ("CEO") in accordance with ASX Recommendation 2.3. The Board Charter provides that the Chairman must be a non-executive director, and defines the key roles of the Chairman as:

- managing the Board effectively;
- providing leadership to the Board; and
- interfacing with the CEO.

2.4 Nomination Committee

During the 2013/14 year, Premier maintained a nomination committee in accordance with ASX Recommendation 2.4.

The Remuneration and Nomination Committee supports and advises the Board on the nomination policies and practices of Premier. The roles and responsibilities of the Remuneration and Nomination Committee are set out in Premier's Board Charter, a summary of which is provided on Premier's website.

The Remuneration and Nomination Committee consists of the following three members:

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

All of the members of the committee are non-executive directors, one of whom is an independent director.

The nomination purposes of the committee include:

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

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

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

2.5 *Term of Office and Performance Evaluation*

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

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

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

2.6 *Appointment of New Directors and Re-Election of Directors*

The responsibilities of Premier's Remuneration and Nomination Committee include advising the Board on:

- criteria for appointment and identification of candidates for appointment as a director;
- the candidates it considers appropriate for appointment as a director; and
- the re-appointment of any non-executive director at the conclusion of their term of office.

3 PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

3.1 *Code of Conduct*

The Board insists on the highest ethical standards from all officers and employees of Premier and is vigilant to ensure appropriate corporate professional conduct at all times. As such, the Board has adopted a Code of Conduct to provide a set of guiding principles which are to be observed by all directors, senior executives and employees of Premier. The Code of Conduct is based on five principles that define the responsibility of Premier and all directors and employees. These principles require that all directors and employees:

- foster a culture in which all stakeholders are treated with respect;
- act to ensure there is no conflict of interest between work and private affairs;
- provide a safe workplace for employees and visitors;
- are honest, legal, fair and trustworthy in dealings and relationships; and
- develop a culture where professional integrity and ethical behaviour is valued in rewarded.

Premier is committed to the safe and ethical manufacture, sourcing and supply of goods and services. As such, Premier is committed to sourcing merchandise that is produced according to the Group's strict principles of safe working conditions, where human rights are respected and people have free right of association. Premier will only deal with vendors who at least provide the working conditions and benefits stipulated by law and whose workers (employees and contractors) are treated and compensated fairly and not exposed to physical harm. Also refer to pages 9 – 10 of the Annual Report for the group's Ethical Sourcing Statement.

A copy of the Code of Conduct is provided to all new directors and employees upon joining Premier.

3.1 Code of Conduct (continued)

Additionally, standards by which all officers, employees and directors are expected to act are contained in the Board Charter and in Premier's share trading policy. These include standards and expectations relating to:

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

Under the Group's share trading policy, an officer or executive must not trade in securities of the Company at any time while in possession of unpublished, price-sensitive information in relation to those securities. Before commencing to trade, an executive or officer must first obtain the approval of the Company Secretary or the Chairman.

Premier's share trading policy permits key management personnel and their associates to trade in the Company's securities during the following window periods:

- within 6 weeks after the release of the Company's half year results to the ASX;
- within 6 weeks after the release of the Company's preliminary final report to the ASX; and
- the rights trading period when the Company has issued a prospectus for those rights.

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

Consistent with the Corporations Act, Premier's conflict of interest policy requires that where an item of business is proposed to be discussed at any meeting of directors, and discussion of that matter may give rise to a conflict of interest on the part of a director, that director must not be present while the matter is being considered and must not vote on that matter (unless the other directors pass a resolution permitting that director to be present or vote). The Board Charter permits directors who may be in a position of conflict to request that the meeting be postponed or temporarily adjourned to enable him or her to seek legal advice on whether he or she can be present while the matter in question is being considered and vote on the matter in question.

ASX Recommendation 3.1 recommends that a company disclose its code of conduct or a summary of that code. Premier has implemented a formal code of conduct and this code, as well as Premier's share trading policy, is available on Premier's website.

3.2 Diversity Policy

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

We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated. We aim to maintain appropriate standards of behaviour throughout the organisation, to create a safe workplace free from harassment and discrimination of any kind, to treat all team members fairly and equitably, and to evaluate employees based on their performance, skills and abilities.

3.2 Diversity Policy (continued)

The following steps have been taken to achieve the Board's diversity objectives:

- the appointment of Ms Sally Herman in the 2011/12 financial year as an independent non-executive director; and
- the appointment of Ms Colette Garnsey in the 2012/13 financial year as the Core Brand Director, Premier Retail.

At year end, women represented 10% of Premier's board, 41% of senior executives, 69% at senior management level and 91% of the Groups' workforce.

In accordance with the requirements of the Workplace Gender Equality Act 2012, a subsidiary company of Premier Investments Limited, Just Group Limited lodged its annual compliance report with the Workplace Gender Equality Agency.

The Board is aware of ASX Recommendations 3.2 and 3.3. Given the high proportion of senior executives, senior managers and employees of the Group that are women, the Board has determined not to impose measurable objectives relating to diversity at this stage.

4 PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Audit Committee

In accordance with ASX Recommendation 4.1, the Board has established an Audit and Risk Committee. This committee's role and responsibilities, as well as composition, structure and membership requirements, are set out in a formal charter approved by the Board, in accordance with ASX Recommendation 4.3. A summary of this Charter can be found on Premier's website.

Premier's Audit and Risk Committee supports and advises the Board in fulfilling its corporate governance and oversight responsibilities in relation to Premier's financial reporting, internal control structures, ethical standards and risk management framework and systems.

The Audit and Risk Committee's prime responsibilities include:

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

4.2 Composition

The composition of the Audit and Risk Committee satisfies ASX Recommendation 4.2. The committee comprises a majority of independent directors, consists of only non-executive directors and the chair of the committee is also independent.

4.2 Composition (continued)

The Audit and Risk Committee Charter requires the committee to be structured so that:

- all members are financially literate, that is, are able to read and understand financial statements;
- at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters; and
- some members have an understanding of the industry in which the Group operates.

The committee consists of three members:

Name	Appointed	Position in Committee
David Crean	August 2010	Chairperson
Frank Jones	September 1995 (retired October 2014)	Non-Executive Director
Gary Weiss	August 2010 (retired October 2014)	Non-Executive Director
Timothy Antonie	October 2014	Non-Executive Director
Sally Herman	October 2014	Non-Executive Director

The Audit and Risk Committee met on four occasions during the year. Each of the meetings was attended by all three members of the Committee.

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

The Audit and Risk Committee will meet as frequently as required to undertake its role effectively. The CEO (when appointed) will have a standing invitation to attend each scheduled meeting of the Audit and Risk Committee and a standing invitation has also been extended to Premier's external auditors.

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

4.3 External Audit

Under the Audit and Risk Committee Charter, the committee is responsible for establishing procedures and making Board recommendations regarding external auditors, monitoring the effectiveness and independence of the external auditor, reviewing the scope of the external audit, discussing with the external auditor any significant disagreements with management, and meeting with the external auditor without management present at least twice a year.

In accordance with the Corporations Act, the external audit engagement partner is required to rotate at least once every five financial years. Ernst & Young was appointed as Premier's external auditor in May 2002. The external auditor attends Premier's annual general meetings and is available to respond to questions from Premier's members about its independence as auditor, the preparation and content of the Auditor's Report and Premier's accounting policies adopted in relation to the financial statements.

5 PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

During the 2013/14 financial year, Premier maintained a policy to ensure that it complied with its continuous disclosure obligations under the ASX Listing Rules, the ASX Recommendations and the Corporations Act, and to ensure that all investors have equal and timely access to material and price sensitive information. A copy of Premier's Continuous Disclosure Policy has been disclosed on Premier's website.

Under this policy, the Board will, as soon as it becomes aware of information concerning Premier that would be likely to have a material effect on the price or value of Premier's securities, ensure that information is notified to the ASX.

Premier has appointed a Compliance Officer to accept reports from personnel relating to price sensitive information. The Compliance Officer is primarily responsible for ensuring that Premier complies with its disclosure obligations under the Corporations Act and the ASX Listing Rules, and for deciding what information will be disclosed. Additionally, all managers are required to keep up to date with all matters within their responsibility which may be or become material to Premier in this respect.

6 PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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

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

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

7 PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

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

7.1 Audit and Risk Committee

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

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

The Audit and Risk Committee has the authority to:

- request management or others to attend meetings and to provide any information or advice that the Committee requires;
- access the Company's documents and records;
- obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- approach management and external auditors for information.

During the 2013/2014 year, the Audit and Risk Committee met with an external consultant to independently evaluate the risk management and internal control processes throughout the Group.

As outlined above in section 4.1, a summary of Premier's Audit and Risk Committee charter can be found on Premier's website. This summary addresses Premier's policies for the oversight and management of material business risks.

7.2 Management

The responsibility for managing risk on a day-to-day basis lies with the management of each business operation. Additionally, independent risk management audits of site operations are carried out regularly and a quarterly report is prepared for the Board which reviews the risk management and insurances of the Group. The Board received four of these reports during the 2013/14 financial year.

7.3 CEO and CFO certification

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

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

7.3 CEO and CFO certification (continued)

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

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

8 PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Remuneration Committee

During the 2013/14 financial year, Premier maintained a formal remuneration committee in accordance with ASX Recommendation 8.1. The Remuneration and Nomination Committee supports and advises the Board on the remuneration policies and practices of Premier. The remuneration purposes of the committee include:

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

The roles and responsibilities of the Remuneration and Nomination Committee are set out in Premier's Board Charter, a summary of which is provided on Premier's website.

8.2 Composition

The Remuneration and Nomination Committee consists of three members, all of whom are non-executive directors. The members of the Remuneration and Nomination Committee are outlined in section 2.4 of this corporate governance statement. Although ASX Recommendation 8.2 suggests that the committee should consist of a majority of independent directors and be chaired by an independent director, Premier believes that the current members of the committee are most appropriate to achieve its objectives given their skill set and experience.

The Remuneration and Nomination Committee met twice during the year, and both meetings were attended by all three committee members.

8.3 Remuneration policy

Premier's remuneration policies are both reasonable and responsible, and they establish a link between remuneration and performance. Further details regarding Premier's remuneration practices are set out in the remuneration report on pages 12 to 25.

Premier clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. Non-executive directors' remuneration is capped at a maximum of $1,000,000 per annum. During the 2013/14 financial year a total of $760,000 was paid by way of remuneration to Premier's non-executive directors.

Premier has not established any schemes for retirement benefits for non-executive directors (other than superannuation).

ASX ADDITIONAL INFORMATION AS AT 3 OCTOBER 2014

TWENTY LARGEST SHAREHOLDERS

NAME	TOTAL	% IC	RANK
CENTURY PLAZA INVESTMENTS PTY LTD	51,569,400	33.12%	1
J P MORGAN NOMINEES AUSTRALIA LIMITED	22,831,014	14.66%	2
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,937,685	7.67%	3
CITICORP NOMINEES PTY LIMITED	8,428,649	5.41%	4
METREPARK PTY LTD	8,235,331	5.29%	5
NATIONAL NOMINEES LIMITED	6,939,577	4.46%	6
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <PI POOLED A/C>)	5,300,536	3.40%	7
UBS NOMINEES PTY LTD	3,462,934	2.22%	8
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,348,428	2.15%	9
DANCETOWN PTY LTD	3,000,000	1.93%	10
LINFOX SHARE INVESTMENT PTY LTD	2,577,014	1.65%	11
SPRINGSAND INVESTMENTS PTY LTD	1,437,699	0.92%	12
ARGO INVESTMENTS LIMITED	1,250,000	0.80%	13
BNP PARIBAS NOMS PTY LTD <DRP>	1,228,465	0.79%	14
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,028,886	0.66%	15
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	684,767	0.44%	16
QIC LIMITED	633,270	0.41%	17
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	605,589	0.39%	18
MILTON CORPORATION LIMITED	590,250	0.38%	19
MR CON ZEMPILAS	500,000	0.32%	20
TOTAL FOR TOP 20:	135,589,494	87.07%	

SUBSTANTIAL SHAREHOLDERS

NAME	TOTAL UNITS	% IC
CENTURY PLAZA INVESTMENTS PTY LTD AND ASSOCIATES	58,552,420	42.43%
PERPETUAL LIMITED AND ITS SUBSIDARIES	22,076,038	14.18%
AUSTRALIANSUPER PTY LTD	8,871,777	5.70%
AIRLIE FUNDS MANAGEMENT PTY LTD	8,322,930	5.36%

DISTRIBUTION OF EQUITY SHAREHOLDERS

	1 TO 1,000	1,001 TO 5,000	5,001 TO 10,000	10,001 TO 100,000	100,001 TO (MAX)	TOTAL
Holders	4,575	2,328	361	180	42	7,486
Shares	1,783,793	5,454,711	2,664,166	4,354,864	141,457,340	155,714,874

The number of investors holding less than a marketable parcel of 50 securities ($10.00 on 3 October 2014) is 228 and they hold 2,899 securities.

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

CORPORATE DIRECTORY

A.C.N. 006 727 966

DIRECTORS

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

COMPANY SECRETARY

Kim Davis

REGISTERED OFFICE

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This report has been printed on Monza Satin Recycled, Certified Carbon Neutral.

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Smiggle International Growth

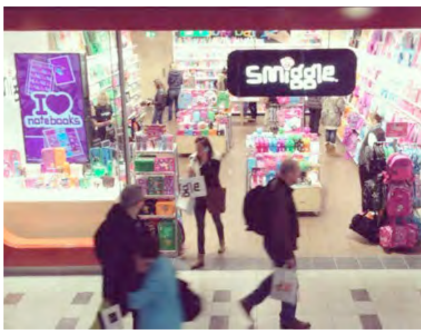
smiggle®

- » Premier Retail launched its first UK store at Westfield Stratford in February 2014.
- » The company plans to have 25-30 stores operating by the end of FY15.
- » The management team continues to believe that the potential exists for 200 stores and $200 million in sales over the next five years.
- » John Cheston, Managing Director of Smiggle has a proven track record of success in all four countries we operate in.

Smiggle Westfield Stratford

Brighton, Churchill Square

Reading, Oracle



Kingston, Bentall Centre

peteralexander

Peter Alexander remains a market leader in innovative product, marketing and multi-channel initiatives.