



## **Premier announces 98% increase in net profit to \$82.7m**

Total FY2009 dividends of 75 cents per share up 159%

### **Highlights**

- Consolidated net profit after tax (NPAT) of \$82.7 million, up from \$41.8 million in FY2008
- Reported profit before tax of \$110.6 million
- Underlying profit before tax of \$108.1 million in line with recently announced upgrade
- FY2009 earnings per share (EPS) of 62.44 cents (35% increase over FY2008)
- Fully franked final dividend of 38 cents per share (comprising a 18 cent per share ordinary dividend and a 20 cent per share special dividend), resulting in total FY2009 dividends of 75 cents per share
- \$328.7 million in cash reserves and no Just Group refinancing commitments until 2012

Premier Investments Limited (“Premier”) today reported NPAT of \$82.7 million for the period ending 25 July 2009, up from \$41.8 million in FY2008. This strong result was underpinned by a better than expected result for Just Group, despite tough economic conditions.

The Directors have also reaffirmed their confidence in Premier’s performance by declaring a strong, fully franked final dividend of 38 cents per share. This dividend comprises an ordinary dividend of 18 cents per share and a special dividend of 20 cents per share. Therefore, Premier has declared total FY2009 dividends of 75 cents per share, again demonstrating its commitment to capital management.

Premier's Dividend Reinvestment Plan (DRP) remains in place to enable shareholders to reinvest a proportion of the total dividend should they choose to without incurring brokerage or other transaction costs.

Premier's Chairman, Mr Solomon Lew, said: *"We are pleased to be able to reward our shareholders with another strong dividend. The combination of Just Group's solid result and the Board's commitment to capital management initiatives means that investors in Premier will have had the opportunity to receive up to 75 cents per share in dividends for FY2009."*

### **Strong operating businesses**

Just Group's sales (Australia and New Zealand) for the 52 weeks to 25 July 2009 were up 4% on the previous corresponding period to \$844.9 million. EBITA was up 3% on the previous corresponding period to \$95.3 million. Second half sales were 6.3% up and second half EBITA was \$39.4 million, an increase of 39% on the previous corresponding period.

The remainder of Premier's earnings were largely attributable to interest earned from cash on deposit.

*"Just Group has produced a solid result during tough retail conditions. Premier forecasted the economic downturn and its impact on consumer spending in April 2008, prior to the acquisition of Just Group."*

*"While we always knew trading would be tough, today's result is a testament to the strategic review we have put in place and the dedication of the Just Group management team who have worked tirelessly, particularly to reinvigorate key brands in the portfolio."*

*"The challenge now is to help Portmans and Jacqui E perform at a consistently high standard alongside other brands in the portfolio."*

As part of the review, the Board of Premier and the Just Group management team have had to make some tough decisions to protect shareholder value. The Premier Board always had concerns about the viability of the Peter Alexander retail business in the USA and, in June 2009, a decision was made to close the Peter Alexander USA Retail Operations. The brand maintains a very strong presence in Australia and New Zealand. On acquiring Just Group, Premier made significant provision for costs in relation to the Peter Alexander USA business, so the closure has not adversely impacted Premier's FY2009 profit.

Despite some challenges, Just Group's multi-brand strategy has provided both stability and opportunity during the downturn. It is Premier's objective to achieve consistent performance across all of the brands in the Just Group portfolio to improve the company's resilience and growth prospects.

### **Dividend and Dividend Reinvestment Plan**

The final dividend will be payable on 9 November 2009. The dividend will be fully franked. The ex date for the dividend will be 6 October 2009 and the record date will be 12 October 2009.

Each shareholder will have the opportunity to participate in the DRP in respect of up to 52.632% of their shareholding in Premier (i.e. in respect of up to 20 cents of the total 38 cent final dividend). Shares will be allotted under the DRP at a 5% discount to the average of the daily volume weighted average sales price of Premier shares on each of the 10 consecutive trading days from and including 14 October 2009 .

Any DRP shares will be allotted under the DRP on 9 November 2009, the same day the dividends are paid.

Election notices to participate in the DRP must be received by Premier's share registry by 5.00pm on 12 October 2009 to be effective. The DRP will be fully underwritten (that is, in respect of 52.632% of the total dividend payable) to ensure Premier maintains strong cash reserves for any opportunities which may arise.

### **Strong balance sheet**

Premier's strong balance sheet continues to give the group the flexibility it needs to pursue opportunities. As of 25 July 2009, Premier's consolidated cash balance was \$328.7 million (excluding Just Group's debt).

Equity in the business increased due to shares offered to Just Group's shareholders as part of the Just Group acquisition consideration and liquidity has been further enhanced by the Dividend Reinvestment Plan.

### **Outlook**

Just Group trading for the first 7 weeks since the end of the financial year has been in line with the improving trend of second half 2009 and trading ahead of budget. While the current retail environment appears to be gaining strength, Premier is cautious and conservative in its outlook for FY2010.

Mr Lew said: *"While we have seen some improvements in consumer confidence in the past few months, we are cautiously optimistic about the year ahead. It is our view that retail conditions will continue to be uncertain with the possibility of increased unemployment, potential increases in interest rates and potential risks associated with housing valuations which would pose real challenges for consumers."*

Ends

For more information call

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# Appendix 4E

**Preliminary final report**  
**Current Reporting Period: 1<sup>st</sup> July 2008 to 25 July 2009**  
**Previous Corresponding Period: Year ended 30 June 2008**

Name of entity

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

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

**1. Reporting periods**

Financial year ended ("Current period")	Financial year ended ("Previous corresponding period")
<b>25 July 2009</b>	<b>30 June 2008</b>

**2. For announcement to the market**

2.1 Revenues from ordinary activities	up	1,272%	to	\$819,163,000
2.2 Profit from ordinary activities after tax attributable To members	up	98.04%	to	\$82,749,000
2.3 Net profit for the period attributable to members	up	98.04%	to	\$82,749,000

<b>2.4 Dividends (distributions)</b>		Amount per security	Franked amount per security
Final dividend	Record Date	38.0 cents	38.0 cents
Interim dividend	Paid	37.0 cents	37.0 cents

**2.5 Record date for determining entitlements to the dividend**

12 October 2009

The directors have declared a final dividend of 38 cents per share comprises an ordinary dividend of 18 cents per share and a special dividend of 20 cents per share.

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

The current reporting period is for the period beginning 1 July 2008 and ending 25 July 2009, whereas the comparative amounts reflect the period 1 July 2007 to 30 June 2008. For further explanation please refer to the investor's presentation accompanying this preliminary final report.

### 3. Balance Sheet

Please refer to the attached audited financial statements for the period ended 25 July 2009.

### 4. Income Statement

Please refer to the attached audited financial statements for the period ended 25 July 2009.

### 5. Statement of Change in Equity

Please refer to the attached audited financial statements for the period ended 25 July 2009.

### 6. Cash Flow Statement

Please refer to the attached audited financial statements for the period ended 25 July 2009.

### 7. Dividends

Date the dividend is payable

9 <sup>th</sup> November 2009
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Record date to determine entitlements to the dividend (distribution) (ie, on the basis of registrable transfers received by 5.00 pm if \*securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if \*securities are \*CHESS approved)

12 <sup>th</sup> October 2009
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#### Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
<b>Final dividend:</b> Current year	38.0 cents	38.0 cents	Nil
Previous year	18.0 cents	18.0 cents	Nil

#### Total dividend per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	75.0 cents	29.0 cents
Preference *securities	Nil	Nil

**Preliminary final report - final dividend on all securities**

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities	55,858	24,840
Preference *securities	-	-
<b>Total</b>	<b>55,858</b>	<b>24,840</b>

**8. Dividend reinvestment plans**

The \*dividend plans shown below are in operation.

Dividend Reinvestment plan in respect of 52.631% of the dividend entitlement.

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

12<sup>th</sup> October 2009

**9. Net tangible assets per security**

	Current period	Previous corresponding period
Net tangible asset backing per *ordinary security	\$2.07	\$9.13

**10. Control gained over entities having material effect**

Name of entity (or group of entities)

JUST GROUP LIMITED

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was †acquired

\$65,641,000

Date from which such profit has been calculated

5<sup>TH</sup> August 2008

Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

\$49,118,000

**Loss of control of entities having material effect**

Name of entity (or group of entities) Not Applicable

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

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

	Current period \$A'000	Previous corresponding period - \$A'000
<b>Group's share of associates' and joint venture entities':</b>		
Profit (loss) from ordinary activities before tax	(145)	-
Income tax on ordinary activities	-	-
<b>Profit (loss) from ordinary activities after tax</b>	(145)	-
Extraordinary items net of tax	-	-
<b>Net profit (loss)</b>	(145)	-
Adjustments	-	-
<b>Share of net profit (loss) of associates and joint venture entities</b>	(145)	-

**12. Other significant information**

Not applicable

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

Not applicable

**14. Commentary**

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

**15. Compliance statement**

This report should be read in conjunction with the attached financial statements for the period ended 25<sup>th</sup> July 2009. The attached financial statements have been audited.



Sign here:

Company Secretary

Date 21 September 2009

Print name:

KIM DAVIS

# PREMIER INVESTMENTS LIMITED

A.C.N. 006 727 966

## FINANCIAL REPORT

FOR THE PERIOD COMMENCING 1 JULY 2008 TO 25 JULY 2009

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# 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 25 July 2009.

The directors present their report together with the financial report of Premier Investments Limited (the "Company") and the consolidated financial report of the consolidated entity (the "Group"), being the Company and its controlled entities, for the period 1 July 2008 to 25 July 2009, together with the independent audit report to the members thereon.

## DIRECTORS

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

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

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

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

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

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

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

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

Mr. Jones served as Chairman of Premier from 1999 to 2002 and, more recently, from 2007 to 2008. He is the Chairman of the Audit and Risk Committee of Premier.

### **Lindsay E. Fox A.C.** *Non-Executive Director*

Mr. Fox has extensive experience in all aspects of the transport, distribution and warehousing industry. 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 11 countries. The Linfox Group employs 16,000 people, operates 1.8 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 comprises Linfox Group Pty Limited, Linfox Airports Pty Limited, Linfox Property Group Pty Limited and Linfox Armaguard Pty Limited.

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

In 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.

# DIRECTORS' REPORT

(CONTINUED)

## DIRECTORS (CONTINUED)

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

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

### **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 25 years experience in providing legal and strategic advice to some of Australia's leading companies. He is Director of Just Group Limited, a Director of the Burnet Institute and a member of its Development Committee and also a director of the TarraWarra Museum of Art. He is a life Governor of the Mount Scopus College Council and President of the Mount Scopus College Foundation. Mr. Lanzer is Chairman of the Remuneration and Nomination Committee for Premier Investments Limited.

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

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

- Just Group Limited\* - Appointed 4 March 2008

\*Denotes Current Directorship

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

Dr. Weiss is an Executive Director of Guinness Peat Group plc., and Chairman of Coats Holdings plc. During the past three years, Dr Weiss has held the following additional listed company directorships:

- Canberra Investment Corporation Limited
- Capral Limited
- Ariadne Australia Limited\* - Appointed 28 November 1989
- Tower Limited
- Australian Wealth Management Limited
- Tag Pacific Limited\* - Appointed 1 October 1988
- Westfield Group\* - Appointed 13 July 2004
- Tower Australia Group Limited
- Victor Chang Cardiac Research Institute Limited\* - Appointed 9 July 2009

\* Denotes current directorship

## COMPANY SECRETARY

### **Kim F. Davis** *B. COM, Non-Executive Alternate Director*

Mr. Davis was appointed as Alternate Director on the 10 July 2008 for Mr. Jones. Mr. Davis has been the Company Secretary of Premier Investments Limited for 15 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 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:	38.0	55,858
Dividends paid in the year		
Interim for the year	37.0	51,818
Final for 2008 shown as		
recommended in the 2008 report	18.0	24,840

## SUBSECTION 340 ORDER ISSUED BY ASIC

Section 323(D)(2) of the Corporations Act 2001 (Cth) (Corporations Act) provides that a financial year must start from the end of the previous financial year and must be for 12 months long. Premier Investments Limited was required to obtain relief from the Australian Securities and Investments Commission (ASIC) in accordance with section 340 of the Corporations Act for a modification to section 323(D)(2) of the Corporations Act in order to extend the end of its current financial year from 30 June 2009 to 25 July 2009 (ASIC Relief).

Premier advises that the ASIC Relief was granted by ASIC on 27 January 2009 and that Premier's current financial year ended on 25 July 2009.

## OPERATING AND FINANCIAL REVIEW

### Group Overview:

On the 5 August 2008 the Company acquired a controlling interest in Just Group Limited the ("Just Group"), a listed company on the Australian Stock Exchange. Just Group is a leading speciality fashion retailer in Australia and New Zealand, and operates in South Africa through a joint venture. It has a portfolio of well-recognised retail brands, offering latest fashion at value price points. There are currently seven unique brands trading from more than 950 stores. The emphasis is on a range of brands that provide diversification through breadth of target demographic and sufficiently broad appeal to enable a national footprint. Over 90% of product range is designed, sourced and sold under its own brands. There is a continuing investment in these brands to ensure they remain relevant to changing customer tastes and remain at the forefront of their respective target markets.

### Operating Results:

The results for the period 1 July 2008 to 25 July 2009 include the results from the Just Group for the first time.

The Group's net profit after income tax for the 2009 financial year was \$82,749,000 (2008: \$41,782,000), which reflects a 98% increase compared to last year. From the date of acquisition, Just Group has contributed \$65,641,000 to the net profit of the Group for the period 5 August 2008 to 25 July 2009.

### Shares Issued During the Year:

The acquisition of Just Group was funded by cash of \$454,329,000 and by the issue of 49,871,245 ordinary shares at an average value of \$6.33 per share. The cash payment of \$454,329,000 and \$9,323,000 of legal and professional fees was partially offset by the cash balance of \$23,650,000 in Just Group at the date of its acquisition.

Shares were issued on 22 May 2009 pursuant to a Dividend Reinvestment Plan at a 5% discount to the volume weighted average price of the company's shares sold on the Australian Stock Exchange during the five consecutive trading days immediately preceding, and inclusive of, the record date. A total of 6,937,224 ordinary shares were issued pursuant to the Dividend Reinvestment Plan.

# DIRECTORS' REPORT

(CONTINUED)

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 5th August 2008, the Company obtained a controlling interest in the shares of Just Group Limited following an off-market takeover offer for all of Just Group Limited shares that commenced on 31 March 2008. Shares were issued as part of the purchase consideration, increasing the Company's share capital by \$316,150,000 and the amount of shares on issue by 55.2%.

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 21 September 2009, the directors of Premier Investments Limited declared a final dividend on ordinary shares in respect of the 2009 financial year. The total amount of the dividend is \$55,858,000 and is a fully franked dividend. The dividend has not been provided for in the 25 July 2009 financial statements.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Certain likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to the period ended 25 July 2009 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 643,161 unissued ordinary shares under options/performance rights (643,161 at the reporting date). Refer to the remuneration report for further details of the options outstanding.

Shares Issued as a Result of the Exercise of Options:

During the financial year no performance rights were exercised by any employees or executives or to the date of this report.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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

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

# DIRECTORS' REPORT

(CONTINUED)

## 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	4,208,753 ordinary shares**
L.E. Fox	5,953,175 ordinary shares
F.W. Jones	173,172 ordinary shares
M.R.I. McLeod	26,732 ordinary shares
H.D. Lanzer	26,238 ordinary shares

\*\*Mr. Lew is an associate of Century Plaza Investments Pty. Ltd., Playcorp Pty. Ltd and Metrepark Pty. Ltd (Associated Entities). The Associated Entities, collectively, have a relevant interest in 57,244,091 shares in the company. However, Mr. Lew does not have a relevant interest in the shares in the company held by the Associated Entities.

## DIRECTORS' MEETINGS

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

DIRECTOR	BOARD MEETINGS		AUDIT AND RISK COMMITTEE		REMUNERATION COMMITTEE	
	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR	NUMBER ATTENDED	MEETINGS HELD WHILE A DIRECTOR
Mr. S. Lew	10	10	-	-	1	1
Mr. F.W. Jones	10	10	4	4	-	-
Mr. L.E. Fox	10	10	1	1	-	-
Mr. H.D. Lanzer	10	10	3	3	1	1
Mr. M.R.I. McLeod (a)	5	10	3	3	-	-
Dr. G.H. Weiss	10	10	1	1	1	1

(a) During the financial year Mr McLeod did not attend five Board meetings due to a potential conflict of interest.

## ROUNDING

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

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the following declaration 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 26 of the Financial Report.

# DIRECTORS' REPORT

(CONTINUED)

## REMUNERATION REPORT (AUDITED)

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

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

### *DETAILS OF KEY MANAGEMENT PERSONNEL (INCLUDING THE FIVE HIGHEST EXECUTIVES OF THE GROUP)*

#### *(i) Directors*

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

#### *(ii) Executives*

Mr. K.F. Davis	Company Secretary and Non-Executive Alternate Director
Mr. J. Murray	Managing Director, Just Group Limited
Ms. G. Shearer	Director - Jacqui E, Smiggle and New Zealand
Mr. D. Bull	Director - Fast Fashion
Ms. W. Tang	Director - Operations and Peter Alexander Sleepwear (resigned 5 June 2009)
Mr. A. Gardner	Chief Financial Officer, Just Group Limited

### *REMUNERATION COMMITTEE*

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

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

### *REMUNERATION PHILOSOPHY*

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

### *REMUNERATION STRUCTURE*

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

# DIRECTORS' REPORT

(CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### *NON-EXECUTIVE DIRECTOR REMUNERATION*

#### *Objective*

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

#### *Structure*

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

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

### *EXECUTIVE REMUNERATION*

#### *Objective*

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

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

#### *Structure*

In determining the level and make-up of executive remuneration the Remuneration 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 Remuneration 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
- Variable 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 page 13 of this report.

# DIRECTORS' REPORT

(CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### *FIXED REMUNERATION*

#### *Objective*

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

#### *Structure*

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

The fixed remuneration component of executives is detailed on page 13.

### *VARIABLE REMUNERATION – SHORT-TERM INCENTIVE (STI)*

#### *Objective*

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

#### *Structure*

Actual STI payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The 2009 STI was based on growth in Capital Adjusted Return (CAR) (being Group EBITA less a capital charge). The Group has predetermined benchmarks, which must be met in order to trigger payments under the short-term incentive scheme.

The 2010 STI is based as a number of individual KPI's and growth in CAR.

### *VARIABLE REMUNERATION – 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.

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. The Group receives an independent assessment of whether the performance criteria are met.

### *VARIABLE REMUNERATION – DISCRETIONARY BONUSES*

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

### *PERFORMANCE RIGHTS*

The Group has a long-term incentive plan known as the 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.

# DIRECTORS' REPORT

(CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

The initial grant under the PRP to senior executives was made on 26 June 2009. 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 Stock 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' performance condition.

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

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

The rights are eligible to vest three years from the date of the grant. Any rights which do not vest may be retested once, 12 months after the vesting date. Once allocated, disposal of performance shares is subject to restrictions whereby board approval is required to sell shares granted within 10 years under this plan. An unvested performance right will lapse if it fails to meet the TSR performance condition over the prescribed period. No employees, other than those listed below, have been granted performance rights at the date of this report. Holders of performance rights are not entitled to vote or receive dividends or other distributions. If an executive resigns from the company, all 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 ten-year lock, with the prior consent of the board.

No employees have any hedging arrangements in place.

# DIRECTORS' REPORT

(CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### RIGHTS GRANTED

The Group has used Black Scholes European option pricing model and has assessed the fair value of the rights at grant date to be \$2.33 for the 605,777 performance rights granted on 26 June 2009.

	BALANCE 1 JULY 2008	RIGHTS GRANTED	RIGHTS VESTED	RIGHTS LAPSED/ FOFEITED	BALANCE 25 JULY 2009
<i>Non-executive directors</i>					
S. Lew	-	-	-	-	-
F.W. Jones	-	-	-	-	-
L.E. Fox	-	-	-	-	-
H.D. Lanzer	-	-	-	-	-
M.R.I. McLeod	-	-	-	-	-
Dr. G.H. Weiss	-	-	-	-	-
<i>Other key management personnel</i>					
Mr. K.F. Davis	-	-	-	-	-
Mr. J. Murray	-	308,660	-	-	308,660
<i>Other executives</i>					
Ms. G. Shearer	-	-	-	-	-
Mr. D. Bull	-	98,789	-	-	98,789
Ms. W. Tang	-	-	-	-	-
Mr. A. Gardner	-	100,237	-	-	100,237
<b>TOTAL</b>	-	<b>507,686</b>	-	-	<b>507,686</b>

### TERMS AND CONDITIONS FOR EACH GRANT

	FIRST VESTING DATE	LAST VESTING DATE
Grant 1 – rights granted 26 June 2009	26 March 2010	1 October 2011

### GROUP PERFORMANCE AND VESTING

The Group is pleased to report that return to shareholders, both through dividends and capital growth, reflects the initiatives put in place by the board. This is reflected in the significant improvement in most financial measures for the current year.

	2009	2008	2007	2006	2005
Basic earnings per share (cents)	59.33	46.33	716.39	14.92	10.64
Dividend paid per share (cents)	75.0	29.0	18.0	14.5	10.5
Return on equity (%)	7.17%	5.16%	78.41%	2.51%	2.05%
Net debt/equity ratio (%)	(20.18)%	(97.6)%	54.23%	60.88%	53.38%

# DIRECTORS' REPORT

(CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Major provisions of the agreements are set out below.

KEY MANAGEMENT PERSONNEL	TERM OF AGREEMENT	REVIEW PERIOD	PERIOD OF WRITTEN NOTICE REQUIRED FROM COMPANY	TERMINATION BENEFITS		PERIOD OF WRITTEN NOTICE REQUIRED FROM EMPLOYEE
				UPON COMPANY INITIATED*	UPON DIMINUTION OF ROLE	
J. Murray	Open	Annual	12 mths	12 mths TFR including notice	Nil	6 mths
G. Shearer	Open	Annual	3 mths	12 mths TFR including notice	12 mths TFR including notice	3 mths
D. Bull	Open	Annual	3 mths	3 mths TFR including notice	Nil	3 mths
W. Tang	Open	Annual	3 mths	12 mths TFR including notice	12 mths TFR including notice	3 mths
A. Gardner	Open	Annual	3 mths	3 mths TFR including notice	12 mths TFR including notice	3 mths

\* Unless termination is without notice for a specified cause, in which case there are no termination benefit entitlements.

# DIRECTORS' REPORT

(CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### REMUNERATION OF DIRECTORS

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:

2009	SHORT TERM			POST EMPLOYMENT		SHARE BASED PAYMENT	TOTAL
	SALARY/FEE	CASH BONUS	NON MONETARY BENEFITS	SUPERANNUATION	TERMINATION	LONG-TERM INCENTIVES	
	\$	\$	\$	\$	\$		\$
<i>Non-executive directors</i>							
S. Lew	-	-	-	-	-	-	-
F.W. Jones	120,000	-	-	-	-	-	120,000
L.E. Fox	73,394	-	-	6,606	-	-	80,000
H.D. Lanzer	80,000	-	-	-	-	-	80,000
M.R.I. McLeod	73,394	-	-	6,606	-	-	80,000
Dr. G.H. Weiss	73,394	-	-	6,606	-	-	80,000
Sub-total non-executive directors	420,182	-	-	19,818	-	-	440,000
<i>Key management personnel</i>							
Mr. K.F. Davis	311,256	100,000	-	13,744	-	-	425,000
Mr. J. Murray <sup>1</sup>	836,192	-	50,063	13,745	-	12,400	912,400
Sub-total KMP	1,147,448	100,000	50,063	27,489	-	12,400	1,337,400
<i>Other executives</i>							
Ms. G. Shearer <sup>1</sup>	468,728	45,872	3,749	46,651	-	-	565,000
Mr. D. Bull <sup>1</sup>	415,942	50,000	6,076	37,982	-	2,071	512,071
Ms. W. Tang <sup>1,2</sup>	344,155	-	-	30,974	173,708	-	548,837
Mr. A. Gardner <sup>1</sup>	313,248	50,000	45,752	21,000	-	8,030	438,030
Sub-total other executives	1,542,073	145,872	55,577	136,607	173,708	10,101	2,063,938
<b>TOTAL 2009</b>	<b>3,109,703</b>	<b>245,872</b>	<b>105,640</b>	<b>183,914</b>	<b>173,708</b>	<b>22,501</b>	<b>3,841,338</b>

<sup>1</sup> Joined the Group on 8 August 2008 as an executive of Just Group Limited

<sup>2</sup> Resigned 5 June 2009

# DIRECTORS' REPORT

(CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

2008	SHORT TERM			POST EMPLOYMENT	SHARE BASED PAYMENT		TOTAL
	SALARY/FEE	CASH BONUS	NON MONETARY BENEFITS	SUPERANNUATION	LONG SERVICE LEAVE	LONG-TERM INCENTIVES	
	\$	\$	\$	\$			\$
<i>Non-executive directors</i>							
S. Lew	-	-	-	-	-	-	-
F.W. Jones	57,200	-	-	-	-	-	57,200
Sir R. Brierley*	10,416	-	-	-	-	-	10,416
L.E. Fox	10,000	-	-	900	-	-	10,900
H.D. Lanzer	2,750	-	-	-	-	-	2,750
M.R.I. McLeod	10,000	-	-	900	-	-	10,900
Dr. G.H. Weiss	10,000	-	-	900	-	-	10,900
Sub-total non-executive directors	100,366	-	-	2,700	-	-	103,066
<i>Other key management personnel</i>							
Mr. K.F. Davis	287,460	-	-	13,129	-	-	300,589
<b>TOTAL 2008</b>	<b>387,826</b>	<b>-</b>	<b>-</b>	<b>15,829</b>	<b>-</b>	<b>-</b>	<b>403,655</b>

\* Resigned 27 November 2007

# 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 16 of this report.

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

A handwritten signature in blue ink, appearing to read 'S Lew.', is positioned below the text 'Signed in accordance with a resolution of the board of directors.'

Solomon Lew  
Chairman

21<sup>st</sup> September 2009



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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 period ended 25 July 2009, 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.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Glenn Carmody'.

Glenn Carmody  
Partner

Melbourne  
21 September 2009

# INCOME STATEMENT

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009

	CONSOLIDATED			PARENT	
	NOTES	PERIOD 1 JULY	12 MONTHS	PERIOD 1 JULY	12 MONTHS
		2008 TO 25 JULY 2009 \$'000	TO 30 JUNE 2008 \$'000	2008 TO 25 JULY 2009 \$'000	TO 30 JUNE 2008 \$'000
Revenue from sale of goods	4	850,469	-	-	-
Other revenue	4	25,908	64,377	40,493	63,063
<b>Total revenue</b>		<b>876,377</b>	<b>64,377</b>	<b>40,493</b>	<b>63,063</b>
Other income	4	7,163	-	1,078	-
<b>Total income</b>		<b>883,540</b>	<b>64,377</b>	<b>41,571</b>	<b>63,063</b>
Changes in inventories of finished goods and work in progress and raw materials used		(349,642)	-	-	-
Employee expenses		(175,993)	(401)	(865)	(404)
Operating lease rental expense		(156,013)	-	-	-
Depreciation, impairment and amortisation	5	(25,631)	-	(128)	-
Advertising and direct marketing		(13,611)	-	-	-
Finance costs	5	(9,094)	(1,792)	(12)	-
Other expenses		(42,779)	(2,705)	(2,379)	(2,702)
<b>Total expenses</b>		<b>(772,763)</b>	<b>(4,898)</b>	<b>(3,384)</b>	<b>(3,106)</b>
Share of loss of an associate	14	(145)	-	-	-
<b>Profit before income tax</b>		<b>110,632</b>	<b>59,479</b>	<b>38,187</b>	<b>59,957</b>
Income tax expense	6	(27,883)	(17,697)	(6,698)	(17,841)
<b>Net profit attributable to members of the parent</b>		<b>82,749</b>	<b>41,782</b>	<b>31,489</b>	<b>42,116</b>
<b>Earnings per share (cents per share)</b>	<b>33</b>				
-basic and diluted for profit for the year		62.44	46.33		
-basic and diluted for profit from continuing operations		62.44	46.33		

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

# BALANCE SHEET

AS AT 25 JULY 2009

	NOTES	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>ASSETS</b>					
<i>Current assets</i>					
Cash and cash equivalents	28	328,670	790,341	304,088	790,341
Trade and other receivables	8	7,112	6,634	10,315	7,317
Inventories	9	69,574	-	-	-
Derivative financial instruments	32	5,650	-	-	-
Other current assets	10	3,794	24	37	24
<b>Total current assets</b>		<b>414,800</b>	<b>796,999</b>	<b>314,440</b>	<b>797,682</b>
<i>Non-current assets</i>					
Trade and other receivables	8	2,744	-	-	-
Available-for-sale financial assets	11	28,705	36,727	28,620	36,727
Investments in subsidiaries	11	-	-	842,771	62,969
Plant and equipment	12	73,309	-	1	-
Intangible assets	13	850,076	-	-	-
Deferred tax assets	6	16,204	-	-	-
Investment in an associate	14	258	-	-	-
Derivative financial instruments	32	400	-	-	-
<b>Total non-current assets</b>		<b>971,696</b>	<b>36,727</b>	<b>871,392</b>	<b>99,696</b>
<b>TOTAL ASSETS</b>		<b>1,386,496</b>	<b>833,726</b>	<b>1,185,832</b>	<b>897,378</b>
<b>LIABILITIES</b>					
<i>Current liabilities</i>					
Trade and other payables	15	56,227	2,179	309	2,179
Interest-bearing liabilities	16	374	79	176	79
Derivative financial instruments	32	7,833	-	-	-
Income tax payable		17,177	19,483	17,748	19,483
Provisions	17	16,843	135	135	135
Other current liabilities	18	5,327	-	-	-
<b>Total current liabilities</b>		<b>103,781</b>	<b>21,876</b>	<b>18,368</b>	<b>21,876</b>
<i>Non-current liabilities</i>					
Interest-bearing liabilities	16	95,329	-	62,635	63,318
Deferred tax liabilities	6	3,342	2,040	187	2,040
Provisions	17	1,251	-	-	-
Other	18	28,766	-	-	-
<b>Total non-current liabilities</b>		<b>128,688</b>	<b>2,040</b>	<b>62,822</b>	<b>65,358</b>
<b>TOTAL LIABILITIES</b>		<b>232,469</b>	<b>23,916</b>	<b>81,190</b>	<b>87,234</b>
<b>NET ASSETS</b>		<b>1,154,027</b>	<b>809,810</b>	<b>1,104,642</b>	<b>810,144</b>
<b>EQUITY</b>					
Contributed equity	19	549,208	205,149	549,208	205,149
Reserves	20	(5,056)	877	(3,979)	413
Retained earnings	21	609,875	603,784	559,413	604,582
<b>TOTAL EQUITY</b>		<b>1,154,027</b>	<b>809,810</b>	<b>1,104,642</b>	<b>810,144</b>

The accompanying notes form an integral part of this Balance Sheet.

# CASH FLOW STATEMENT

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009

	NOTES	CONSOLIDATED		PARENT	
		PERIOD 1 JULY TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000	PERIOD 1 JULY TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000
<i>CASH FLOWS FROM OPERATING</i>					
Receipts from customers		849,422	-	-	-
Payments to suppliers and employees		(755,043)	(1,920)	(4,071)	(1,920)
Dividends received		1,931	2,481	18,037	2,481
Interest received		29,195	67,811	28,329	63,742
Borrowing costs paid		(8,524)	-	(12)	-
Income taxes paid		(39,619)	(176,241)	(19,036)	(177,068)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	28(b)	77,362	(107,869)	23,247	(112,765)
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>					
Payment for available-for-sale investments		(7,206)	(8,782)	(7,206)	(8,782)
Proceeds from sale of available-for-sale investments		4,199	-	4,199	-
Acquisition of subsidiary/investment		(424,184)	-	(447,833)	-
Payment for trademarks		(306)	-	-	-
Costs associated with acquisition of subsidiary		(9,323)	-	(9,323)	-
Payment for plant and equipment and leasehold premiums		(29,879)	-	(2)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(466,699)	(8,782)	(460,165)	(8,782)
<i>CASH FLOWS FROM FINANCING</i>					
Equity Dividends paid		(48,649)	(18,038)	(48,649)	(18,038)
Proceeds from borrowings		10,000	-	-	14,721
Repayment of borrowings		(33,464)	(250,000)	(683)	-
Transaction costs on issue of shares		(100)	-	(100)	-
Payment of finance lease liabilities		(218)	-	-	-
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(72,431)	(268,038)	(49,432)	(3,317)
NET DECREASE IN CASH HELD		(461,768)	(384,689)	(486,350)	(124,864)
Cash at the beginning of the financial period		790,262	1,174,951	790,262	915,126
CASH AT THE END OF THE FINANCIAL PERIOD	28(a)	328,494	790,262	303,912	790,262

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009

CONSOLIDATED								
	CONTRIBUTED EQUITY \$'000	CAPITAL PROFITS RESERVE \$'000	PERFORMANCE RIGHTS RESERVE \$'000	CASH FLOW HEDGE RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	FAIR VALUE RESERVE \$'000	RETAINED PROFITS \$'000	TOTAL \$'000
<i>At 1 July 2007</i>	205,149	464	-	-	-	38,298	580,040	823,951
Net profit for the period	-	-	-	-	-	-	41,782	41,782
Net fair value loss on available-for-sale financial	-	-	-	-	-	(37,885)	-	(37,885)
Dividends paid	-	-	-	-	-	-	(18,038)	(18,038)
<i>At 30 June 2008</i>	205,149	464	-	-	-	413	603,784	809,810
<i>At 1 July 2008</i>	205,149	464	-	-	-	413	603,784	809,810
Net profit for the period	-	-	-	-	-	-	82,749	82,749
Performance plans issued	-	-	22	-	-	-	-	22
Shares issued for subsidiary	316,150	-	-	-	-	-	-	316,150
Shares issued under dividend reinvestment plan	28,009	-	-	-	-	-	(28,009)	-
Transaction costs	(100)	-	-	-	-	-	-	(100)
Translation of overseas subsidiary	-	-	-	-	11	-	-	11
Net fair value loss on available-for-sale financial	-	-	-	-	-	(4,414)	-	(4,414)
After tax loss on cash flow hedges	-	-	-	(1,552)	-	-	-	(1,552)
Dividends paid	-	-	-	-	-	-	(48,649)	(48,649)
<i>At 25 July 2009</i>	549,208	464	22	(1,552)	11	(4,001)	609,875	1,154,027

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

PARENT								
	CONTRIBUTED EQUITY \$'000	CAPITAL PROFITS RESERVE \$'000	PERFORMANCE RIGHTS RESERVE \$'000	CASH FLOW HEDGE RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	FAIR VALUE RESERVE \$'000	RETAINED PROFITS \$'000	TOTAL \$'000
<i>At 1 July 2007</i>	205,149	-	-	-	-	38,298	580,504	823,951
Net profit for the period	-	-	-	-	-	-	42,116	42,116
Net fair value loss on available-for-sale financial assets	-	-	-	-	-	(37,885)	-	(37,885)
Dividends paid	-	-	-	-	-	-	(18,038)	(18,038)
<i>At 30 June 2008</i>	205,149	-	-	-	-	413	604,582	810,144
<i>At 1 July 2008</i>	205,149	-	-	-	-	413	604,582	810,144
Net profit for the period	-	-	-	-	-	-	31,489	31,489
Performance plans issued	-	-	22	-	-	-	-	22
Shares issued for subsidiary	316,150	-	-	-	-	-	-	316,150
Shares issued under dividend reinvestment plan	28,009	-	-	-	-	-	(28,009)	-
Transaction costs	(100)	-	-	-	-	-	-	(100)
Net fair value loss on available-for-sale financial assets	-	-	-	-	-	(4,414)	-	(4,414)
Dividends paid	-	-	-	-	-	-	(48,649)	(48,649)
<i>At 25 July 2009</i>	549,208	-	22	-	-	(4,001)	559,413	1,104,642

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009

## 1 CORPORATE INFORMATION

The financial report of Premier Investments Limited for the period ended 25 July 2009 was authorised for issue in accordance with a resolution of the directors on 21 September 2009.

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

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

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated and the company financial report is prepared for the period 1 July 2008 to 25 July 2009.

### (a) BASIS OF PREPARATION

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

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the group for the annual reporting period ended 25 July 2009.

These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment.	26 July 2009

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any material impact on the Group's financial report.	26 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	26 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group introduced share-based arrangements on 26 June 2009.  The Group has not yet determined the impact of the amendments, if any.	26 July 2009

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year end and therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	26 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or loss in the Group's income statement.	26 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	26 July 2009

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	<p>The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p>	1 January 2009	<p>Any dividends received from a subsidiary of the parent company will be recognised as income in the parent company's accounts.</p> <p>These amendments are not expected to have any impact to the Group's net profit position.</p>	26 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have any eligible hedged items that are applicable to the amendment.	26 July 2009
Amendments to International Financial Reporting Standards**	Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.	Ending on or after 30 June 2009	The Group has not yet determined the impact of the amendments, if any.	26 July 2009

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

\*\* Pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) BASIS OF CONSOLIDATION

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

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

Investments in subsidiaries held by Premier Investments Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment losses.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

### (d) SEGMENT REPORTING

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other operating business segments. Management has assessed the reportable business segments under AASB 114, Segment Reporting, and have determined that on adoption of AASB 8, Segment Reporting, (applicable for reporting entities for periods starting after 1 January 2009), additional operating segments are unlikely to be reported.

A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

### (e) FOREIGN CURRENCY TRANSLATION

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

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

The New Zealand subsidiaries' functional currency is New Zealand dollars and the United States subsidiaries' functional currency is United States dollars.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Premier Investments Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet 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 Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (g) TRADE AND OTHER RECEIVABLES

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

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

### (h) INVENTORIES

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

Costs incurred in bringing each product to its present location and condition 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.

### (i) PLANT AND EQUIPMENT

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) 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.

### (k) INTANGIBLE ASSETS (excluding goodwill)

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) OTHER FINANCIAL ASSETS

#### (i) Available-for-sale investments

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

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

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

#### (ii) Non-derivative financial assets

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

### (m) INVESTMENT IN ASSOCIATE

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) 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 the income statement 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.

### (o) TRADE AND OTHER PAYABLES

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

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

### (p) INTEREST-BEARING LOANS AND BORROWINGS

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

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

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

### (q) 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 a outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) *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 balance 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.

### (s) *DEFERRED INCOME*

#### (i) Lease Incentives

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

#### (ii) Deferred rent

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

### (t) *REVENUE RECOGNITION*

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

#### (i) Sale of goods

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

#### (ii) Interest revenue

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

#### (iii) Dividends

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

#### (iv) Lay-by sales

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

#### (v) Gift cards

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) 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 balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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 balance sheet 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 balance sheet date.

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

#### Tax consolidation

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

### (w) 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 revalued to fair value at subsequent reporting dates. Any derivative financial instruments acquired through business combinations are re-designated.

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

#### Cash flow hedges

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

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

At each balance 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 income statement.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) *BUSINESS COMBINATIONS*

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

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

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

### (y) *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 income statement 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 the income statement 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.

### (z) *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.

### (aa) *COMPARATIVES*

The current reporting period 1 July 2008 to 25 July 2009 represents 12 months and 25 days and the comparative reporting period is 1 July 2007 to 30 June 2008 represents 12 months only.

### (bb) *EARNINGS PER SHARE*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

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 level of exposure to interest rate and foreign exchange risk and assessment of market forecasts for interest rate and foreign exchange prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through development of future cash flow forecast projections.

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

## RISK EXPOSURES AND RESPONSES

### *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 balance 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:

	NOTES	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Financial Assets</b>					
Cash		328,670	790,341	304,088	790,341
Other receivables		791	6,634	791	6,634
Available-for-sale investments		28,705	36,727	28,620	36,727
		<u>358,166</u>	<u>833,702</u>	<u>333,499</u>	<u>833,702</u>
<b>Financial Liabilities</b>					
Other payables		309	2,179	309	2,179
Bank Overdraft		176	79	176	79
Bank loans AUD		80,000	-	-	-
Bank loans NZD20.0 million		16,031	-	-	-
		<u>96,516</u>	<u>2,258</u>	<u>485</u>	<u>2,258</u>
Net Financial Assets		<u>261,650</u>	<u>831,444</u>	<u>333,014</u>	<u>831,444</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 26 JULY 2009 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (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 (2008:100) 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		EQUITY	
	HIGHER/(LOWER)		HIGHER/(LOWER)	
Judgements of reasonably possible movements:	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000
<i>CONSOLIDATED</i>				
+1.0% (100 basis points)	1,628	5,532	1,628	5,532
-1.0% (100 basis points)	(1,628)	(5,532)	(1,628)	(5,532)
<i>THE COMPANY</i>				
+1.0% (100 basis points)	2,129	5,532	2,129	5,532
-1.0% (100 basis points)	(2,129)	(5,532)	(2,129)	(5,532)

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

### *Equity Price Risk*

The Group is exposed to equity price risk through its portfolio of available-for-sale investments. Equity price risk is the risk that the value of the Group's equity investments will fluctuate as a result of changes in market prices and ultimately result in lower returns on investments. The Group's objective of managing price risk is to minimise the entity's exposure to fluctuations in prices by holding its investments for long term capital appreciation. The board monitors the Group's portfolio of available-for-sale investments on a regular basis to minimise exposure to price risk and ensure the portfolio is consistent with the strategic direction of the Group. There has been no change to the Group's exposure to equity price risk or the manner in which it manages and measures its risk in the year ended 25 July 2009.

The Group has conducted a sensitivity analysis of the Group's exposure to equity price risk. The sensitivity analysis below has been determined based on the exposure to price risks from its portfolio of investments at the reporting date and the stipulated change taking place at the beginning of the financial year and being held constant throughout the reporting period, holding all other variables constant. A 25% (2008: 25%) increase and decrease in ASX published share prices represents management's assessment of the possible change in prices. A positive number indicates an increase in equity, whilst a negative number indicates a reduction in equity. There is no sensitivity on profit after tax.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 26 JULY 2009 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

Judgements of reasonably possible movements:	EQUITY	
	HIGHER/(LOWER)	
	2009 \$'000	2008 \$'000
<i>CONSOLIDATED</i>		
+25% increase in share prices	6,183	9,139
-25% decrease in share prices	(7,119)	(9,139)

The investments on which the sensitivity is shown in the table above are considered not representative of the Group's average price exposure for the years ended 30 June 2008 and 25 July 2009, due to movements in shareholding during the year.

### *Foreign operations*

The Group has an operation in New Zealand. As a result, movements in the AUD/NZD exchange rate affect the Group's balance sheet 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 balance sheet, however the company does not hedge its cash flow exposure to movements in the AUD/NZD.

The Group has an investment and long-term receivables denominated in South African rand (ZAR) arising from its investment in Just Kor Fashion Group (Pty) Ltd. As a result of these transactions, movements in the AUD/ZAR exchange rates can affect the Group's balance sheet. 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 and New Zealand operating entities.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 26 JULY 2009 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

### RISK EXPOSURES AND RESPONSES (CONTINUED)

#### Foreign Currency Transactions (Continued)

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

At balance date, the Group had the following exposures to movements in the United States dollar and South African rand:

	USD EXPOSURE				ZAR EXPOSURE			
	CONSOLIDATED		PARENT		CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>FINANCIAL ASSETS</b>								
Cash and cash equivalents	775	-	-	-	-	-	-	-
Trade and other receivables	41	-	-	-	2,744	-	-	-
Derivative financial assets (cash flow hedges)	6,050	-	-	-	-	-	-	-
	6,866	-	-	-	2,744	-	-	-
<b>FINANCIAL LIABILITIES</b>								
Trade and other payables	(20,434)	-	-	-	-	-	-	-
Derivative financial liabilities (cash flow hedges)	(7,833)	-	-	-	-	-	-	-
	(28,267)	-	-	-	-	-	-	-
Net exposure	(21,401)	-	-	-	2,744	-	-	-

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 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 balance sheet date:

Judgements of reasonably possible movements:	POST-TAX PROFIT		EQUITY	
	HIGHER/(LOWER)		HIGHER/(LOWER)	
	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000
<i>CONSOLIDATED</i>				
AUD/USD + 2.5%	462	-	522	-
AUD/USD – 10.0%	(1,924)	-	(8,273)	-
AUD/ZAR + 2.5%	67	-	-	-
AUD/ZAR – 10.0%	(305)	-	-	-
<i>THE COMPANY</i>				
AUD/USD + 2.5%	-	-	-	-
AUD/USD – 10.0%	-	-	-	-
AUD/ZAR + 2.5%	-	-	-	-
AUD/ZAR – 10.0%	-	-	-	-

#### 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 Groups exposure to credit risk is minimal. The Group trades only with recognised, creditworthy third parties.

It is the Groups policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets 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 25 July 2009, the maximum exposure to credit risk of the Group is the amount guaranteed as disclosed in note 31.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

### RISK EXPOSURES AND RESPONSES (CONTINUED)

#### Liquidity risk

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

The Group has at balance date \$43.3 million (2008: \$23.8 million) cash held in deposit with 11am at call term and the remaining \$285.3 million (2008: \$766.5 million) cash held in deposit with maturity terms ranging from 30 to 90 days. Hence management believe there is no significant exposure to liquidity risk at 25 July 2009 and 30 June 2008.

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

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Maturity < 6 months	144,549	79	176	79
Maturity 6–12 months	41,543	-	-	-
Maturity 12–24 months	2,595	-	-	-
Maturity > 24 months	96,111	-	-	-
	284,798	79	176	79

#### Fair value of financial assets and liabilities

The fair value of financial assets and financial liabilities is based on market prices (where a market exists) or using other widely accepted methods of valuation. At 25 July 2009 and 30 June 2008 the fair value of cash and cash equivalents, short-term receivables and payables approximates their carrying value.

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

	2009		2008	
	CARRYING AMOUNT \$'000	NET FAIR AMOUNT \$'000	CARRYING AMOUNT \$'000	NET FAIR AMOUNT \$'000
Investments	28,705	28,561	36,727	36,533

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED			PARENT	
	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000		PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000
<b>4 REVENUE</b>					
<i>REVENUE</i>					
Revenue from sale of goods	844,853	-	-	-	-
Revenue from sale of goods to associate	5,616	-	-	-	-
Revenue from sale of goods	850,469	-	-	-	-
<i>OTHER REVENUE</i>					
Membership program fees	654	-	-	-	-
<i>Interest</i>					
Other persons	22,948	61,896	22,456	60,582	
Associate	375	-	-	-	
Total Interest	23,323	61,896	22,456	60,582	
<i>Dividends</i>					
Wholly-owned controlled entity	-	-	16,106	-	
Other companies	1,931	2,481	1,931	2,481	
Total Dividends	1,931	2,481	18,037	2,481	
TOTAL OTHER REVENUE	25,908	64,377	40,493	63,063	
TOTAL REVENUE	876,377	64,377	40,493	63,063	
<i>OTHER INCOME</i>					
Profit from sale of securities	1,078	-	1,078	-	
Amortisation of deferred income	2,832	-	-	-	
Gain on ineffective cash flow hedges	2,896	-	-	-	
Other	357	-	-	-	
TOTAL OTHER INCOME	7,163	-	1,078	-	
TOTAL INCOME	883,540	64,377	41,571	63,063	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT		
	NOTES	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000
<b>5 EXPENSES AND LOSSES</b>					
<i>EXPENSES</i>					
<i>DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS</i>					
Depreciation of plant and equipment		23,992	-	1	-
Amortisation of plant and equipment under lease		192	-	-	-
Impairment of available-for-sale investments		127	-	127	-
Impairment of plant and equipment		1,167	-	-	-
<b>TOTAL DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS</b>		<b>25,478</b>	<b>-</b>	<b>128</b>	<b>-</b>
<i>AMORTISATION OF NON-CURRENT ASSETS</i>					
Amortisation of leasehold premiums		153	-	-	-
<b>TOTAL AMORTISATION OF NON-CURRENT ASSETS</b>		<b>153</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION</b>		<b>25,631</b>	<b>-</b>	<b>128</b>	<b>-</b>
<i>FINANCE COSTS</i>					
Finance charges payable under finance leases		60	-	-	-
Bank loans and overdraft		8,662	1,471	12	-
Amortisation of loan facility fees		-	321	-	-
Provision for discount adjustment on deferred acquisition purchase price		372	-	-	-
<b>TOTAL FINANCE COSTS</b>		<b>9,094</b>	<b>1,792</b>	<b>12</b>	<b>-</b>
<i>OTHER EXPENSES</i>					
Bad debts		18	-	-	-
Share-based payments expense		22	-	12	-
Net loss on disposal of plant and equipment		558	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED			PARENT	
	PERIOD 1 JULY 2008 JULY 2009 \$'000	TO 25 TO 30 JUNE 2008 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000
<b>6 INCOME TAX</b>					
The major components of income tax expense are:					
<b>INCOME STATEMENT</b>					
<b>CURRENT INCOME TAX</b>					
Current income tax charge	34,082	19,483	8,459	18,800	
<b>DEFERRED INCOME TAX</b>					
Relating to origination and reversal of temporary differences	(6,199)	(1,786)	(1,761)	(959)	
<b>INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT</b>	<b>27,883</b>	<b>17,697</b>	<b>6,698</b>	<b>17,841</b>	
<b>STATEMENT OF CHANGES IN EQUITY</b>					
Deferred income tax related to items charged or credited directly to equity:					
Unrealised loss on available-for-sale investments	92	16,133	92	16,133	
<b>INCOME TAX REPORTED IN EQUITY</b>	<b>92</b>	<b>16,133</b>	<b>92</b>	<b>16,133</b>	
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	110,632	59,479	38,187	59,957	
At the Parent Entity's statutory income tax rate of 30%	33,190	17,843	11,456	17,987	
Effect of tax concessions	(799)	-	-	-	
Impact of adopting tax consolidation	(4,500)	-	-	-	
Expenditure not allowable for income tax purposes	65	917	74	917	
Rebateable dividends	-	(1,063)	-	(1,063)	
Income not assessable for tax purposes	(73)	-	(4,832)	-	
<b>INCOME TAX EXPENSE REPORTED IN THE INCOME STATEMENT</b>	<b>27,883</b>	<b>17,697</b>	<b>6,698</b>	<b>17,841</b>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT	
	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000

## 6 INCOME TAX (CONTINUED)

### DEFERRED INCOME TAX

#### DEFERRED TAX LIABILITIES

Intangibles	983	-	-	-
Foreign currency balances	1,759	-	-	-
Expenditure deductible for tax purposes over five years	(19)	-	-	-
Potential capital gains tax on financial investments	-	92	-	92
Deferred income	227	1,989	228	1,989
Employee entitlements	(41)	(41)	(41)	(41)
Other receivables and prepayments	634	-	-	-
Leased plant and equipment	(201)	-	-	-
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>3,342</b>	<b>2,040</b>	<b>187</b>	<b>2,040</b>

#### DEFERRED TAX LIABILITIES – INCOME STATEMENT (MOVEMENTS)

Plant and equipment	(1,472)	-	-	-
Intangibles	(2)	-	-	-
Foreign exchange gains and losses	1,812	-	-	-
Expenditure deductible for tax purposes over five years	12	-	-	-
Other receivables and prepayments	(1,702)	(1,786)	(1,761)	(959)
Leased plant and equipment	(325)	-	-	-
	<b>(1,677)</b>	<b>(1,786)</b>	<b>(1,761)</b>	<b>(959)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT	
	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000	PERIOD 1 JULY 2008 TO 25 JULY 2009 \$'000	12 MONTHS TO 30 JUNE 2008 \$'000
<b>6 INCOME TAX (CONTINUED)</b>				
<i>DEFERRED TAX ASSETS – BALANCE SHEET</i>				
Plant and equipment	880	-	-	-
Deferred gains and losses on foreign exchange contracts	2,350	-	-	-
Inventory provisions	318	-	-	-
Deferred rent gain	2,154	-	-	-
Deferred lease incentive income	3,010	-	-	-
Employee provisions	5,719	-	-	-
Capital expenditure deductible over five years	1,417	-	-	-
Other	214	-	-	-
Lease liability	142	-	-	-
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>16,204</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>DEFERRED TAX ASSETS – INCOME STATEMENT (MOVEMENTS)</i>				
Plant and equipment	(1,540)	-	-	-
Deferred gains and losses on foreign exchange contracts	(1,206)	-	-	-
Inventory provisions	(25)	-	-	-
Deferred rent gain	(253)	-	-	-
Deferred lease incentive income	(426)	-	-	-
Employee provisions	(1,498)	-	-	-
Capital expenditure deductible over five years	502	-	-	-
Other provisions	(79)	-	-	-
Lease liability	3	-	-	-
	<b>(4,522)</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 6 INCOME TAX (CONTINUED)

### TAX CONSOLIDATION

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

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

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

## 7 DIVIDENDS PAID AND PROPOSED

### RECOGNISED AMOUNTS

Declared and paid during the year

Interim franked dividends for 2009:

37 cents per share (2008: 11 cents) 51,822 9,922 51,822 9,922

Final franked dividends for 2008:

18 cents per share (2007: 9 cents) 24,836 8,116 24,836 8,116

### UNRECOGNISED AMOUNTS

Final franked dividend for 2009:

38 cents per share (2008: 18 cents) 55,858 16,234 55,858 16,234

### 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% (2008: 30%) 265,925 236,875

- franking credits that will arise from the payment of income tax payable as at the end of the financial year 17,748 19,483

- franking debits that will arise from the payment of dividends as at the end of the financial year (23,939) (6,957)

259,734 249,401

The tax rate at which paid dividends have been franked is 30% (2008: 30%). Dividends proposed will be franked at the rate of 30% (2008: 30%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>8 TRADE AND OTHER RECEIVABLES</b>				
<i>CURRENT</i>				
Sundry debtors	6,315	6,634	791	7,317
Tax related receivables from subsidiaries	-	-	9,524	-
Related party receivables	-	-	3,984	3,984
Provision for non-recovery of related party receivables	-	-	(3,984)	(3,984)
Associate	797	-	-	-
Carrying amount of trade and other	7,112	6,634	10,315	7,317
<i>NON-CURRENT</i>				
Associate	2,744	-	-	-
Carrying amount of trade and other	2,744	-	-	-

#### *Impairment losses*

Receivables are non-interest-bearing and 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 and the company during the financial period ended 25 July 2009 (2008: \$nil).

#### *Related party receivables*

For terms and conditions of related party receivables refer to Note 29.

#### *Fair value and credit risk*

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

#### *Foreign exchange and interest rate risk*

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

## 9 INVENTORIES

The valuation policy adopted in respect of the following is set out in Note 2(h)

Raw materials	4,319	-	-	-
Finished goods	65,255	-	-	-
TOTAL INVENTORIES AT THE LOWER OF COST AND NET REALISABLE VALUE	69,574	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>10 OTHER ASSETS</b>				
<i>CURRENT</i>				
Deposits and prepayments	3,794	24	37	24
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>3,794</b>	<b>24</b>	<b>37</b>	<b>24</b>

## 11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

INVESTMENTS				
Shares in companies quoted on prescribed stock exchange at fair value	28,705	36,727	28,620	36,727
Investments in controlled entities – at cost (note 29)	-	-	842,771	62,969
<b>TOTAL INVESTMENTS</b>	<b>28,705</b>	<b>36,727</b>	<b>871,391</b>	<b>99,696</b>

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

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

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

## 12 PLANT AND EQUIPMENT

Plant and equipment – at cost	98,023	4	2	4
Less: accumulated depreciation and impairment	(25,159)	(4)	(1)	(4)
<b>Total</b>	<b>72,864</b>	<b>-</b>	<b>1</b>	<b>-</b>
Capitalised leased assets	637	-	-	-
Less: accumulated depreciation and impairment	(192)	-	-	-
<b>Total</b>	<b>445</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL PLANT AND EQUIPMENT</b>	<b>73,309</b>	<b>-</b>	<b>1</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

		CONSOLIDATED		PARENT	
	NOTES	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>12 PLANT AND EQUIPMENT (CONTINUED)</b>					
<i>RECONCILIATIONS</i>					
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:					
<i>Plant and equipment</i>					
At beginning of the financial period		-	-	-	-
Acquisition of subsidiary	2	69,302	-	-	-
Additions		28,913	-	2	-
Disposals		(558)	-	-	-
Exchange differences		366	-	-	-
Impairment		(1,167)	-	-	-
Depreciation		(23,992)	-	(1)	-
Net Carrying amount at end of period		72,864	-	1	-
<i>Leased plant and equipment</i>					
At beginning of the financial period		-	-	-	-
Acquisition of subsidiary	2	467	-	-	-
Additions		170	-	-	-
Amortisation		(192)	-	-	-
Net Carrying amount at end of period		445	-	-	-
TOTAL		73,309	-	1	-

## IMPAIRMENT OF PLANT AND EQUIPMENT

On an individual store basis, identified to be the cash generating units of the Group's retail segment, recoverable amount was estimated for certain items of plant and equipment. The recoverable amount estimation was based on a value in use calculation and was determined at the cash-generating unit level. An impairment review was conducted based on a store by store review. As a result, an impairment loss of \$1,167,000 was recognised during the financial year to reduce the carrying amount of plant and equipment to recoverable amount. This has been recognised in the income statement as depreciation, impairment and amortisation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 13 INTANGIBLES

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

#### CONSOLIDATED

	GOODWILL \$'000	BRAND NAMES \$'000	TRADEMARK \$'000	LEASEHOLD PREMIUMS \$'000	TOTAL \$'000
<i>YEAR ENDED 25 JULY 2009</i>					
As at 30 June 2008 net of accumulated amortisation and impairment	-	-	-	-	-
Acquisition of subsidiary (note 23)	464,343	376,179	-	333	840,855
Additions (i)	9,000	-	-	60	9,060
Trademark registrations	-	-	306	-	306
Amortisation	-	-	-	(153)	(153)
Exchange differences	-	-	-	8	8
As at 25 July 2009 net of accumulated amortisation and impairment	473,343	376,179	306	248	850,076
<i>AS AT 25 JULY 2009</i>					
Cost (gross carrying amount)	473,343	376,179	306	1,216	851,044
Accumulated amortisation and impairment	-	-	-	(968)	(968)
Net carrying amount	473,343	376,179	306	248	850,076
<i>YEAR ENDED 30 JUNE 2008</i>					
As at 30 June 2007 net of accumulated amortisation and impairment	-	-	-	-	-
Impairment	-	-	-	-	-
As at 30 June 2008 net of accumulated amortisation and impairment	-	-	-	-	-
<i>AS AT 30 JUNE 2008</i>					
Cost (gross carrying amount)	-	-	-	-	-
Accumulated amortisation and impairment	-	-	-	-	-
Net carrying amount	-	-	-	-	-

- (i) On the acquisition of the Just Group the Group acquired an interest in Smiggle Pty. Ltd. This acquisition included an earn out agreement based on the average earnings of Smiggle Pty. Ltd for 2009 and 2010. \$4.65 million was recognised on acquisition and following a review at 25 July 2009 of expected average earnings for the 2009 and 2010 financial periods, the consideration for the earn out agreement has been increased to \$15.0 million (fair value \$14.3 million).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 13 INTANGIBLES (CONTINUED)

### *GOODWILL AND BRAND NAMES*

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

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

### *IMPAIRMENT TESTING OF GOODWILL AND BRAND NAMES*

Goodwill and brand names are reviewed annually for impairment. Impairment of goodwill and brand names acquired in a business combination are determined by assessing the recoverable amount of the cash-generating units (CGU) to which they relate. When the recoverable amount of the cash-generating unit 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.

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

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

The recoverable amount of the cash generating units have been determined based upon a value in use calculation using cash flow projections as at 24 January 2009 based on financial estimates approved by senior management and the Board covering a ten year period. The discount rate applied to the cash flow projections is 11.5% and the cash flows beyond the ten year period are extrapolated using a growth rate of 3%. When considering the recoverable amount, the net present value of cash flows has been compared to reasonable earnings multiples for comparable companies.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	NOTES	CONSOLIDATED	
		2009 \$'000	2008 \$'000

## 14 INVESTMENT IN ASSOCIATE

Investment in associate		258	-
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Just Jeans Group Pty Ltd, a subsidiary of Premier Investments Limited, has a 50% interest in a joint venture entity Just Kor Fashion Group (Pty) Ltd, which is involved in retailing of the Jay Jays concept in South Africa. This investment was acquired upon the acquisition of Just Group Limited and its subsidiaries.

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

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

The Group's share of the loss in its investment in the associate for the year was \$145,000 (2008: \$nil).

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

	2009 \$'000
<i>EXTRACT FROM THE ASSOCIATE'S BALANCE SHEET</i>	
Current assets	2,108
Non-current assets	1,908
<i>Total assets</i>	4,016
Current liabilities	(1,124)
Non-current liabilities	(2,634)
<i>Total liabilities</i>	(3,758)
NET ASSETS	
Share of associates net assets	258
<i>EXTRACT FROM THE ASSOCIATE'S INCOME STATEMENT</i>	
Revenue	7,875
Loss before income tax	(145)
Income tax expense	-
Loss after income tax	(145)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	NOTES	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>15 TRADE AND OTHER PAYABLES</b>					
<i>CURRENT</i>					
Trade creditors		28,073	-	-	-
Other creditors and accruals		28,154	2,179	309	2,179
<b>TOTAL CURRENT</b>		<b>56,227</b>	<b>2,179</b>	<b>309</b>	<b>2,179</b>

#### *Fair values*

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

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

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

## 16 INTEREST-BEARING LIABILITIES

#### *CURRENT*

Bank overdraft		176	79	176	79
Lease liability	24	198	-	-	-
<b>TOTAL CURRENT</b>		<b>374</b>	<b>79</b>	<b>176</b>	<b>79</b>

#### *NON-CURRENT*

Lease liability	24	279	-	-	-
Non trade amounts owing to related parties					
- Wholly owned group		-	-	62,635	63,318
Bank loans* unsecured		80,000	-	-	-
Bank loans* unsecured (NZ\$20.0 million)		16,031	-	-	-
		96,031	-	-	-
Less directly attributable borrowing costs		(981)	-	-	-
Net bank loans		95,050	-	-	-
<b>TOTAL NON-CURRENT</b>		<b>95,329</b>	<b>-</b>	<b>62,635</b>	<b>63,318</b>

\*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.

#### *Fair values*

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

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

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

#### *Defaults and breaches*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>17 PROVISIONS</b>				
<i>CURRENT</i>				
Employee entitlements	13,944	135	135	135
Onerous leases	2,899	-	-	-
<b>TOTAL CURRENT</b>	<b>16,843</b>	<b>135</b>	<b>135</b>	<b>135</b>
<i>NON-CURRENT</i>				
Employee entitlements	1,251	-	-	-
<b>18 OTHER LIABILITIES</b>				
<i>CURRENT</i>				
Deferred income	5,327	-	-	-
<b>TOTAL CURRENT</b>	<b>5,327</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>NON-CURRENT</i>				
Deferred income	14,433	-	-	-
Deferred purchase consideration	14,333	-	-	-
<b>TOTAL NON-CURRENT</b>	<b>28,766</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19 CONTRIBUTED EQUITY</b>				
Ordinary shares	549,208	205,149	549,208	205,149
	NO. (000)	\$'000	NO. (000)	\$'000
<i>(a) MOVEMENTS IN SHARES ON ISSUE</i>				
Shares on issue at 1 July 2007	90,187	205,149	90,187	205,149
No movements for the year	-	-	-	-
Shares on issue 30 June 2008	90,187	205,149	90,187	205,149
Dividend reinvestment plan (i)	6,937	28,009	6,937	28,009
Share issue for subsidiary (ii)	49,871	316,150	49,871	316,150
Transaction costs (iii)	-	(100)	-	(100)
<b>Shares on issue at 25 July 2009</b>	<b>146,995</b>	<b>549,208</b>	<b>146,995</b>	<b>549,208</b>

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

- (i) 6,937,224 shares were issued under the dividend reinvestment plan in 2009.
- (ii) 49,871,245 shares were issued in exchange for a business combination of \$316,150,000. See note 23.
- (iii) The transaction costs represent costs associated with the dividend reinvestment plan.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 19 CONTRIBUTED EQUITY (CONTINUED)

### (b) CAPITAL MANAGEMENT

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

The capital structure of the Group consists of debt which includes borrowings as disclosed in Note 16, cash and cash equivalents as disclosed in Note 28 and equity attributable to the equity holders of the parent comprising of issued capital, reserves and retained profits as disclosed in Notes 19, 20 and 21 respectively.

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

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

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

During the 2009 financial period the Group paid dividends of \$76,658,000 (2008 \$18,038,000) of which shareholders participating in a dividend reinvestment plan reinvested \$28,009,000 (2008: \$Nil).

#### *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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>20 RESERVES</b>				
RESERVES COMPRISE:				
Capital profits reserve	464	464	-	-
Fair value reserve	(4,001)	413	(4,001)	413
Foreign currency translation reserve	11	-	-	-
Cash flow hedge reserve	(1,552)	-	-	-
Performance rights reserve	22	-	22	-
<b>TOTAL RESERVES</b>	<b>(5,056)</b>	<b>877</b>	<b>(3,979)</b>	<b>413</b>

*(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	413	38,298	413	38,298
Decrement on revaluation of available-for-sale investments	(4,506)	(54,018)	(4,506)	(54,018)
Net deferred income tax movement on	92	16,133	92	16,133
<b>CLOSING BALANCE</b>	<b>(4,001)</b>	<b>413</b>	<b>(4,001)</b>	<b>413</b>

*(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	-	-	-	-
Foreign currency translation overseas subsidiaries	11	-	-	-
<b>CLOSING BALANCE</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000

## 20 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

Opening balance	-	-	-	-
Net gains on cash flow hedges	17,617	-	-	-
Transferred to balance sheet/income statement	(19,169)	-	-	-
<b>CLOSING BALANCE</b>	<b>(1,552)</b>	<b>-</b>	<b>-</b>	<b>-</b>

### (e) PERFORMANCE RIGHTS RESERVE

#### (i) Nature and purpose of reserve

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

#### (ii) Movements in the reserve

Opening balance	-	-	-	-
Performance plans issued	22	-	22	-
<b>CLOSING BALANCE</b>	<b>22</b>	<b>-</b>	<b>22</b>	<b>-</b>

## 21 RETAINED EARNINGS

Opening balance	603,784	580,040	604,582	580,504
Net profit attributable to members of the company	82,749	41,782	31,489	42,116
Dividends paid	(76,658)	(18,038)	(76,658)	(18,038)
<b>CLOSING BALANCE</b>	<b>609,875</b>	<b>603,784</b>	<b>559,413</b>	<b>604,582</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 22 STATEMENT OF OPERATIONS BY SEGMENT

The Group's primary segment reporting format is business segments as the Group's risks and returns are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

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

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

The following table's present revenue and profit information and certain asset and liability information regarding business segments for the years ended 25 July 2009 and 30 June 2008.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 22 STATEMENT OF OPERATIONS BY GEOGRAPHIC SEGMENT (CONTINUED)

### (a) BUSINESS SEGMENTS

	INVESTMENTS		RETAIL		TOTAL	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>REVENUE</i>						
Sales to external customers	-	-	850,469	-	850,469	-
Other revenues from external customers	40,493	64,377	1,521	-	42,014	64,377
Other income	1,078	-	3,588	-	4,666	-
Total segment revenue	41,571	64,377	855,578	-	897,149	64,377
Eliminations	(16,106)	-	2,497	-	(13,609)	-
Total consolidated revenue	25,465	64,377	858,075	-	883,540	64,377
<i>RESULT</i>						
Segment results	38,199	61,271	95,281	-	133,480	61,271
Eliminations	(16,106)	-	2,497	-	(13,609)	-
Profit before tax and finance costs	22,093	61,271	97,778	-	119,871	61,271
Finance costs					(9,094)	(1,792)
Share of loss of associate					(145)	-
Profit before income tax					110,632	59,479
Income tax expense					(27,883)	(17,697)
Net profit for the year					82,749	41,782
<i>ASSETS AND LIABILITIES</i>						
Segment assets	1,113,339	833,726	317,562	-	1,430,901	833,726
Investment in associate	-	-	258	-	258	-
Eliminations	(779,802)	-	735,139	-	(44,663)	-
Total Assets	333,537	833,726	1,052,959	-	1,386,496	833,726
Segment liabilities	9,504	23,916	222,965	-	232,469	23,916
Total liabilities					232,469	23,916
<i>OTHER SEGMENT INFORMATION</i>						
Capital expenditure	2	-	28,911	-	28,913	-
Depreciation and amortisation	(1)	-	(24,336)	-	(24,337)	-
Impairment losses	(127)	-	(1,167)	-	(1,294)	-
Other non-cash expenses	-	-	(558)	-	(558)	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

22 STATEMENT OF OPERATIONS BY SEGMENT (CONTINUED)

(b) *GEOGRAPHIC SEGMENTS*

	AUSTRALIA		NEW ZEALAND		TOTAL		ELIMINATIONS		CONSOLIDATED	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>REVENUE</i>										
Sale of goods	746,937	-	103,532	-	850,469	-	-	-	850,469	-
Other revenue and income	32,494	64,377	577	-	33,071	64,377	-	-	33,071	64,377
Segment income	779,431	64,377	104,109	-	883,540	64,377	-	-	883,540	64,377
Segment assets	1,355,179	833,726	45,152	-	1,400,331	833,726	(13,835)	-	1,386,496	833,726
Capital expenditure	24,533	-	4,380	-	28,913	-	-	-	28,913	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 23 BUSINESS COMBINATIONS

### ACQUISITION OF JUST GROUP LIMITED

On 5 August 2008, Premier Investments Limited acquired a controlling interest in Just Group Limited, a listed public company based in Australia. The company acquired 100% of the voting shares of Just Group Limited on 10 October 2008. Just Group is a leading specialty fashion retailer in Australia, New Zealand, and South Africa.

The total cost of the combination was approximately \$779,802,000 and comprised an issue of equity instruments, the payment of cash and costs directly attributable to the combination. Premier Investments Limited issued ordinary shares with an average value of \$6.33 per share. Shares allocated as a result of acceptances up to the date of control being obtained (5 August 2008) were valued at the closing share price on that date. Acceptances subsequent were based on the quoted price of the shares of Premier Investments Limited at the date of acceptance of the offer. 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.

The fair value of the identifiable assets and liabilities of Just Group Limited as at the date of acquisition were:

	CONSOLIDATED	
	RECOGNISED ON ACQUISITION \$'000	CARRYING VALUE \$'000
Cash and cash equivalents	23,650	23,650
Trade and other receivables	6,665	6,665
Inventories	60,471	60,471
Property, plant and equipment	69,769	72,381
Deferred tax assets	12,148	13,028
Other assets	4,699	4,919
Brands	376,179	16,051
	553,581	197,165
Trade and other payables	(65,596)	(65,596)
Interest-bearing liabilities	(119,530)	(119,530)
Income tax payable	(4,457)	(4,457)
Provisions	(21,864)	(13,020)
Deferred tax liabilities	(3,083)	(3,083)
Other liabilities	(23,592)	(23,592)
	(238,122)	(229,278)
Fair value of identifiable net assets	315,459	
Goodwill arising on acquisition	464,343	
	779,802	
Cost of the combination:		
Shares issued, at fair value	316,150	
Direct costs relating to the acquisition	9,323	
Cash paid	454,329	
Total cost of the combination	779,802	
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	23,650	
Cash paid	(454,329)	
Net cash outflow	(430,679)	

From the date of acquisition, Just Group Limited has contributed \$65,641,000 to the net profit of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED			PARENT	
	NOTES	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>24 EXPENDITURE COMMITMENTS</b>					
<i>CAPITAL EXPENDITURE</i>					
<i>Plant and equipment</i>					
Payable within one year		6,615	-	-	-
<b>TOTAL CAPITAL EXPENDITURE</b>		<b>6,615</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>LEASE EXPENDITURE COMMITMENTS</i>					
<i>(i) Operating leases</i>					
Payable within one year		112,224	-	-	-
Payable within one to five years		186,247	-	-	-
Payable in more than five years		6,880	-	-	-
<b>Total operating leases</b>		<b>305,351</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>(ii) Finance leases</i>					
Total lease liability – current	16	198	-	-	-
Total lease liability – non-current	16	279	-	-	-
<b>Total finance leases</b>		<b>477</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Finance lease commitments</i>					
Payable within one year		253	-	-	-
Payable within one to five years		281	-	-	-
Minimum lease payments		534	-	-	-
Less future finance charges		(57)	-	-	-
<b>TOTAL LEASE LIABILITY</b>		<b>477</b>	<b>-</b>	<b>-</b>	<b>-</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 25 KEY MANAGEMENT PERSONNEL

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

	NOTES	CONSOLIDATED		PARENT	
		2009 \$	2008 \$	2009 \$	2008 \$
Short-term employee benefits		1,717,693	387,826	831,438	387,826
Post-employment benefits		47,307	15,829	33,562	15,829
Share-based payments		12,400	-	-	-
<b>TOTAL</b>		<b>1,777,400</b>	<b>403,655</b>	<b>865,000</b>	<b>403,655</b>

Premier Investments Limited has applied the option under Corporations Amendments Regulation 2006 to transfer KMP remuneration disclosure required by AASB 124 'Related Party Disclosures' paragraph Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' report. These transferred disclosures have been audited.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 25 KEY MANAGEMENT PERSONNEL (CONTINUED)

### (b) SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Shares held in Premier Investments Limited:

2009	BALANCE 1 JULY 2008 ORDINARY	SHARE PURCHASE ORDINARY	SHARES ACQUIRED UNDER PERFORMANCE RIGHTS PLAN	SHARE DISPOSAL ORDINARY	BALANCE 25 JULY 2009 ORDINARY
<i>DIRECTORS</i>					
S. Lew**	-	4,208,753	-	-	4,208,753
F.W. Jones	155,000	18,172	-	-	173,172
L.E. Fox	5,684,000	269,175	-	-	5,953,175
H.D. Lanzer	-	26,238	-	-	26,238
M.R.I. McLeod	-	26,732	-	-	26,732
Dr. G.H. Weiss	-	-	-	-	-
<i>EXECUTIVES</i>					
K.F. Davis	-	-	-	-	-
J. Murray	-	180,600	-	-	180,600
<b>TOTAL 2009</b>	<b>5,839,000</b>	<b>4,729,670</b>	<b>-</b>	<b>-</b>	<b>10,568,670</b>

2008	BALANCE 1 JULY 2007 ORDINARY	SHARE PURCHASE ORDINARY	SHARES ACQUIRED UNDER PERFORMANCE RIGHTS PLAN	SHARE DISPOSAL ORDINARY	BALANCE 30 JUNE 2008 ORDINARY
<i>DIRECTORS</i>					
S. Lew**	-	-	-	-	-
F.W. Jones	155,000	-	-	-	155,000
L.E. Fox	5,434,000	250,000	-	-	5,684,000
H.D. Lanzer	-	-	-	-	-
M.R.I. McLeod	-	-	-	-	-
Dr. G.H. Weiss	-	-	-	-	-
<i>EXECUTIVES</i>					
K.F. Davis	-	-	-	-	-
<b>TOTAL 2008</b>	<b>5,589,000</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>5,839,000</b>

\*\*Mr. Lew is an associate of Century Plaza Investments Pty. Ltd., Playcorp Pty. Ltd and Metrepark Pty. Ltd (Associated Entities). The Associated Entities, collectively, have a relevant interest in 57,244,091 (2008: 58,052,420) shares in the company. However, Mr. Lew does not have a relevant interest in the shares in the company held by the Associated Entities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 25 KEY MANAGEMENT PERSONNEL (CONTINUED)

### (c) OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

Mr. Lanzer is a partner of the legal firm Arnold Bloch Leibler. Group companies use the services of Arnold Bloch Leibler from time to time. Legal services totalling \$1,475,679 (2008: \$1,271,676), including Mr. Lanzer's directors fees, GST and disbursements were invoiced by Arnold Bloch Leibler to the consolidated group. The fees paid for these services were all at arm's length and on normal commercial terms.

Mr. Lew is a director of Voyager Distributing Company Pty. Ltd. During the year, purchases totalling \$3,339,740 (2008: \$Nil) at normal market prices including GST have been made by Group companies from Voyager Distributing Company Pty. Ltd.

Mr. Lew and Mr. McLeod are directors of Century Plaza Trading Pty. Ltd. The company and Century Plaza Trading Pty Ltd are parties to a Services Agreement to which Century Plaza Trading agrees to provide certain services to the company to the extent required and requested by the company. The company is required to reimburse Century Plaza Trading for costs it incurs in providing the company with the services under the Service Agreement. The company reimbursed a total of \$309,650 (2008: \$Nil) costs including GST incurred by Century Plaza Trading Pty. Ltd.

## 26 AUDITOR'S REMUNERATION

	CONSOLIDATED		PARENT	
	PERIOD 1 JULY 2008 TO 25 JULY 2009	12 MONTHS TO 30 JUNE 2008	PERIOD 1 JULY 2008 TO 25 JULY 2009	12 MONTHS TO 30 JUNE 2008
The auditor of Premier Investments Limited is Ernst and Young. Amounts received, or due and receivable, by Ernst and Young (Australia)				
- An audit or review of the financial report of the entity and any other entity in the consolidated group.	278,630	30,050	58,630	30,050
Other services in relation to the entity and any other entity in the consolidated group:				
- Taxation advice	148,000	-	-	-
- Workers compensation certificates	1,200	-	-	-
- Other	37,928	-	-	-
Total – Other services	187,128	-	-	-
<b>TOTAL AUDITOR'S REMUNERATION</b>	<b>465,758</b>	<b>30,050</b>	<b>58,630</b>	<b>30,050</b>

## 27 SIGNIFICANT INVESTMENTS

Premier Investments Limited holds 24.8% of Breville Group Limited (formerly Housewares International Limited). Management have performed a review of this investment, in light of the requirements of AASB 128, and concluded that Premier Investments Limited does not hold significant influence over Breville Group Limited. Accordingly the investment in Breville Group Limited has not been equity accounted.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>28 NOTES TO THE CASH FLOW STATEMENT</b>				
<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS</i>				
Cash at bank and in hand	43,370	23,841	18,788	23,841
Short-term deposits	285,300	766,500	285,300	766,500
Bank overdraft	(176)	(79)	(176)	(79)
<b>TOTAL CASH ASSETS AND CASH EQUIVALENTS</b>	<b>328,494</b>	<b>790,262</b>	<b>303,912</b>	<b>790,262</b>
<i>RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS TO NET PROFIT AFTER INCOME TAX</i>				
Net profit	82,749	41,782	31,489	42,116
<i>Adjustments for:</i>				
Amortisation	345	-	-	-
Depreciation	23,992	-	1	-
Impairment and write-off of non-current assets	1,294	-	127	-
Foreign exchange gain	(392)	-	-	-
Share of associate's net loss	145	-	-	-
Provision discount adjustment on deferred payables	372	-	-	-
Finance charges on capitalised leases	60	-	-	-
Profit from sale of investments	(1,078)	-	(1,078)	-
Loss on sale of non-current assets	558	-	-	-
Bad debts	18	-	-	-
Performance rights expense	22	-	12	-
Movement in cash flow hedge reserve	(1,480)	-	-	-
Net exchange differences	(661)	-	-	-
<i>Changes in assets and liabilities net of the effects from acquisition and disposal of businesses:</i>				
Increase in tax related receivable	-	-	(8,841)	-
Increase/(decrease) in provisions	(3,205)	38	-	38
Decrease in deferred tax liabilities	(1,690)	(1,786)	(1,762)	(959)
Increase/(decrease) in trade and other payables	(10,480)	573	(803)	573
Increase in derivative financial liabilities	4,079	-	-	-
Decrease in current tax liabilities	(6,763)	(156,758)	(1,738)	(156,758)
Increase in deferred income	4,889	-	-	-
Decrease in trade and other receivables	3,483	6,469	5,854	2,204
(Increase)/decrease in prepayments	(858)	1,813	(14)	21
Increase in inventories	(9,103)	-	-	-
Increase in derivative financial assets	(4,830)	-	-	-
Increase in deferred tax assets	(4,104)	-	-	-
<b>NET CASH INFLOW FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>77,362</b>	<b>(107,869)</b>	<b>23,247</b>	<b>(112,765)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 28 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<i>(c) NON CASH FINANCING AND INVESTING ACTIVITIES</i>				
Settlement of subsidiary purchase with shares (note 23)	316,150	-	316,150	-
Acquisition of assets by means of finance lease	170	-	-	-
Dividend re-investment plan	28,009	-	28,009	-
<i>(d) FINANCE FACILITIES</i>				
Working capital and bank overdraft facility				
Used	-	-	-	-
Unused	12,000	-	-	-
	12,000	-	-	-
Finance facility				
Used	96,031	-	-	-
Unused	24,000	-	-	-
	120,031	-	-	-
Bank guarantee facility				
Used	3,346	-	-	-
Unused	1,654	-	-	-
	5,000	-	-	-
Leasing facility				
Used	477	-	-	-
Unused	-	-	-	-
	477	-	-	-
Total facilities				
Used	99,854	-	-	-
Unused	37,654	-	-	-
<b>TOTAL</b>	<b>137,508</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 29 RELATED PARTY DISCLOSURES

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

### (a) SUBSIDIARIES

	COUNTRY OF INCORPORATION	INTEREST HELD	
		2009 %	2008 %
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
Just Group Limited	Australia	100	-
Just Jeans Group Pty Limited	Australia	100	-
Just Jeans Pty Limited	Australia	100	-
Jay Jays Trademark Pty Limited	Australia	100	-
Just-Shop Pty Limited	Australia	100	-
Peter Alexander Sleepwear Pty Limited	Australia	100	-
Old Blues Pty Limited	Australia	100	-
Kimbyr Investments Limited	New Zealand	100	-
Underground Fashions Limited	New Zealand	100	-
Skelton Manufacturing (1995) Limited	New Zealand	100	-
Jacqui E Pty Limited	Australia	100	-
Jacqueline-Eve Fashions Pty Limited	Australia	100	-
Jacqueline-Eve (Hobart) Pty Limited	Australia	100	-
Jacqueline-Eve (Retail) Pty Limited	Australia	100	-
Jacqueline-Eve (Leases) Pty Limited	Australia	100	-
Sydleigh Pty Limited	Australia	100	-
Old Favourites Blues Pty Limited	Australia	100	-
Urban Brands Pty Ltd	Australia	100	-
Portmans Pty Limited	Australia	100	-
Dotti Pty Ltd	Australia	100	-
Peter Alexander USA Inc.	United States	100	-
Smiggle Pty Limited	Australia	100	-
Just Group International Pty Limited*	Australia	100	-
Just Group USA Inc.*	United States	100	-
Smiggle USA Inc.*	United States	100	-
Just UK International Limited*	United Kingdom	100	-
ETI Holdings Limited*	New Zealand	100	-
RSCA Pty Limited*	Australia	100	-
RSCB Pty Limited*	Australia	100	-

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 29 RELATED PARTY DISCLOSURES (CONTINUED)

### (b) PARENT TRANSACTIONS WITH SUBSIDIARIES

- (i) During the year, dividend revenue totalling \$16,106,000 was received from subsidiary companies (2008: \$Nil).
- (ii) Current tax payable assumed from wholly owned tax consolidated entities amounts to \$9,524,000 (2008 \$683,000).
- (iii) The parent entity entered into transactions with subsidiaries whereby loan borrowings were made and loan repayments were received. Amounts due and payable with subsidiaries are disclosed in Notes 8, 15 and 16.
- (iv) Tax-related payables to wholly-owned entities are disclosed on the face of the balance sheet.

### (c) 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 \$5,615,580 (2008: \$Nil).
- (ii) Management fee charged for services provided in the amount of \$111,719. (2008 \$Nil).
- (iii) Information regarding outstanding balances with the associate at year end is disclosed in Note 8.
- (iv) 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.

### (d) KEY MANAGEMENT PERSONNEL

Details relating to key management personnel including remuneration paid are included in Note 25.

### (e) TERMS AND CONDITIONS

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

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

### (f) ULTIMATE PARENT

Premier Investments Limited is the ultimate parent entity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 30. 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		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Expense arising from equity-settled share-based payment transactions	22	-	12	-
Total expense arising from share-based payment transactions	22	-	12	-

### (b) Type of share-based payment plan

#### Performance rights

On 26 June 2009, the company granted 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 9-10.

The fair value of the performance rights has been calculated as at the grant date 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 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 YEILD	VOLATILITY	RISK-FREE RATE	FAIR VALUE
26/6/2009	\$5.36	3.3 years	5%	40%	4.7%	\$2.33

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 30. SHARE-BASED PAYMENT PLANS (CONTINUED)

### (c) Summary of rights granted under performance rights plans

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

	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Balance at beginning of the year	-	-	-	-
Granted during the year	643,161	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Balance at the end of the year	643,161	-	-	-

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

### (d) Weighted average fair value

The weighted average fair value of performance rights granted during the year was \$2.33

## 31 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. Premier Investments Limited is not a party to the Deed of Cross Guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

	NOTES	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>32 DERIVATIVE FINANCIAL INSTRUMENTS</b>					
<i>CURRENT ASSETS</i>					
Forward currency contracts – cash flow hedges		3,874	-	-	-
Foreign currency options – cash flow hedges		1,776	-	-	-
		5,650	-	-	-
<i>NON-CURRENT ASSETS</i>					
Forward currency contracts – cash flow hedges		-	-	-	-
Foreign currency options – cash flow hedges		400	-	-	-
		400	-	-	-
<i>CURRENT LIABILITIES</i>					
Forward currency contracts – cash flow hedges		7,833	-	-	-
Foreign currency options – cash flow hedges		-	-	-	-
		7,833	-	-	-

(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 (refer to- Note 3).

(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 32 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (a) INSTRUMENTS USED BY JUST 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 2009 and the profit and loss within cost of sales will be affected over the next couple of years as the inventory is sold. At balance date, the details of the outstanding contracts are:

	CONSOLIDATED				PARENT			
	2009 \$'000	2008 \$'000	2009	2008	2009 \$'000	2008 \$'000	2009	2008
<i>Buy USD / Sell AUD</i>	NOTIONAL AMOUNTS \$AUD		AVERAGE EXCHANGE RATE		NOTIONAL AMOUNTS \$AUD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	67,276	-	0.7745	-	-	-	-	-
Maturity 6 – 12 months	24,301	-	0.8179	-	-	-	-	-
Maturity 12 – 24 months	-	-	-	-	-	-	-	-
<i>Buy USD / Sell NZD</i>	NOTIONAL AMOUNTS \$NZD		AVERAGE EXCHANGE RATE		NOTIONAL AMOUNTS \$NZD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	15,608	-	0.5813	-	-	-	-	-
Maturity 6 – 12 months	8,626	-	0.5982	-	-	-	-	-
Maturity 12 – 24 months	-	-	-	-	-	-	-	-

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 balance sheet by the related amount deferred in equity.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 32 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (ii) Foreign exchange options – cash flow hedges

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

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

The cash flows are expected to occur between one to twelve months from 26 July 2009 and the profit and loss within cost of sales will be affected as the inventory is sold. At balance date, the details of the outstanding contracts are:

	CONSOLIDATED				PARENT			
	2009 \$'000	2008 \$'000	2009	2008	2009 \$'000	2008 \$'000	2009	2008
<i>Buy USD / Sell AUD</i>	NOTIONAL AMOUNTS \$AUD		AVERAGE EXCHANGE RATE		NOTIONAL AMOUNTS \$AUD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	3,021	-	0.9200	-	-	-	-	-
Maturity 6 – 12 months	10,937	-	0.9200	-	-	-	-	-

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

The portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 25 JULY 2009 (CONTINUED)

## 33 EARNINGS PER SHARE

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	CONSOLIDATED	
	2009 \$'000	2008 \$'000
The following reflects the income and share data used in the calculation of basic and diluted earnings per share		
Net profit	82,749	41,782

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	NUMBER OF SHARES ( '000)	
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share. There are no potential ordinary shares outstanding that are considered dilutive	132,531	90,187

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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.

## 34 EVENTS AFTER THE BALANCE SHEET DATE

On 21 September 2009, the directors of Premier Investments Limited declared a final dividend in respect of the 2009 financial year. The total amount of the dividend is \$55,858,000 which represents a fully franked dividend of 38 cents per share.

## 35 CONTINGENT LIABILITIES

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

The Group has bank guarantees totalling \$3,345,677 (2008: \$nil).

## DIRECTORS' DECLARATION

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

- (1) In the opinion of the directors:
  - (a) The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
    - (i) Giving a true and fair view of the company's and consolidated entity's financial position as at 25 July 2009 and of their performance for the period ended on that date.
    - (ii) Complying with Accounting Standards and *Corporations Regulations 2001*.
  - (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.
- (2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial period ended 25 July 2009.
- (3) 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 identified in Note 31 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.

On behalf of the Board



Solomon Lew  
Chairman

21<sup>st</sup> September 2009



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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 balance sheet as at 25 July 2009, and the income statement, statement of changes in equity and cash flow statement for the period 1 July 2008 to 25 July 2009, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's Opinion

In our opinion:

1. 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 financial position of Premier Investments Limited and the consolidated entity at 25 July 2009 and of their performance for the period ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 14 of the directors' report for the period ended 25 July 2009. 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.

## Auditor's Opinion

In our opinion the Remuneration Report of Premier Investments Limited for the period ended 25 July 2009, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "Glenn Carmody".

Glenn Carmody  
Partner

Melbourne  
21 September 2009

# CORPORATE DIRECTORY

A.C.N. 006 727 966

## DIRECTORS

Solomon Lew (Chairman)

Frank W. Jones (Deputy  
Chairman)

Lindsay E. Fox

Henry Lanzer

Michael R.I. McLeod

Dr. Gary H. Weiss

## COMPANY SECRETARY

Kim Davis

## REGISTERED OFFICE

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## BANKERS

Australia and New Zealand

Banking Group Limited

National Australia Bank

Commonwealth Bank of Australia

Westpac Bank Limited

## AUDITOR

Ernst & Young

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## SHARE REGISTER

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## LAWYERS

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