



**PREMIER
INVESTMENTS
LIMITED**

A.C.N. 006 727 966

Annual Report 2018





Solomon Lew
Chairman

Mark McInnes
CEO Premier Retail

Chairman's Report

The Directors of Premier Investments Limited ("Premier") are pleased to submit to shareholders the Annual Report for the 52 weeks ended 28 July 2018 ("2018") which has been another year of outstanding operational and financial success by your company.

ROBUST FINANCIAL PERFORMANCE

Consistent with our key objective of delivering sustainable shareholder value, the 2018 financial year has seen another strong financial performance supporting record returns for Premier shareholders. Premier delivered underlying net profit before tax of \$160.3 million, up 9.2% on the prior year. Net cash generated by Premier (including dividends received) increased 36% for the year to \$146.9 million.

The pleasing full year financial result was underpinned by the performance of our core operating business, Premier Retail, which achieved a record \$1.18 billion in sales and a record underlying Earnings before Interest and Taxation (EBIT) of \$150.1 million¹, up 10.3% on 2017 financial year (2017: 52 weeks ended 29 July 2017).

The trading result is reflective of the strong growth from the Premier Retail online platforms, Smiggle globally, and Peter Alexander together with the positive momentum of our apparel brands. These outcomes have been achieved despite significant external headwinds and the structural challenges in the retail industry globally.

ACCELERATED GROWTH PLAN

The outstanding operational performance also reflects the continued successful implementation of the Premier Retail Strategy – a strategy we commenced in 2011 to drive growth through Smiggle, Peter Alexander and our online offer while rejuvenating our core brands and controlling efficiencies. The Premier Board considers the Premier Retail management team to be world class and the sustained successful execution of the retail strategy has been exceptional.

Celebrating its 15th birthday, Smiggle achieved record global sales of \$293.0 million in 2018, up 22.7% on 2017 and up 58% over two years. The brand this year opened 52 new stores globally and online sales exceeded 10% of sales in countries with a transactional website. 67% of the 2018 sales were delivered from outside of Australia.

We have announced a multi-channel accelerated growth strategy for Smiggle – targeting both the \$450 million in global Smiggle retail sales by 2020 and establishing pathways

for major growth beyond through four major channels – online, global concession partnerships, wholesale agreements and new store openings.

Peter Alexander also delivered a record year. Sales for 2018 of \$218.7 million were up 14.5% on 2017 and up 31% over two years. The brand's objective of achieving \$250 million in annual sales by 2020 is progressing well ahead of expectations.

I am particularly pleased to report that our online business surpassed our original 2020 target of \$100 million more than two years ahead of plan, delivering sales for the year of \$112.5 million – up 65% on 2017. We have made large investments in our online channel including a very significant upgrade this year to all our brands' platforms across mobile, tablet and desktop. We will continue to invest in this fast paced and evolving space.

In April 2018, Premier Retail successfully moved its head office into the new Premier owned building on St Kilda Road, Melbourne. The building offers the facilities and space to support the needs of our growth aspirations.

STRONG CASH POSITION SUPPORTING RECORD RETURNS

Net cash generated by Premier (including dividends received) increased 36% for the year to \$146.9 million. The strong result has allowed Premier to continue to invest, distribute dividends to shareholders and, at the same time, increase the substantial cash holdings of the Group. At year-end, Premier's balance sheet reflected free cash on hand of \$178.6 million.

Due to the continued strength of Premier's balance sheet and the strong performance of Premier Retail, the Board is delighted to reward shareholders with an increased record final ordinary dividend of 33 cents per share fully franked, up 22% or 6 cents per share on 2017 (2017: 27 cps). This will bring the total full year dividends per share to 62 cents per share fully franked, up 9 cents per share or 17%.

The 2018 dividends will return a total of approximately \$98 million to Premier shareholders bringing the total dividends declared since 2011 to approximately \$542 million fully franked.

¹ Refer to page 10 of the Directors' Report for a definition and reconciliation of Premier Retail Underlying EBIT.

Chairman's Report continued

LEADERSHIP AND GOVERNANCE

These outcomes would not have been possible without the continuing hard work and commitment of our employees. On behalf of the Board and all shareholders, I would like to thank Premier Retail CEO Mark McInnes, his senior leadership group and our entire 9,000 plus strong team of employees across the world for their outstanding contribution.

I would also like to acknowledge my fellow directors for their valuable contribution and counsel throughout the year. There were changes at Board level during the year with the retirement of long-serving directors, Mr Lindsay Fox AC and Dr Gary Weiss, both of whose contributions have been exceptional and a key factor in our success.

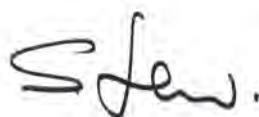
We were delighted to welcome Sylvia Falzon as an Independent Non-Executive Director who has already made a substantial contribution since joining in March this year.

Finally, and with a great deal of sadness, we recognise our former Chairman, Mr Frank Jones, who passed away in August. Mr Jones was instrumental in all key events in Premier's history, including the original float of Premier in 1987. During his tenure as a Director of Premier he held several positions including Chairman, Deputy Chairman and Chairman of the Audit and Risk Committee. He was also the

Chairman and a Director of Breville Group Limited for many years. Frank made a truly vital contribution to the substantial growth in shareholder wealth for Premier shareholders during his long association with the company.

As we look forward, the Board and I continue to see strong growth prospects for our company. We believe that our track record of sustained outstanding operational performance and strong shareholder returns should give rise to the continuing confidence of our shareholders.

I encourage all of our shareholders to attend the company's Annual General Meeting on 29 November 2018 for a further overview on the performance of the Group and strategies for the future. I look forward to seeing many of you there.



Solomon Lew
Chairman and Non-Executive Director

The Directors



Solomon Lew
Chairman and
Non-Executive Director



Lindsay E. Fox AC
Non-Executive Director



Mark McInnes
Executive Director



David M. Crean
Deputy Chairman
and Non-Executive Director



Sally Herman
Non-Executive Director



Michael R.I. McLeod
Non-Executive Director



Timothy Antonie
Non-Executive Director



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



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



Sylvia Falzon
Non-Executive Director



Terrence McCartney
Non-Executive Director

Strategic Review Premier Retail

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

Focus Area	Status	
1 Rejuvenate and reinvigorate all five apparel brands.	✓	The apparel brands delivered sales growth of 5.5% for 2H18 with strong momentum into Q4-18 (sales up 8.1% in the fourth quarter). All five of the apparel brands enjoyed sales growth. Stand out growth performances for the second half included Portmans sales up 17.4% (Q4-18 up 17.6%), Jacqui E sales up 9.4% (Q4-18 up 11.8%) and Just Jeans sales up 3.2% (Q4-18 up 7.2%). The Australian retail environment remains difficult and very competitive. The apparel brands have delivered the growth in the second half through the ongoing investment in product, strong management and merchandising teams.
2 Organisation-wide cost efficiency program.	✓	Costs of doing business decreased 90 bps as a percentage of sales to 49.9% in FY18, whilst strategic investment continues in growth initiatives, including Online, Peter Alexander and Smiggle international expansion. Over the past six years Premier Retail has opened 307 new profitable Smiggle and Peter Alexander stores (192 of these outside of Australia) but Premier Retail has also closed 103 unprofitable stores over that time, including 17 during FY18. As consumers continue to increase their online shopping, Premier Retail will continue to focus on store costs and profitability to drive appropriate investment and shareholder returns.
3 Two phase gross margin expansion program.	✓	Premier Retail's gross margin of 62.5% for the year in a highly competitive market was delivered through the effective implementation of key gross margin strategies. Direct sourcing initiatives continue to deliver benefits from new suppliers and countries. Ongoing focus on markdown management is expected to support margin going forward.
4 Expand and grow the internet business.	✓	Online sales of \$112.5 million were up 65.3% on FY17. 2020 Online target of \$100 million was delivered more than two years ahead of plan. Significant investment continues in technology, people and new marketing initiatives to deliver a world class platform and customer experience. During 2H18, Premier Retail made a significant investment in upgrading the online platforms for all seven brands across mobile, tablet and desktop. Premier Retail will continue to invest heavily in this fast-paced channel of growth. Online channel continues to deliver significantly higher EBIT margin than the Group average.
5 Grow Peter Alexander significantly.	✓	Peter Alexander delivered record sales for the year of \$218.7 million, up 14.5% on FY17 and up 31% over two years. Both total sales and like-for-like sales were strong for the year. The 2020 Growth plan is progressing ahead of expectations, with annual sales expected to exceed \$250 million by FY20. Twenty-one new stores were opened in FY18 – putting the brand ahead of the 2020 plan to open 40 new stores between FY18 and FY20. The expanded range of P.A. Plus size delivered exceptional 100% growth for the year. The full Peter Alexander Bath & Body range was launched successfully in April 2018.
6 Grow Smiggle significantly.	✓	The brand achieved record global sales of \$293.0 million in FY18, up 22.7% on FY17 and up 58% over two years. The brand opened 52 new stores globally and Online sales exceeded 10% of sales in countries with a transactional website. 67% of the FY18 sales were delivered from outside of Australia. Smiggle has announced an accelerated global growth strategy to deliver \$450 million in global Smiggle retail sales by FY20 and establish future pathways for growth beyond FY20.

Brand Performance Premier Retail



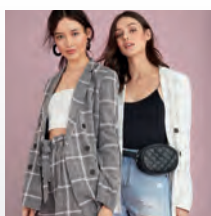
Smiggle
where a smile meets a giggle

Smiggle, achieved exceptional sales growth of 22.7% in FY18, with more than 67% of global revenue generated outside Australia. John Cheston, Managing Director Smiggle, continues to lead a strong and focused management team growing a truly unique global brand. Smiggle celebrated its 15th Birthday in FY18 and opened 52 new stores globally, including the global flagship store on Oxford Street London and the brand's first ever concession store in the iconic Selfridges department store. Smiggle has announced a major strategic accelerated global growth plan with the aim to both deliver the targeted \$450 million in global Smiggle retail sales by FY20 and to set up pathways for major growth beyond FY20.



peteralexander

Peter Alexander delivered outstanding growth of 14.5% in FY18. Twenty-one new stores were opened in FY18 – putting the brand ahead of the 2020 plan to open 40 new stores between FY18 and FY20. The expanded range of P.A. Plus size delivered exceptional 100% growth for the year, and the full Peter Alexander Bath & Body range was launched successfully in April 2018. Under the leadership of Judy Coomber, Managing Director Peter Alexander and Dotti, and Peter Alexander, Creative Director, the 2020 Growth plan is progressing ahead of expectations, with annual sales expected to exceed \$250 million by FY20.



dotti

Dotti, following the appointment of Judy Coomber to role of Managing Director Peter Alexander and Dotti, together with the return of Deanna Moylan to the group as Dotti Group General Manager in March 2018 reporting to Judy, is already delivering a turnaround in performance with Q4-18 returning to positive LFL and total sales growth. Customer research has been completed and a new product and marketing strategy is being implemented together with capital investment largely funded from landlords in new store concepts. Dotti expects Q4-18 improved momentum to result in further sales and margin growth in FY19.



portmans

Portmans, under the leadership of Linda Levy (appointed April 2017), delivered an exceptional turnaround in performance with FY18 Sales up 11.3% and 2H18 Sales up 17.4% in a highly competitive apparel market. FY18 Online Sales delivered more than 100% growth on FY17 at a significantly higher EBIT margin than the store portfolio. Portmans has an extremely strong and distinctive market position, and continued investment in social media marketing and better merchants is expected to result in further growth in FY19.



JACQUI·E

Jacqui E under the new leadership of Nicole Naccarella (appointed June 2017) delivered an outstanding turnaround in performance with FY18 Sales up 5.3% and 2H18 Sales up 9.4% in a highly competitive apparel market. Jacqui E has an extremely strong and distinctive market position, and continued investment in better merchants is expected to drive further growth in FY19.



Just Jeans

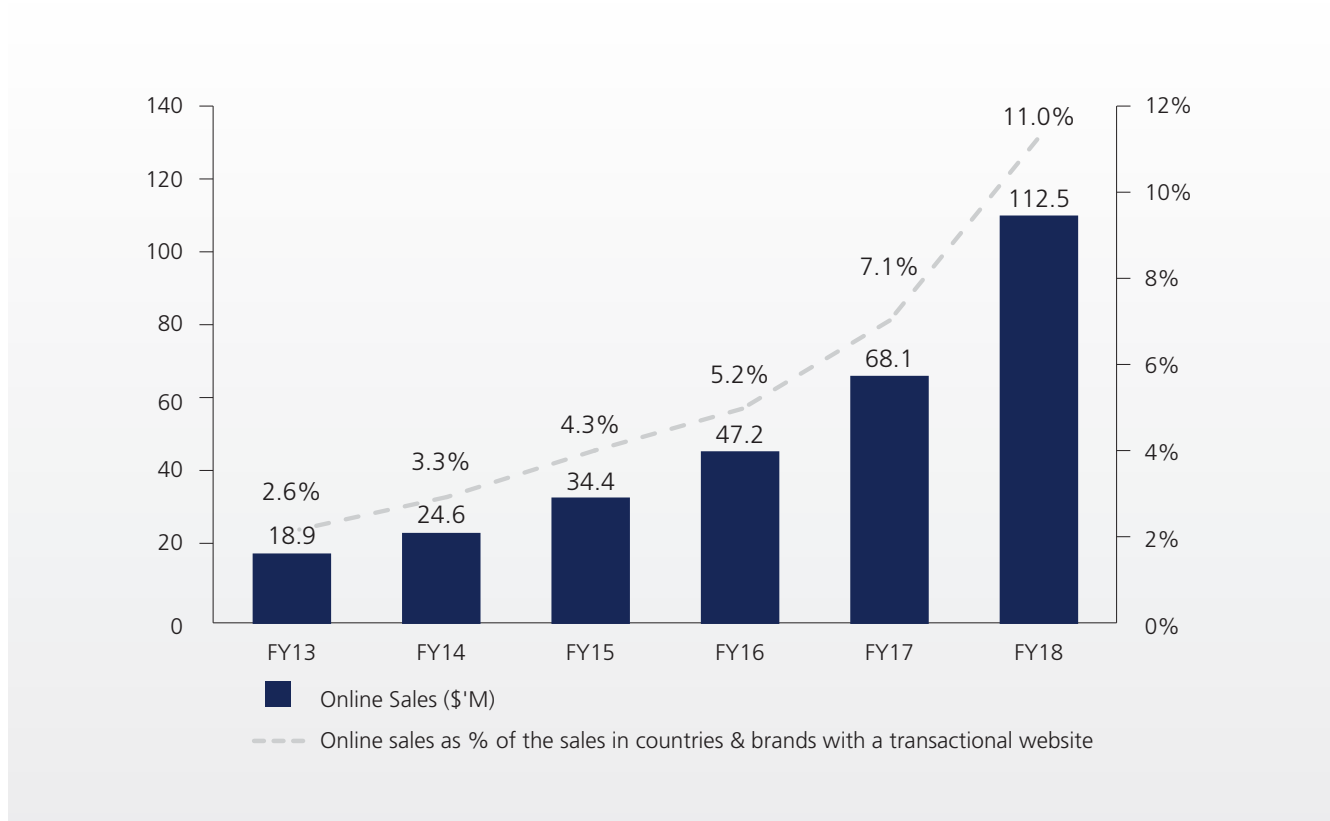
Just Jeans, under Matthew McCormack's leadership, delivered strong 2H18 sales growth including Q4-18 LFL Growth up 8.5% in a highly competitive market in FY18. Like-for-like sales were stronger than overall sales as 3 stores were closed in FY18 as part of the ongoing program to close unprofitable stores across the group, including the Melbourne flagship Bourke Street Mall store. Just Jeans has a strong, distinctive and competitive market position, and the brand is expected to continue its growth.



Jay Jays

Jay Jays, under Linda Whitehead's leadership, delivered strong 2H18 sales growth including Q4-18 Sales Growth up 5.3% in a highly competitive market in FY18. Like-for-like sales were stronger than overall sales as 3 stores were closed in FY18 as part of the ongoing program to close unprofitable stores across the group. Jay Jays has a strong, distinctive and competitive market position. Ongoing investment across existing 1.3 million digital touchpoints with customers across Email, Instagram, Facebook, Twitter, Snapchat and YouTube together with investment in better merchants is expected to drive further growth in FY19.

Internet Performance Premier Retail



- Record Online sales of \$112.5 million up 65.3% on FY17
- 2020 Online Sales target of \$100 million delivered more than two years ahead of original plan
- Online sales growing to 11% of the respective markets' sales in FY18
- 2013 investment in centralised and specifically customised Australian Distribution Centre servicing 100% order fulfilment of 100% of Premier Retail products in Australia
- Online channel continues to deliver significantly higher EBIT margin than the Group average
- All global sites continuing to deliver strong growth with all brands outperforming the market
- Significant investment continues in technology, people and new marketing initiatives to deliver a world class platform and customer experience, including full upgrade of mobile, tablet and desktop website platform for all 7 brands completed in 2H18
- Announces the launch of New Zealand transactional websites for Just Jeans, Smiggle, Portmans and Jacqui E in 2H19. These will be in addition to the already offered and rapidly growing New Zealand Peter Alexander and Dotti transactional websites

Note: FY16 excludes non-comparable 53rd week of sales

Smiggle International Growth

Another record year for Smiggle, delivering global sales of \$293.0 million in FY18, up 22.7% on FY17 and up 58% over two years



Smiggle Flagship Oxford Street Store,
London – opened May 2018



- 67% of total global revenue was generated outside Australia in FY18
- 52 new stores opened globally in FY18
- Sales have grown from \$19 million in FY08 to \$293 million in FY18
- Through investment in technology, people and marketing, online sales continue to grow well above expectations. In FY18 Smiggle Online sales exceeded 10% of sales in countries with a transactional website

SMIGGLE'S ACCELERATED GLOBAL GROWTH STRATEGY

Smiggle announced major strategic accelerated global growth plan with the aim to both deliver the targeted \$450 million in global Smiggle retail sales by FY20 and to set up pathways for major growth beyond FY20. The accelerated global expansion will come from 4 major channels:

- Online
- Global concession partnerships
- Global wholesale arrangements
- New store growth

John Cheston (Managing Director: Smiggle) continues to lead a strong and focused management team and a truly unique global brand



Smiggle's world first concession in Harrods,
London – opened August 2018



Smiggle's world first concession in Selfridges Oxford Street Store,
London – opened May 2018

Peter Alexander Growth

Peter Alexander delivered record sales for the year of \$218.7 million, up 14.5% on FY17 and up 31% over two years.

- Both total sales and like-for-like sales were strong for the year
- The 2020 Growth plan is progressing ahead of expectations, with annual sales expected to exceed \$250 million by FY20
- Twenty-one new stores opened in FY18 – putting the brand ahead of the 2020 plan to open 40 new stores between FY18 and FY20. Five new stores are confirmed for opening in 1H19
- The expanded range of P.A. Plus size delivered exceptional 100% growth for the year. The full Peter Alexander Bath & Body range was launched successfully in April 2018



Peter Alexander Sydney Airport T3 - opened December 2017



Peter Alexander Melbourne Airport T4 - opened May 2018

Our Commitment To Business Sustainability

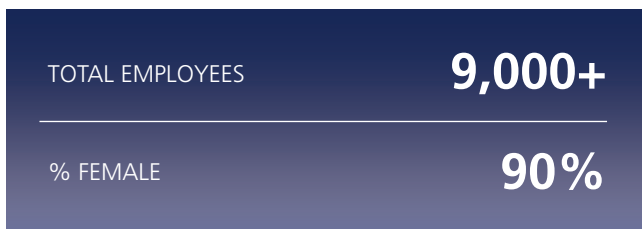
Premier acknowledges the importance of respecting our stakeholders, including employees, shareholders, customers and suppliers.

PEOPLE	COMMUNITY	ENVIRONMENT	ETHICAL SOURCING
<ul style="list-style-type: none"> • Attraction and retention • Development • Reward and recognition • Workplace Safety 	<ul style="list-style-type: none"> • Peter Alexander and RSPCA/ PAW JUSTICE • Smiggle Community Partnerships 	<ul style="list-style-type: none"> • Packaging Stewardship • Waste and Recycling • Energy efficiency 	<ul style="list-style-type: none"> • Our sourcing models, principles & policies • Our Assurances • Membership of the Accord for Bangladesh Worker Safety • Our activities in Bangladesh • Ethical Raw Material Procurement

We are committed to a long term goal of delivering sustainable value through the effective use of our resources and relationships. This goal influences how we behave and impacts everything we do.

OUR COMMITMENT TO OUR PEOPLE

Our goal is for Premier to attract, retain and motivate high calibre employees. Our outstanding leadership team have developed and nurtured a culture that supports our success. We value speed, integrity, energy, and results. We have a 'can do' culture in which employees see the difference they make.



ATTRACTION AND RETENTION

At the end of the financial year, Premier employed over 9,000 staff across six countries. By Christmas 2018, Premier will employ over 10,400 staff.

Premier believes that it is important to ensure that all team members enjoy a workplace which is free from discrimination; we believe our staff perform the best when they can be themselves at work and so we strongly support gender, age, sexual orientation, disability and cultural diversity at work. In FY18, 90% of our total team members are women, who held 80% of the positions at management level internationally. We have continued our focus on the development and career trajectory of our very strong team of female executives. Female leaders spearheaded internet and marketing, human resources, and five out of our seven brands, to deliver exceptional results. We rely on the passion and commitment of our employees to achieve the results we do.

DEVELOPMENT

Premier provides ongoing and regular training throughout the year to support and develop all team members. Upon commencement all new team members complete our comprehensive Just Getting Started Induction Program. Leadership and Management Development training is provided for our leaders and this year 385 workshops were led by our People & Culture and Senior Leadership Teams.

REWARD AND RECOGNITION

We recognise and reward outstanding contributions to our Group results, both individually and for team performance. Our annual Just Excellence Awards recognised our best performing Retail Leaders and salespeople for their excellent performance and contribution to achieving our FY18 goals. The top performing Regional Managers, Store Managers and Visual Merchandisers for each of our brands were rewarded publicly amongst their peers for their great leadership and delivery of the FY18 results.

WORKPLACE SAFETY

Premier is committed to the prevention of workplace injury and lost time. We want to create a culture where all employees feel responsible for all aspects of health and safety. 'Play it Safe' is part of our culture. Workplace safety is considered in all our business decisions, including workplace design and development, supply chain, visual merchandising and store planning. We have clear and measurable performance targets. However, in the event that a work related injury or illness occurs, we are also committed to fully supporting affected employees to return to work and continuing their career.

We will continue to develop Premier as a great place to work, and a great company in which our team build their careers.

Our Commitment to the Community

Premier has a long history of philanthropic support, particularly with our Peter Alexander and Smiggle brands.

PETER ALEXANDER AND THE RSPCA

As much as Peter Alexander has become famous for his pyjamas, he has also become known for his dogs, and is a huge supporter of animal welfare organisations. Peter Alexander has worked closely for the last 12 years with the RSPCA in Australia, and for the last four years with Paw Justice in New Zealand. Our work has included a variety of fundraising activities which raise awareness for animal charities.

Working with the RSPCA, Peter has raised over \$835,000 contributing to RSPCA shelters, which care for more than 140,000 animals every year supporting rescue, rehabilitation and rehoming unwanted, stray and injured animals. Peter has been awarded the status of RSPCA Ambassador in recognition of his efforts.



Peter Alexander

PETER ALEXANDER AND PAW JUSTICE

In 2014, aligned with the growing presence of Peter Alexander in New Zealand, we partnered with the NZ animal charity Paw Justice, and over the last four years have raised over \$94,500.

Paw Justice works to stop violent animal abuse; and they have been instrumental in focusing the New Zealand public's attention on the need for reform of animal welfare laws through youth education and advocacy for pets.

During the year Peter Alexander continued its commitment to the prevention of cruelty to animals. The involvement with the RSPCA in Australia and Paw Justice in New Zealand continues to be the key charity supported by the brand. Each year, Peter develops a special product to be made available in store in the lead up to Christmas.

In 2017, a range of chocolate bars featuring Peter Alexander prints were sold with 100% of all proceeds donated to these charities. During the year we donated \$173,000 to the RSPCA and \$17,500 to Paw Justice.

Since we've been working with RSPCA shelters in Australia and Paw Justice in New Zealand, Peter has raised over **\$929,000**

SMIGGLE COMMUNITY PARTNERSHIPS

Premier and our Smiggle brand also support a number of children's charities, organisations and educational programs. Plus, countless community fundraising initiatives both locally and abroad, for schools, sporting, and educational events. During the year we have donated over \$85,000 in products.



Our Commitment To The Environment

PACKAGING STEWARDSHIP

Premier is committed to managing and reducing the impact our business operations have on the environment. Premier is a signatory to the Australian Packaging Covenant, a voluntary agreement between government and industry which provides companies with tools to be more involved in reducing their impact on the environment through sustainable packaging design, recycling and product stewardship. Premier has submitted its Action Plan outlining its objectives in relation to:

1. Optimising packaging to reduce environmental impact;
2. Increasing the collection and recycling of packaging;
3. Commitment to product stewardship; and
4. Implementation of Sustainable Packaging Guidelines.

All plastic shopping bags used by the group are made using EPI technology designed to control and manage the lifetime of products made from the most common plastics to assist in the breakdown, degradation and subsequent biodegradation process.

WASTE AND RECYCLING

Premier has extensive recycling and sustainability practices across our network of Stores, Distribution Centres and Support Centre. Our Distribution Centres execute on-site recovery systems for recycling used packaging, following Sustainable Packaging Guidelines. All carton packaging uses recycled content. Cartons are reused to facilitate the replenishment of stock, and where necessary waste packaging is compacted and collected for recycling. We have partnered with Orora, a signatory to the Australian Packaging Covenant, to collect and process waste in line with their recycling procedures. Orora's recycling waste business specialises in paper and cardboard, among others, which is the major input for their recycled paper mill that produces 100% recycled paper.

Our Support Centre recycles all paper and has a continuing co-mingled recycling program for glass and plastics on every floor in our entire building. All paper purchased for our Support Centre is accredited from The Forest Stewardship Council sources, an international network which promotes responsible management of the world's forests. All necessary printing at our support centre is activated by personalised swipe access only to release print. This initiative has seen a significant reduction in waste paper printing, as it removes non-collection of printouts. All weekly retail reporting, forms, reference and administrative material is stored and accessible via mobile technology, where possible.

Across our network of stores, reuse is always our first option. Specific initiatives relate to plastic hangers and carton packaging. In store, plastic hangers are first reused, and if there is an oversupply our supplier collects and repackages hangers for reuse or 100% recycling. Additionally, cartons are reused to facilitate movement of stock between our stores. In the balance of instances we will utilise our shopping centre recycling facilities.

ENERGY EFFICIENCY

Premier recognises the importance of energy efficient, low environmental impact lighting systems and since 2012 have adhered to new improved lighting standards to efficiently manage our energy consumption in all of our stores. This has resulted in an investment to our store network, Distribution Centre and Support Centre, upgrading 311 stores to LED lighting, all of the DC high bay lighting to LED, and converting over 80% of our head office lighting to LED. This initiative has subsequently meant less heat, thereby reducing the overall heat load on our stores and reduced investment in cooling requirements. In addition this has led to a dramatic reduction in ongoing maintenance and light bulb replacement. This standard has been implemented for all new store fit-outs.

With the active participation of our employees, we believe that our focus on environmental issues will make our business more efficient, drive customer and employee connection, and have a positive impact in the communities in which we operate.

Our Commitment to Ethical Sourcing

Premier commits to the highest standards of ethical conduct and responsible product sourcing practices.

We support this commitment by our models for sourcing products, the principles that back-up those models, together with our policies and assurance program.

OUR SOURCING MODELS, PRINCIPLES & POLICIES

We share our customers' full engagement in understanding where products come from, how products are made and the way that people who manufacture those products are treated.

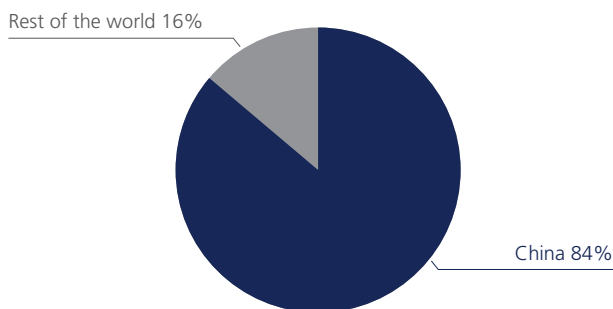
With this in mind, we use the following sourcing models:

- direct sourcing from factories with whom we work in close partnership
- through Li & Fung, the world's largest sourcing company for major retailers and brands around the world

In addition, we work with known established and trusted Australian importers.

We currently source products in the following countries: China, Australia, Bangladesh, Hong Kong, India, Indonesia, Mauritius, Taiwan, Thailand, Turkey, and Vietnam.

SOURCE COUNTRIES (THE JUST GROUP, UNITS)



Our Ethical Sourcing and Supply Code (Code) supports our commitment to sourcing merchandise that is produced according to these principles, regardless of origin.

All suppliers must sign our supply terms and conditions, of which the Code is part, prior to any orders being placed. We will not do business with a supplier who does not comply with the Code.

Among other things, we note that our supply terms and the Code:

- requires compliance with all laws (and/or requires our suppliers to meet higher standards)
- insists on the free association of workers, including the right to collectively bargain and be represented
- requires labour to be voluntary, without workers being required to lodge deposits (eg. identity documents; for recruitment fees etc.)

In each case our model is supported by the following strict sourcing principles:

1. We comply with all laws in the countries we source from and operate.
2. We insist on workers' legal rights – including worker empowerment and free association.
3. We have zero tolerance for child labour.
4. We have zero tolerance for bribery and corruption.
5. We have zero tolerance for animal cruelty.

- prohibits forced labour (including child labour)
- insists on worker rights such as the right to work in safe, hygienic premises where working hours are not excessive
- requires the payment of the minimum national legal standards or local benchmark standards (whichever is higher), and, in relation to full time workers, sufficient to meet basic needs and to provide discretionary income
- prohibits unauthorised sub-contracting – meaning that we have a fully transparent relationship with our suppliers
- prohibits discrimination on the basis of personal attributes as well as union membership or political affiliations

ASSURANCES WHICH SUPPORT OUR SOURCING PRINCIPLES

Background checks. We conduct thorough and ongoing compliance activities of all suppliers directly and through Li & Fung and qualified audit firms.

Factory inspections. Senior management personally inspect all factories that manufacture for us. We continue factory visits throughout our relationship with our suppliers to ensure our principles are strictly adhered to.

BANGLADESH SOURCING

Background

Bangladesh's economic and social development relies on the expansion and strength of the garment sector, including through investment by international retailers. The garment industry comprises around 80% of all Bangladesh export earnings, is a significant contributor to GDP, and employs over 4 million workers, most of whom are women. Premier currently sources a portion of its Just Jeans, Dotti and Jay Jays branded products in Bangladesh and we highlight our program in this country in the interest of full transparency.

MEMBERSHIP OF THE ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH

We are a member of the Accord on Fire and Building Safety in Bangladesh (the Accord). Prior to joining the Accord, we were (since 2013) a signatory to the Alliance for Bangladesh Worker Safety (the Alliance). The Alliance program we joined was a five-year commitment which ended in June 2018.

The Accord, and the Alliance before it, share common priorities including a relentless focus on workers generally, as well as building integrity and safety – all supported by financial commitments and good governance.

Together with our international peers in Bangladesh, we have invested in worker safety, improved conditions and transparent reporting in a results-oriented, measurable and verifiable way.

All initiatives of the Accord are publicly available at www.bangladeshaccord.org

OUR ACTIVITIES IN BANGLADESH

Our operational processes have included the establishment of our own office in Bangladesh, which we opened in March 2014. Our investment in on the ground infrastructure in Bangladesh, including employing staff at our sourcing office directly, supports our audit and compliance activities in that market with particular focus on social compliance and safety which includes:

1. Senior management personally inspect ALL factories that manufacture for us prior to commencing business. We continue factory visits throughout our relationship with our suppliers to ensure our principles are strictly adhered to. Our Code includes the ability for us to make unannounced visits in Bangladesh for the purposes of our audit and compliance activities.
2. Prior to placing orders with any factory, we also engage independent, internationally recognised assessment and audit firms to verify compliance with all local laws and safety conditions, in relation to labour and safety issues (including fire and building integrity).
3. During manufacturing, our globally independent audit firm Intertek inspect all orders.
4. In addition, we will not conduct business with factories that do not comply with the requirements of the Accord. All factories have been disclosed to the Accord for assessment under its operational processes.

ETHICAL RAW MATERIAL PROCUREMENT

Our sourcing commitment is supported by the following initiatives relating to fibre procurement:

- **Rabbit angora**
We confirm that we will not source products containing rabbit angora until we can be completely confident that the ethical standards of rabbit angora farming are assured and independently audited.
- **Cotton**
We will not source cotton harvested in Uzbekistan. We will maintain this position until the government of Uzbekistan ends the practice of forced child and adult labour in its cotton sector. To this end, we signed the Pledge against Child and Adult Forced Labour in Uzbek Cotton.
- **Azo Dyes**
We have voluntarily adopted the EU standard whereby we prohibit the manufacture and sale of goods which contain prohibited levels of the specific aromatic amines originating from a small number of azo dyes.
- **Sandblasted denim**
The harmful practice of 'sandblasting' denim with silica based powders has been discontinued in our business since 2011.

Our Business

CODE OF CONDUCT

We believe that the 'what' and the 'how' are both important when it comes to operating. We want great results, and how we go about achieving them is also important.

Premier acknowledges the importance of respecting our stakeholders, including team members, shareholders, customers and suppliers. We also know that by respecting and working with the communities in which we operate we can make a positive impact.

Our Code of Conduct outlines our legal, moral and ethical obligations which are underpinned by the behaviours we expect of all of our stakeholders.

The principles ensure that we:

- Foster a culture in which all stakeholders including customers, shareholders and fellow team members are treated with respect
- Comply with the law and Premier policies
- Protect company assets, information and reputation
- Provide a safe workplace for our team members and visitors
- Develop a culture where professional integrity and ethical behaviour is valued

All team members globally are issued with the Code of Conduct upon commencement with the business and are re-issued a copy and asked to acknowledge receipt as amendments to the Code are made from time to time. In addition, we have an advisory email and a confidential telephone service for all issues and complaints related to this Code.

SHRINKAGE

Shrinkage is the loss of merchandise that can be attributed to product theft or through administrative handling process. Premier has a shrinkage reduction strategy in place with processes and education aimed at reducing these losses. Premier continues to deliver low levels of shrinkage and we will continue to maintain this focus into the future.

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

Financial Report

For the Period
30 July 2017 to 28 July 2018

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Directors' Report

The Board of Directors of Premier Investments Limited (A.B.N. 64 006 727 966) has pleasure in submitting its report in respect of the financial year ended 28 July 2018.

The Directors present their report together with the consolidated financial report of Premier Investments Limited (the "Company" or "Premier") and its controlled entities (the "Group") for the 52 week period 30 July 2017 to 28 July 2018, 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 year and until the date of the report are as follows. Directors were in office for this entire period unless otherwise stated.

Solomon Lew *Chairman and Non-Executive Director*

Mr. Lew was appointed as Non-Executive Director and Chairman of Premier on 31 March 2008. Mr. Lew is 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 50 years' experience in the manufacture, wholesale and retailing of textiles, apparel and general merchandise, as well as property development. His success in the retail industry has been largely due to his ability to read fashion trends and interpret them for the Australasian market, in addition to his demonstrated ability in the timing of strategic investments.

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.

Mr. Lew is a member of the World Retail Hall of Fame and is the first Australian to be formally inducted.

He is also a former Board Member of the Reserve Bank of Australia and former Member of the Prime Minister's Business Advisory Council.

Mr. Lew was the inaugural Chairman of the Mount Scopus Foundation (1987 – 2013) which supports the Mount Scopus College, one of Australia's leading private colleges with 2000 students. He has also been the Chairman or a Director of a range of philanthropic organisations.

Dr. David M. Crean *Deputy Chairman and Non-Executive Director*

Dr. Crean has been an Independent Non-Executive Director of Premier since December 2009, Deputy Chairman since July 2015 and is currently the Chairman of Premier's Audit and Risk Committee (appointed August 2010).

Dr. Crean was Chairman of the Hydro Electric Corporation (Hydro Tasmania) from September 2004 until October 2014 and was also Chairman of the Business Risk Committee at Hydro Tasmania, member of the Audit Committee and Chairman of the Corporate Governance Committee.

Dr. Crean was State Treasurer of Tasmania from August 1998 to his retirement from the position in February 2004. He was also Minister for Employment from July 2002 to February 2004. He was a Member for Buckingham in the Legislative Council from 1992 to February 1999, and then for Elwick until May 2004. From 1989 to 1992 he was the member for Denison in the House of Assembly. From 1993 to 1998 he held Shadow Portfolios of State Development, Public Sector Management, Finance and Treasury.

Dr. Crean has been a Non-Executive Director and Deputy Chairman of Moonlake Investments, owner of VDL dairy farms in Tasmania from August 2016 to April 2018. He is also a Board member of the Linfox Foundation. Dr. Crean graduated from Monash University in 1976 with a Bachelor of Medicine and Bachelor of Surgery.

Directors' Report continued

Mark McInnes *Executive Director*

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

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

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

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

Timothy Antonie *Non-Executive Director and Lead Independent Director*

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

Mr. Antonie is also a Non-Executive Director of Village Roadshow Limited, Breville Group Limited and Netwealth Group Limited and is a Principal of Stratford Advisory Group.

Sylvia Falzon *Non-Executive Director (Appointed – 16 March 2018)*

Ms. Falzon was appointed to the Board of Directors on 16 March 2018. She brings to Premier an executive career that spanned over nearly 30 years in Financial Services where she held senior executive positions responsible for institutional and retail funds management businesses, both here in Australia and offshore.

As a Non-Executive Director since 2010, Ms. Falzon has experience across a range of sectors including financial services, health, aged care. During this time, she has been involved in several business transformations, IPOs, merger and acquisitions and divestment activities. Ms. Falzon is currently an Independent Non-Executive Director of ASX listed companies Regis Healthcare Limited, Perpetual Limited and joined Suncorp Group Limited on 1 September 2018. In addition, she serves on a range of board committees including chairing the People and Remuneration committees at both Regis and Perpetual. She is also a member of the Governing Board of Cabrini Health and Chairman of the Cabrini Foundation Board. Ms. Falzon previously served on the board of ASX listed company SAI Global until December 2016.

Ms. Falzon holds a Masters Degree in Industrial Relations and Human Resource Management (Hons) from the University of Sydney and a Bachelor of Business from the University of Western Sydney. She is a Senior Fellow of the Financial Services Institute of Australasia and a Fellow of the Australian Institute of Company Directors.

Lindsay E. Fox AC *Non-Executive Director (Retired – 28 July 2018)*

Mr. Fox has extensive experience in all aspects of the transport, distribution and warehousing industries. He is the founder of the Linfox Group of Companies. Today, the Linfox Group operates one of the largest supply chain services businesses with operations in 12 countries. The Linfox Group employs over 24,000 people, operates 4.8 million square metres of warehouses and a fleet of more than 6,000 vehicles and carries out distribution operations for leading companies across the Asia-Pacific region. The Linfox Group includes operations in the areas of transport and logistics, airports, property development and cash management services.

Lindsay E. Fox AC Non-Executive Director (Retired – 28 July 2018) (continued)

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

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

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

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

From September 1992 to December 1993, Mr. Fox together with Mr. Bill Kelty introduced a national campaign called 'Work for Australia'. This campaign encouraged companies and local communities to generate jobs for the 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. Mr. Fox retired from the Premier Board on 28 July 2018.

Sally Herman Non-Executive Director

Sally Herman is an experienced Non-Executive Director in the fields of financial services, retail, manufacturing and property. She had a successful executive career spanning 25 years in financial services in both Australia and the US, transitioning in late 2010 to a full time career as a Non-Executive Director.

Prior to that, she had spent 16 years with the Westpac Group, running major business units in most operating divisions of the Group as well as heading up Corporate Affairs and Sustainability through the merger with St. George and the global financial crisis.

Ms. Herman sits on both listed and unlisted Boards, including Suncorp Group Limited, Breville Group Limited, Evans Dixon Limited and Investec Property Limited. She is also on the Board of the Sydney Harbour Federation Trust. Ms. Herman holds a BA from the University of New South Wales and is a Graduate of the Australian Institute of Company Directors.

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

Henry Lanzer AM is Managing Partner of Arnold Bloch Leibler, a leading Australian commercial law firm. Henry has over 35 years' experience in providing legal, corporate finance and strategic advice to some of Australia's leading companies.

Mr. Lanzer is a Non-Executive Director of Just Group Limited, Thorney Opportunities Limited and previously the TarraWarra Museum of Art and is also a Life Governor of the Mount Scopus College Council.

In June 2015, Henry was appointed as a Member of the Order of Australia.

Michael R.I. McLeod Non-Executive Director

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

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

Directors' Report continued

Terrence L. McCartney *Non-Executive Director*

Mr. McCartney has had a long and successful career in retail. Mr. McCartney started at Boans Department Stores in Perth then moved to Grace Bros in Sydney. After the acquisition of Grace Bros by Myer, he relocated to the merged Department Stores Group in Melbourne within the merchandise and marketing department. His successful career within Coles Myer meant that Terry then moved to the Kmart discount department stores as Head of Merchandise and Marketing and then Managing Director. Following several years as Managing Director of Kmart Australia and New Zealand, Terry became Managing Director of Myer Grace Bros. For 5 years Terry lead year on year growth in profitability of Australia's largest department store.

Terry's experience spans the full spectrum of retailing, ranging from luxury goods in department stores to large mass merchandise discount operations. Terry has also been retained by large international accounting and legal firms as an expert witness in relation to Australian retail.

In addition to his extensive list of retail experience, he has also been an advisor to large Australian and international mining companies, prior to joining the Just Group Board in 2008. Terry lends his extensive retail and commercial expertise to the Just Group as Non-Executive Director, and by serving on a number of committees, including the Internet Steering Committee of the Group, and through various store and site visits, both locally and overseas. He is also involved in seasonal and trading performance reviews for the Group.

Terry is a member of the Remuneration and Nomination Committee of Premier Investments Limited. In August 2017, he was appointed Chairman of the Remuneration and Nomination Committee.

Dr. Gary H. Weiss LL.M, J.S.D. *Non-Executive Director (Retired – 28 July 2018)*

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

Dr. Weiss is Chairman of Ardent Leisure Group Limited, Ridley Corporation Limited and Estia Health Limited, Executive Director of Ariadne Australia Limited, and a Director of Thorney Opportunities Limited and The Straits Trading Company Limited. He was Chairman of Clearview Wealth Limited from July 2013 until May 2016 and of Coats Plc from 2003 until April 2012, and Executive Director of Guinness Peat Group Plc from 1990 to April 2011 and has held directorships of numerous companies, including Pro-Pac Packaging Limited (resigned 27 November 2017), Tag Pacific Limited (retired 31 August 2017), Mercantile Investment Company Limited (retired 25 February 2015), Westfield Group, Tower Australia Limited, Australian Wealth Management Limited, Tyndall Australia Limited (Deputy Chairman), Joe White Maltings Limited (Chairman), CIC Limited, Whitlam Turnbull & Co Limited and Industrial Equity Limited.

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

Dr. Weiss retired from the Premier Board on 28 July 2018.

COMPANY SECRETARY

Kim F. Davis

Mr. Davis has been the Company Secretary of Premier Investments Limited for 24 years. Prior to holding this position, Mr Davis had 15 years' experience within the accounting industry as a tax and financial advisor.

PRINCIPAL ACTIVITIES

The Group operates a number of specialty retail fashion chains within the specialty retail fashion markets in Australia, New Zealand, Asia and Europe. The Group also has significant investments in listed securities and money market deposits.

DIVIDENDS

	CENTS	\$'000
Final Dividend recommended for 2018	33.00	52,173
Dividends paid in the year: Interim for the half-year ended 27 January 2018	29.00	45,849
Final for 2017 shown as recommended in the 2017 report	27.00	42,619

OPERATING AND FINANCIAL REVIEW

Group Overview:

Premier Investments Limited acquired a controlling interest in Just Group Limited ("Just Group"), a listed company on the Australian Securities Exchange in August 2008. Subsequent to the acquisition, Just Group delisted from the Australian Securities Exchange. Just Group is a leading specialty fashion retailer with operations in Australia, New Zealand, Asia and Europe. Just Group has a portfolio of well-recognised retail brands, consisting of Just Jeans, Jay Jays, Jacqui E, Portmans, Dotti, Peter Alexander and Smiggle. Currently, these seven unique brands are trading from more than 1,200 stores across seven countries, as well as online. Smiggle global expansion continued, with 48 new stores opened outside of Australia and New Zealand, including the opening of the first global concession store in Selfridges Oxford Street in the United Kingdom. Peter Alexander opened 21 new stores during the year (including 5 new concession stores), with its growth plan currently progressing ahead of expectations. The Group's online sales exceeded \$112 million for the 2018 financial year, delivering on the Group's target of \$100 million in online sales by 2020 - 2 years ahead of schedule.

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

Group Operating Results:

The Group's reported revenue from the sale of goods, total income and net profit after income tax for the 52 week period ended 28 July 2018 (2017: 52 week period ended 29 July 2017) are summarised below:

	CONSOLIDATED		
	2018 \$'000	2017 \$'000	% CHANGE
Revenue from sale of goods	1,182,221	1,092,760	+8.19%
Total interest income	3,632	6,145	-40.90%
Total other income and revenue	3,187	2,227	+43.11%
Total revenue and other income	1,189,040	1,101,132	+7.98%
Reported profit before income tax	123,965	139,145	-10.91%
Non-cash impairment of intangible assets	30,000	-	-
Profit before income tax excluding non-cash impairment	153,965	139,145	+10.65%

Directors' Report continued

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Group Operating Results (continued):

Retail Segment:

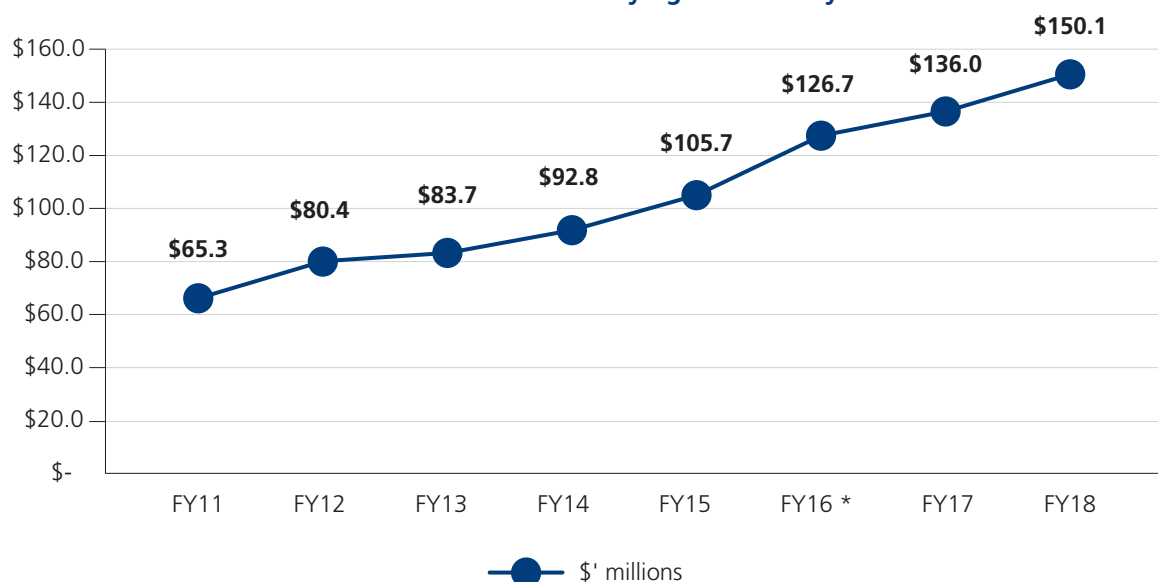
As Premier's core business, Just Group was the key contributor to the Group's operating results for the financial year. Key financial indicators for the retail segment for the 52 week period ended 28 July 2018 (2017: 52 week period ended 29 July 2017) are highlighted below:

RETAIL SEGMENT	52 WEEKS ENDED 28 JULY 2018	52 WEEKS ENDED 29 JULY 2017	% CHANGE
Sale of goods	1,182,221	1,092,760	+8.19%
Total segment income	1,183,715	1,095,062	+8.10%
Segment net profit before income tax	142,484	126,182	+12.92%
Capital expenditure	45,854	45,040	+1.81%

The Retail Segment contributed \$142.5 million to the Group's net profit before income tax for the 52 week period ended 28 July 2018 (2017: \$126.2 million net profit before income tax for the 52 week period ended 29 July 2017).

The Retail Segment Underlying Earnings before Interest and Taxation ("EBIT") increased by 10.3% to \$150.1 million for the 52 weeks ended 28 July 2018, a new record for the Group. This strong result was achieved notwithstanding the structural pressures and challenges currently facing the Australian retail landscape.

Premier Retail Underlying EBIT History



* FY16 Underlying EBIT represents a comparable 52 week period.

Refer to page 10 for a reconciliation between underlying EBIT and statutory reported operating profit before taxation for the Retail Segment.

Growth in sales, combined with tight controls over the total cost of doing business led to the outstanding retail segment underlying EBIT result. The solid result reflects the Group's continued efforts to transform its apparel brands, the implementation of its organisation-wide cost efficiency program, as well as the focus on its growth initiatives, both locally and internationally.

PREMIER RETAIL TRANSFORMATION STRATEGY – OUR FOCUS ON GROWTH AND INVESTMENT

GROWTH

- Grow Smiggle significantly
- Grow Peter Alexander significantly
- Expansion and growth of online businesses

CORE

- Gross margin expansion program
- Rejuvenation of core apparel brands
- Organisation-wide cost efficiency program

The increase in sales is as a result of strong sales growth across the portfolio of brands, with successful growth in both overseas and domestic markets.

Online sales were up 65.3% on the prior comparative 52 week period, reaching its original 2020 target of \$100 million in annual online sales in the 2018 financial year, 2 years ahead of the original plan. During the 2018 financial year, the Group invested further in this channel by upgrading its online platforms for all seven brands. Further investment will also take place with the launch of New Zealand transactional websites in the 2019 financial year for some of the Group's apparel brands.

It has been an outstanding year for the growth-focussed brands, being Peter Alexander and Smiggle. Smiggle reported global sales growth of 22.7% on the previous comparable 52 week period. Similarly, Peter Alexander recorded sales growth of 14.5% on the previous comparable 52 week period.

The apparel brands delivered strong sales growth momentum, with sales for the second half of the 2018 financial year up 5.5%. In particular, the Group is delighted by the stand out performances of Portmans, Jacqui E and Just Jeans.

The Group continues to invest in new stores globally, and actively seeks to deliver sustainable sales growth through store upgrades and refurbishments. During the 2018 financial year, the Group opened a further 84 stores across all geographic segments, bringing the total global store network to over 1,200 stores.

During the 2018 financial year, the Group opened its first ever Smiggle concession store in the iconic Selfridges Oxford Street in the United Kingdom. The success of this strategy has led to the announcement of a major strategic plan to accelerate global growth for this brand. Further concession partnerships with iconic global retailers are being explored in select countries to introduce Smiggle to new customers across the globe.

Directors' Report continued

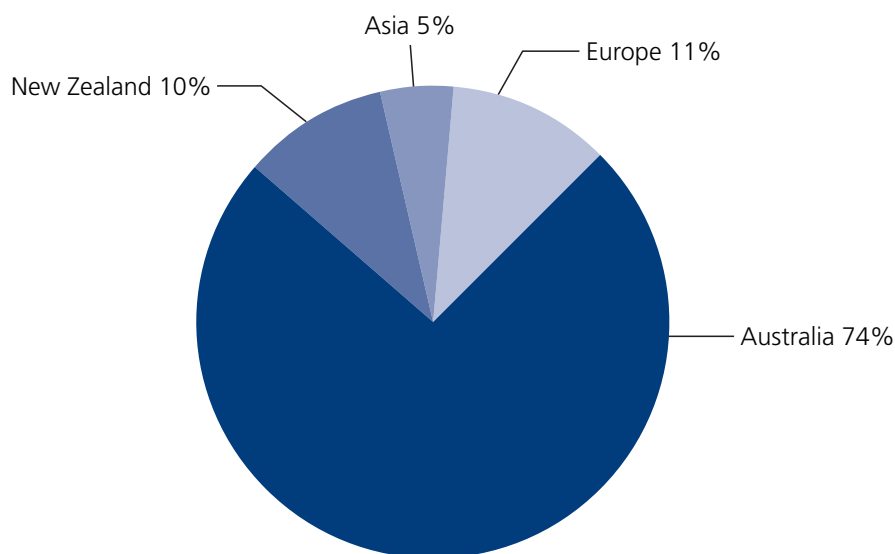
OPERATING AND FINANCIAL REVIEW (CONTINUED)

Group Operating Results (continued):

Retail Segment (continued):

Retail segment sales per geographic segment is presented in the graph below:

Sale of Goods Per Geographic Segment for the Period Ended 28 July 2018



Investment Segment:

The Group's balance sheet remains strong, primarily due to the significant asset holding of the investment segment. As at 28 July 2018, the Group continued to reflect its 27.5% shareholding in Breville Group Limited as an investment in associate, with an equity accounted value of \$223.2 million. The fair value of the Group's interest in Breville Group Limited as determined based on the quoted market price for the shares as at 28 July 2018 was \$407.4 million.

During the 2017 financial year, the Group acquired a strategic investment of 10.77% in Myer Holdings Limited. At the end of the 2018 financial year the fair value of this listed equity investment is reflected as \$40.7 million.

During the 2017 financial year, the Group acquired an office building in Melbourne, Victoria, with a cost price of \$58.5 million. During the 2018 financial year, the Premier Retail relocated its head office to the newly acquired, Premier owned office building.

Reconciliation between underlying Premier Retail EBIT and Reported Retail Segment Result

The Group's results are reported under International Financial Reporting Standards ("IFRS") and represents financial information that is presented in accordance with all relevant accounting standards. Non-IFRS information is financial information that is presented other than in accordance with all relevant accounting standards. The Group provides these Non-IFRS financial measures to better understand key aspects of the performance and drivers of the Group's Retail Segment.

The table below reconciles the Non-IFRS financial term Premier Retail underlying EBIT to the Reported Retail Segment Result for each of the financial years:

	2018 \$'000	2017 \$'000	2016 * \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Reported Retail Segment Operating Profit before Taxation	142,484	126,182	126,207	98,958	79,299	76,686	69,988	39,796
Add back: Interest expense	5,467	4,884	4,912	5,738	6,311	6,988	10,194	9,614
EBIT	147,951	131,066	131,119	104,696	85,610	83,674	80,182	49,410
Adjusted for:								
Inter-segment adjustments	(92)	(84)	(167)	(673)	(482)	30	192	74
One-off costs related to strategic review	-	-	-	-	-	-	-	15,771
One-off Smiggle new market entry expense	747	218	-	-	3,193	-	-	-
One-off supply chain transformation expense	-	-	-	-	4,482	-	-	-
One-off exit of South African Joint Venture	-	-	-	1,724	-	-	-	-
Non-comparable EBIT contribution for the 53 rd week in 2016	-	-	(6,596)	-	-	-	-	-
One-off expenses relating to Head office relocation and make-good	1,460	1,786	-	-	-	-	-	-
One-off litigation expense	-	3,045	2,345	-	-	-	-	-
Underlying Premier Retail EBIT	150,066	136,031	126,701	105,747	92,803	83,704	80,374	65,255
Underlying Premier Retail EBIT, expressed in \$' millions	150.1	136.0	126.7	105.7	92.8	83.7	80.4	65.3

* Reported Premier Retail Profit before tax for the year ended 30 July 2016 represented a 53 week financial year.

Directors' Report continued

GROUP PERFORMANCE

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

	2018	2017	2016	2015	2014
Closing share price at end of financial year	\$17.35	\$13.35	\$16.22	\$13.43	\$9.34
Basic earnings per share (cents)	52.97	66.8	66.3	56.5	47.0
Dividend paid per share (cents)	56.0	51.0	44.0	50.0	39.0
Return on equity (%)	8.5% ¹	7.9%	7.8%	6.6%	5.6%
Net debt/equity ratio (%)	(0.2%) ¹	0.2%	(13.3%)	(13.2%)	(14.9%)

¹ Excludes the impact of a non-cash impairment of intangible asset brand names of \$30 million.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year ended 28 July 2018.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 20 September 2018, the Directors of Premier Investments Limited declared a final dividend in respect of the 2018 financial year. The total amount of the dividend is \$52,173,000 (2017: \$42,619,000) which represents a fully franked dividend of 33 cents per share (2017: 27 cents per share). The dividend has not been provided for in the 28 July 2018 financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Certain likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to the period ended 28 July 2018 are referred to in the preceding operating and financial review. No additional information is included on the likely developments in the operations of the Group 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 Group 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 AND SHARES ISSUED DURING THE FINANCIAL YEAR

Unissued Shares:

As at the date of this report, there were 862,271 unissued performance rights (862,271 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:

A total of 350,978 shares (2017: 584,305) were issued during the year pursuant to the Group's Performance Rights Plan. No other shares were issued during the year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

INDEMNIFICATION OF AUDITORS

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

AUDITOR INDEPENDENCE

The Directors received a copy of the Auditor's Independence Declaration in relation to the audit for this financial year and is presented on page 37.

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 Group's auditor, Ernst & Young, can be found in Note 30 of the Financial Report.

ROUNDING

The company is a company of the kind specified in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, dated 24 March 2016. In accordance with that ASIC instrument amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

CORPORATE GOVERNANCE STATEMENT

To view Premier's Corporate Governance Statement, please visit www.premierinvestments.com.au/about-us/board-policies.

Directors' Report continued

DIRECTOR INTERESTS IN SHARES AND RIGHTS OF THE COMPANY

At the date of this report, the interests of the Directors in the shares and performance rights of the company were:

Mr. S. Lew	4,437,699 ordinary shares**
Mr. L.E. Fox	2,577,014 ordinary shares (retired: 28 July 2018)
Ms. S. Herman	8,000 ordinary shares
Mr. H.D. Lanzer	27,665 ordinary shares
Mr. M.R.I. McLeod	28,186 ordinary shares
Dr. G. H. Weiss	6,000 ordinary shares (retired: 28 July 2018)
Mr. M. McInnes	486,800 ordinary shares and 500,000 performance rights

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

DIRECTORS' 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 AND NOMINATION COMMITTEE	
	MEETINGS HELD	NUMBER ATTENDED	MEETINGS HELD	NUMBER ATTENDED	MEETINGS HELD	NUMBER ATTENDED
Mr. S. Lew	5	5	-	1	-	-
Mr. M. McInnes	5	5	-	-	-	-
Mr. T. Antonie	5	5	4	4	3	3
Dr. D. Crean	5	5	4	4	-	-
Ms. S. Falzon	-	1	1	1	-	-
Mr. L. E. Fox	5	4	-	-	-	-
Ms. S. Herman	5	5	4	4	-	-
Mr. H. D. Lanzer	5	5	-	1	3	3
Mr. T. L. McCartney	5	5	-	2	3	3
Mr. M. R. I. McLeod	5	5	-	-	-	-
Dr. G. H. Weiss	5	4	-	-	-	-

REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented from page 14.

The Directors' Report is signed in accordance with a resolution of the Board of Directors.



Solomon Lew
Chairman
27 September 2018

REMUNERATION REPORT

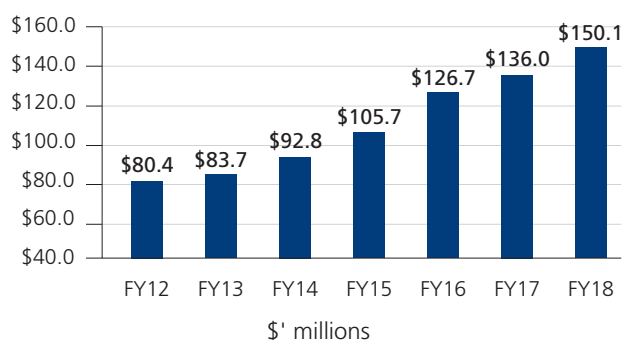
Dear Shareholders,

As Chairman of the Remuneration and Nomination Committee, I am pleased to present Premier Investments' remuneration report for the 52 weeks ended 28 July 2018. This report outlines, in detail, the remuneration outcomes and incentive arrangements, related to our performance.

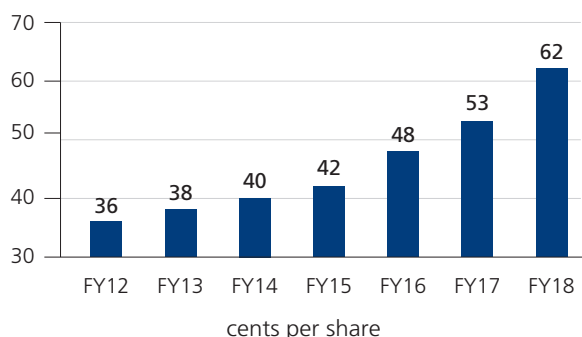
Premier has again successfully delivered strong results for our shareholders, in financial year 2018, even with the ongoing structural changes and challenges of retail, within Australia and Internationally. Premier Retail CEO, Mark McInnes has continued to successfully lead Premier Retail, with reported sales of \$1.18 billion, statutory reported retail segment operating profit before taxation of \$142.5 million and underlying Earnings before Interest and Taxation ("EBIT")¹ of \$150.1 million, up 10.3% on the prior financial year.

Premier shareholders continue to enjoy some of the best returns of any listed company in the ASX200. Premier Retail has delivered seven consecutive years of underlying EBIT growth, resulting in increased ordinary fully franked dividends being declared to our shareholders.

Underlying EBIT History¹



Full year ordinary dividends per share (fully franked)



¹ Refer to page 10 of the Directors' Report for a definition and reconciliation of underlying EBIT. FY16 Underlying EBIT represents a comparable 52 week period.

Directors' Report continued

REMUNERATION REPORT (CONTINUED)

We have a very strong team of highly respected female executives that lead critical business functions and most of our iconic retail brands. Some have had their careers developed from within the business whilst others have been encouraged to join the business, to strengthen it. Female leaders are responsible for five out of our seven brands, plus two of the critical support functions, being Internet and Marketing, and People and Culture.

Female leadership flows through all levels of the business. 90% of our approximately 9,000 strong work-force are female. Within management, 77% are female and of the senior management team, the representation is 63%². It is a key priority for us to ensure that the executive and leadership structure reflects our leadership composition, and we are continuing to encourage and support this.

During the 2018 financial year, Premier has also increased the diversity of the Board. Ms. Sylvia Falzon joined the Board in March 2018. Sylvia has extensive executive and board experience here in Australia and offshore, adding to the breath of skills required by Premier. Details of our Board's background and expertise are set out in the Directors' Report.

With the addition of Sylvia to the Board, Premier considers eight of the eleven Board members as at 28 July 2018 as independent. Dr. Gary Weiss and Mr Lindsay Fox both announced their retirement from the Premier Board, effective 28 July 2018. Subsequent to the retirement of Gary and Lindsay, the Board consists of 6 independent Directors.

The past financial year was a continuation of our expansion of our retail footprint overseas, with free standing stores and the addition of concession stores, commencing with a highly successful launch in Selfridges, London. At year-end, Premier Retail successfully and profitably operated 192 stores across Asia and Europe.

There has been Australian retail businesses who have tried to expand internationally, that have failed. Premier has been very successful, but the complexity of successfully developing and profitably managing these international opportunities, whilst continuing to develop the growth and profitability of the highly competitive and changing domestic retail market, is reflected in Premier's remuneration strategies. To do this, you now compete in an international talent pool.

In order to compete at this level for the best talent, it is critical that Premier continues to entice, incentivise and develop executives who can bring innovative and forward-thinking strategies to the business, that build shareholder wealth. The Board is committed to supporting its high calibre key management personnel, to ensure that the strong financial returns enjoyed by shareholders continue.

The report summarises our remuneration strategies, the way in which incentives are calculated and the connection between those strategies and the achievement of positive returns for shareholders.



Terrence McCartney
Chairman, Remuneration and Nomination Committee

² As per the Just Group Limited Australian Workplace Gender Equality Agency Report, lodged in May 2018.

REMUNERATION REPORT (AUDITED)

This remuneration report for the 52 weeks ended 28 July 2018 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth), as amended (the “Act”) and its regulations. This information has been audited as required by section 308 (3C) of the Act.

The remuneration report is presented under the following headings:

1. Introduction
2. Remuneration Governance
3. Executive remuneration arrangements:-
 - A. Remuneration principles and strategy
 - B. Approach to setting remuneration
 - C. Fixed remuneration objectives
 - D. Detail of incentive plans
4. Executive remuneration outcomes (including link to performance)
5. Remuneration of CEO Premier Retail, Mr. McInnes
6. Executive service agreements
7. Non-Executive Director remuneration arrangements
8. Remuneration of Key Management Personnel
9. Additional disclosures relating to Rights and Shares
10. Additional disclosures relating to transactions and balances with Key Management Personnel

1. INTRODUCTION

The remuneration report details the remuneration arrangements for Key Management Personnel (“KMP”) who 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 Group.

The table below outlines the Group’s KMP during the 52 weeks ended 28 July 2018. Unless otherwise indicated, the individuals were KMP for the entire financial year.

KEY MANAGEMENT PERSONNEL

(i) Non-Executive Directors

Mr. S. Lew	Chairman and Non-Executive Director
Dr. D. Crean	Deputy Chairman and Non-Executive Director
Mr. T. Antonie	Non-Executive Director and Lead Independent Director
Ms. S. Falzon	Non-Executive Director (<i>appointed 16 March 2018</i>)
Mr. L.E. Fox	Non-Executive Director (<i>retired 28 July 2018</i>)
Ms. S. Herman	Non-Executive Director
Mr. H.D. Lanzer	Non-Executive Director
Mr. T.L. McCartney	Non-Executive Director
Mr. M.R.I. McLeod	Non-Executive Director
Dr. G.H. Weiss	Non-Executive Director (<i>retired 28 July 2018</i>)

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

1. INTRODUCTION (CONTINUED)

KEY MANAGEMENT PERSONNEL (CONTINUED)

(ii) Executive Director

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

(iii) Executives

Mr. K.F. Davis Company Secretary, Premier Investments Limited

Mr. J.S. Bryce Chief Financial Officer, Just Group Limited (*appointed 13 December 2016*)

Other than as noted above, there were no changes to the KMP after the reporting date and before the date the financial report was authorised for issue.

Ms. Colette Garnsey ceased employment with the Group on 7 August 2017 and was therefore not considered to be a KMP for the 2018 financial year.

2. REMUNERATION GOVERNANCE

Remuneration and Nomination Committee

The Remuneration and Nomination Committee ("Committee") of the Board of Directors of the Group ("Board") comprises three Non-Executive Directors. Mr. McCartney assumed the role of Chairman of the Committee in August 2017. Mr. McCartney is an independent director and brings to the Committee many years of retail and business experience, both as an advisor and director. Further details in relation to Mr. McCartney's background and expertise is set out in the annual report.

The Committee is led by an independent Non-Executive Director and the majority of its members are independent Non-Executive Directors. This demonstrates an ongoing commitment to the independence of the Committee. The Committee has delegated decision-making authority for some matters related to the remuneration arrangements for KMP and is required to make recommendations to the Board on other matters.

Specifically, the Board approves the remuneration arrangements of the Chief Executive Officer Premier Retail ("CEO Premier Retail") and other executives, including awards made under the short term incentive ("STI") and long term incentive ("LTI") plans, following recommendations from the Committee. The Board also sets the aggregate remuneration for Non-Executive Directors (which is subject to shareholder approval) and Non-Executive Director fee levels. The Committee approves, having regard to recommendations made by the CEO Premier Retail, the level of the Group STI pool.

The Committee meets regularly. The CEO Premier Retail attends certain Committee meetings by invitation, where management input is required. The CEO Premier Retail is not present during discussions relating to his own remuneration arrangements.

Further information relating to the Committee's role, responsibilities and membership can be seen at www.premierinvestments.com.au.

Use of remuneration advisors

The Committee may from time to time seek external remuneration advice to ensure it is fully informed when making remuneration decisions. Remuneration advisors are engaged by, and report directly to, the Committee.

No such advice was sought during the 2018 financial year.

3. EXECUTIVE REMUNERATION ARRANGEMENTS

3A. Remuneration principles and strategy

The Group's executive remuneration strategy is designed to attract, motivate and retain high performing individuals, and align the interests of executives with shareholders.

The Group operates mainly in the retail industry, with significant revenues earned in its traditional markets of Australia and New Zealand. The retail industry in these markets has seen marked structural change over recent years, including a prevalence in the use of new and existing technology, an increase in international competitors and significant changes in general consumer sentiment.

Complementing its strong market position in Australia and New Zealand, the Group has significantly increased its revenues from international markets in Asia and Europe. The Group is committed to growing its existing international presence whilst also exploring expansion into new geographies. During the 2018 financial year, the Group opened its first global concession store in Selfridges, London.

The market for skilled and experienced executives in the retail industry continues to be increasingly competitive and international in nature. The Group's strong domestic position, as well as global reach, provides exposure to an international pool of talent and access to a diverse range of strategies to respond to industry changes.

Given these structural changes and the Group's growing international business, the Board believes it is both critical to the future success of the business, and in the best interest of shareholders, to attract, retain and develop the best possible executive team through the provision of competitive remuneration packages, and incentive arrangements which are aligned to growth and performance.

The Group's strategic objective is to be recognised as a leader in the retail industry and build long term value for shareholders. It seeks to do this in the following ways:

PREMIER RETAIL TRANSFORMATION STRATEGY – OUR FOCUS ON GROWTH AND INVESTMENT	
GROWTH	CORE
<ul style="list-style-type: none">• Grow Smiggle significantly• Grow Peter Alexander significantly• Expansion and growth of online businesses	<ul style="list-style-type: none">• Gross margin expansion program• Rejuvenation of core apparel brands• Organisation-wide cost efficiency program

The Group is committed to ensuring that executive remuneration outcomes are explicitly linked to the overall performance and success of the Group. This section, and in particular the diagram on the following page, illustrates this link between the Group's strategic objective and its executive remuneration strategies.

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

3A. Remuneration principles and strategy (continued)

Group Objective

To be recognised as a leader in our industry and build long-term value for our shareholders

Remuneration strategy linkages to Group objective

Align the interests of executives with shareholders

- The remuneration framework incorporates “at-risk” components, through STI and LTI plans.
- Performance is assessed against a suite of financial and non-financial measures relevant to the success of the Group and generate returns for shareholders.

Attract, motivate and retain high performing individuals

- Remuneration is competitive as compared to companies of a similar size and complexity.
- Longer-term remuneration frameworks and “at-risk” components encourage retention, development and a multi-year performance focus.

Component	Vehicle	Purpose	Link to performance
Fixed remuneration	Comprises base salary, superannuation contributions and other benefits	To provide competitive fixed remuneration with reference to the applicable role, market and relevant executive's experience.	Both the executive's performance, and the performance of the Group, are considered during regular remuneration reviews.
STI	Awarded in cash	Rewards executives for their contribution to achievement of Group and business unit annual outputs and performance outcomes.	Key financial metrics based primarily on Premier Retail's underlying earnings before interest and taxation (“EBIT”) of each business unit, as well as a suite of other internal financial and non-financial measures.
LTI	Awarded in performance rights	Rewards executives for their contribution to the creation of shareholder value over the long term.	Vesting of performance rights is dependent on both a positive total shareholder return (“TSR”) for the Group and testing against the Comparison Peer Group (defined in Section 3D of this report).
Discretionary Bonus	Awarded in cash or performance rights	Rewards executives in exceptional circumstances linked to long term shareholder outcomes.	Granted at the discretion of the Board upon recommendation of the Committee in exceptional circumstances, and when in the best interests of the Group. No discretionary bonuses were made during the 2018 or 2017 financial years.

3B. Approach to setting remuneration

For the 52 weeks ended 28 July 2018, the executive remuneration framework comprised of fixed remuneration, STI and LTI, as outlined below. Details of Mr. McInnes' remuneration are provided in section 5 of this report.

The Group aims to reward executives with a competitive level and mix of remuneration appropriate to their position and responsibilities, and linked to shareholder value creation.

3C. Fixed remuneration objectives

Fixed remuneration is reviewed by the Committee. The process consists of a review of the Group, applicable business unit and executive's individual performance, relevant comparative remuneration (both externally and internally) and, where appropriate, external advice. The Committee has access to external advice independent of management.

3D. Detail of incentive plans

Short term incentive ("STI")

The Group operates an annual STI program which is awarded subject to the attainment of clearly defined financial and non-financial Group and business unit measures.

Who participates?	Executives who have served a minimum of nine months.
How is STI delivered?	Cash.
What is the STI opportunity?	Executives have an STI opportunity of between 0% and 100% of their fixed remuneration.
What are the applicable financial performance measures?	<p>STI payments awarded to each executive are explicitly aligned to the key value drivers of Premier Retail, such that rewards will only be payable when the following criteria have been met:</p> <ul style="list-style-type: none">• budgeted EBIT of Premier Retail has been achieved and an incentive pool has been created;• the executive receives a performance appraisal on target or above;• the executive's minimum performance outcomes have been achieved (hurdle); and• the executive's key performance indicators ("KPIs") have been met (qualifiers). <p>The financial performance measures are chosen with reference to the strategic objective to promote both short term success and provide a framework for delivering long term value.</p> <p>The hurdle criteria are designed to ensure STI outcomes are aligned to the creation of shareholder value. If the hurdles are not met, the STI is not payable.</p> <p>The qualifier criteria aligns the individual activities and focus of the executive to shareholder value. Each executive is set multiple KPIs covering financial, non-financial, Group and business unit measures of performance. The KPIs are quantifiable and weighted according to their value.</p> <p>The budgeted EBIT for each year is expected to incorporate growth on the previous year. As such, in a year in which STI payments are made, executives must exceed the actual result in the prior year to achieve an STI in the following year. This mechanism ensures the STI scheme continues to build shareholder returns over time.</p>

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

3D. Detail of incentive plans (continued)

Short-term incentive ("STI") (continued)

What are the applicable non-financial performance measures?	<p>The award of an STI is also dependent on the executive achieving individual aligned non-financial performance indicators, such as:</p> <ul style="list-style-type: none">• retention of existing customers through outstanding customer service;• implementation of key growth initiatives;• demonstrated focus on a continuous improvement in safety performance; and• demonstrated focus on the growth and development of leadership and team talent to encourage leadership succession.
How is performance assessed?	<p>After the end of the financial year, following consideration of the financial and non-financial performance indicators, the Committee obtains input from the CEO Premier Retail in relation to the amount of STI to be paid to eligible executives.</p> <p>The Committee then provides its recommendations to the Just Group Board for approval. The provision of any STI payments is subject to the sole discretion of the Chairman.</p>

Long-term incentive ("LTI")

The Group's LTI plan seeks to create shareholder value over the long term by aligning executive remuneration with the Group's strategic objectives.

Generally, LTI performance rights are granted annually and are eligible to vest three years from the date of the grant, with the exception of rights awarded to Mr. McInnes. Refer to section 5 for details surrounding Mr McInnes' LTI arrangements.

Long-term incentive ("LTI") (continued)

Who participates?	Executives.														
How is LTI delivered?	Performance rights.														
What were the performance measures for the 2018 and 2017 financial years?	<p>LTI rights awarded to each executive are subject to a two stage performance test - an absolute and relative test - based on the Group's TSR. Broadly, TSR is the percentage growth achieved from an investment in ordinary shares over the relevant testing period (assuming all dividends are reinvested).</p> <p>The two stage performance measure approach ensures that the LTI plan operates as a key driver for performance whilst also providing an incentive to executives.</p> <p>The absolute test requires the Group to achieve a positive TSR over the testing period. If the TSR is negative over the testing period, then the performance rights lapse.</p> <p>If the TSR is positive over the testing period, the relative test is undertaken, which compares the Group's TSR with the S&P/ASX200 excluding overseas and resource companies ("Comparison Peer Group"). The Comparison Peer Group was chosen to reflect the Group's competitors for both capital and talent.</p> <p>The Group's performance against the Comparison Peer Group measure is determined according to its ranking against the Comparison Peer Group over the performance period. The vesting schedule is as follows:</p> <table border="1" data-bbox="456 1048 1225 1379"> <thead> <tr> <th data-bbox="456 1048 831 1155">Target</th> <th data-bbox="839 1048 1225 1155">Conversion ratio of rights to shares available to vest under the TSR performance condition</th> </tr> </thead> <tbody> <tr> <td data-bbox="456 1160 831 1193">Below 50th percentile</td> <td data-bbox="839 1160 1225 1193">0%</td> </tr> <tr> <td data-bbox="456 1198 831 1232">50th percentile</td> <td data-bbox="839 1198 1225 1232">25%</td> </tr> <tr> <td data-bbox="456 1236 831 1270">Between 50th and 62.5th percentile</td> <td data-bbox="839 1236 1225 1270">Pro Rata</td> </tr> <tr> <td data-bbox="456 1274 831 1308">62.5th percentile</td> <td data-bbox="839 1274 1225 1308">50%</td> </tr> <tr> <td data-bbox="456 1312 831 1346">Between 62.5th and 75th percentile</td> <td data-bbox="839 1312 1225 1346">Pro Rata</td> </tr> <tr> <td data-bbox="456 1350 831 1384">75th percentile and above</td> <td data-bbox="839 1350 1225 1384">100%</td> </tr> </tbody> </table> <p>The absolute test was introduced to ensure that shareholders and executives are aligned in the goal of absolute wealth creation. The relative test was introduced to provide alignment between comparative shareholder return and reward for executives.</p> <p>The Group considers the suitability of the above performance conditions on an annual basis.</p>	Target	Conversion ratio of rights to shares available to vest under the TSR performance condition	Below 50 th percentile	0%	50 th percentile	25%	Between 50 th and 62.5 th percentile	Pro Rata	62.5 th percentile	50%	Between 62.5 th and 75 th percentile	Pro Rata	75 th percentile and above	100%
Target	Conversion ratio of rights to shares available to vest under the TSR performance condition														
Below 50 th percentile	0%														
50 th percentile	25%														
Between 50 th and 62.5 th percentile	Pro Rata														
62.5 th percentile	50%														
Between 62.5 th and 75 th percentile	Pro Rata														
75 th percentile and above	100%														
How is performance assessed?	<p>TSR performance is calculated by an independent external advisor at the end of each performance period.</p> <p>Section 9 of this report, titled "Additional disclosures relating to rights and shares", provides details of performance rights granted, vested, exercised and lapsed during the year.</p>														

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

3D. Detail of incentive plans (continued)

Long-term incentive ("LTI") (continued)

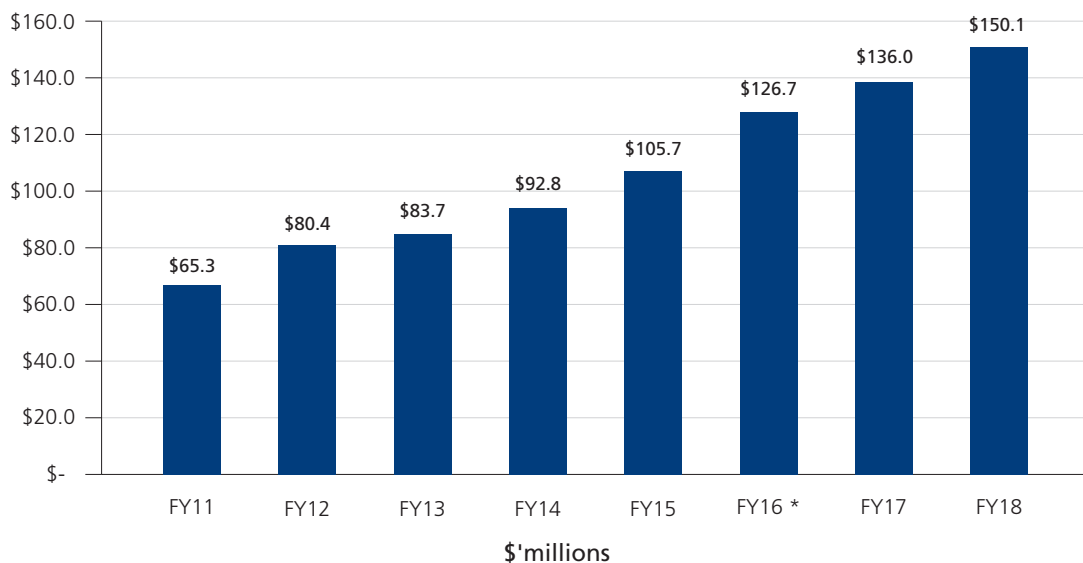
When does the LTI vest?	Generally, the performance rights will vest over a period of three years subject to meeting performance measures. Performance rights issued from the 2016 financial year onwards have no opportunity to re-test.
How are grants treated on termination?	Generally, all outstanding unvested rights are forfeited upon an executive resigning from the Group.
May participants enter into hedging arrangements?	Executives are prohibited from entering into transactions to hedge or limit the economic risk of the securities allocated to them under the LTI scheme, either before vesting or after vesting while the securities are held subject to restriction. Executives are only able to hedge securities that have vested but continue to be subject to a trading restriction and a seven-year lock, with the prior consent of the Board. No employees have any hedging arrangements in place.
Are there restrictions on disposals?	Once rights have been allocated, disposal of performance shares is subject to restrictions whereby Board approval is required to sell shares granted within seven years under the LTI plan.
Do participants receive distributions or dividends on unvested LTI grants?	Participants do not receive distributions or dividends on unvested LTI grants.

4. EXECUTIVE REMUNERATION OUTCOMES (INCLUDING LINK TO PERFORMANCE)

Group performance and its link to STI

STI payment outcomes are primarily driven by Premier Retail's underlying EBIT growth. The following chart shows Premier Retail's underlying EBIT for the eight years since the appointment of Mr. McInnes as CEO Premier Retail.

Premier Retail Underlying EBIT



* FY16 Underlying EBIT represents a comparable 52 week period.

Note: The term underlying EBIT is not an IFRS defined term. Please refer to page 10 for a reconciliation between underlying EBIT and statutory reported operating profit before tax for the Retail Segment.

Performance compared to STI payments made during the financial years ended 28 July 2018 and 29 July 2017

STI payment to Mr. Bryce

During the 2017 financial year, an STI payment of \$50,000 was paid to Mr. Bryce in line with the hurdles and qualifiers relating to his 2016 financial year STI plan. This included the achievement of Premier Retail underlying EBIT. No STI was paid during the 2018 financial year.

STI payments to Ms. Garnsey

Ms. Garnsey was provided with an STI payment of \$300,000 in the 2017 financial year, in line with the hurdles and qualifiers relating to her STI plan. This included the achievement of Premier Retail underlying EBIT and the achievement of hurdles and qualifiers for specific brands for the 2016 financial year. Ms. Garnsey ceased effective 7 August 2017, and as such was not considered a KMP for the 2018 financial year.

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. EXECUTIVE REMUNERATION OUTCOMES (INCLUDING LINK TO PERFORMANCE) (CONTINUED)

Group performance and its link to LTI

The performance measure which drives LTI vesting is dependent on an absolute test, being a positive Group TSR performance and a relative test, being a comparison against the Comparison Peer Group (as defined in section 3D of this report).

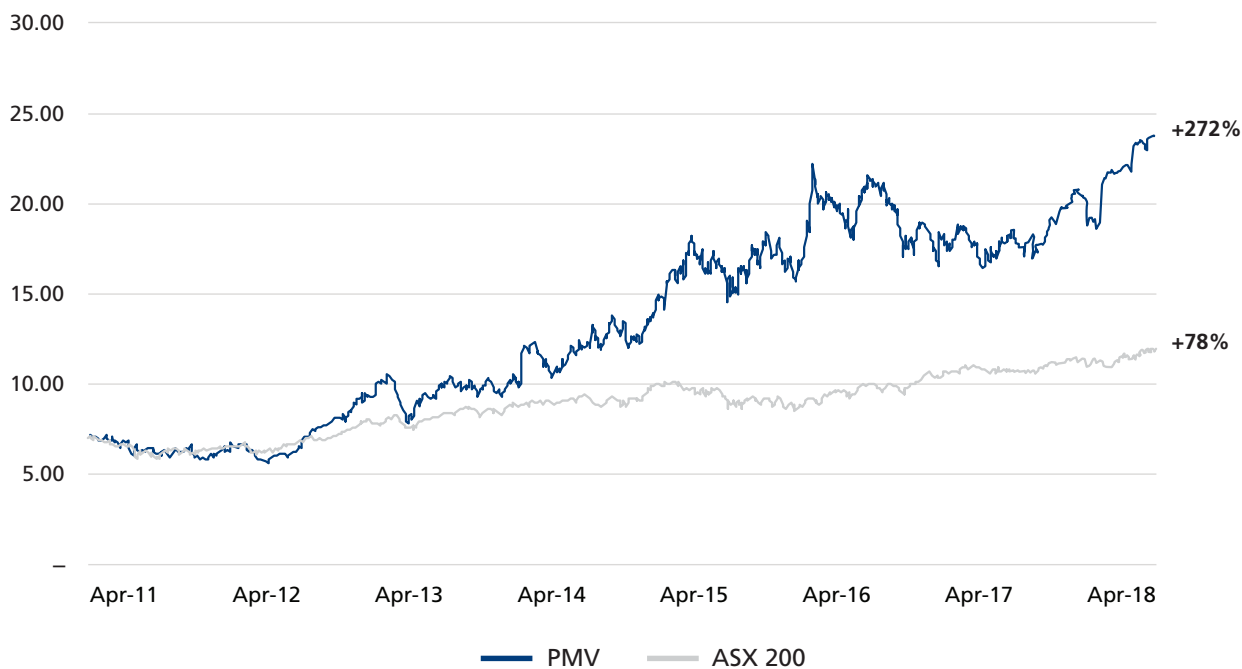
The table below illustrates the outcomes of the TSR testing performed during the 2017 and 2018 financial years in relation to KMP:

Testing Period	Share price at start of testing period	Share price at end of testing period	Dividends paid	TSR percentage	TSR percentile	Number of Performance Rights tested for KMP
4 Apr 2014 to 4 Apr 2017	\$9.95	\$13.83	\$1.39 fully franked	62.80%	74 th	250,000*
19 Jun 2012 to 19 Jun 2017	\$4.49	\$12.90	\$2.21 fully franked	248.70%	90 th	80,000
4 Apr 2014 to 4 Apr 2018	\$9.95	\$15.93	\$1.92 fully franked	87.67%	83 rd	250,000*

* Relates to Mr. McInnes, refer to section 5 of this report.

The below chart shows the Premier TSR against the S&P/ASX200 Index, from 4 April 2011 to 28 July 2018:

Premier Investments Limited TSR against the ASX200 Index from 4 April 2011 to 28 July 2018



5. REMUNERATION OF CEO PREMIER RETAIL, MR. MCINNES

Mr. McInnes' fixed remuneration

Mr. McInnes' annual fixed remuneration increased from \$2,000,000 to \$2,500,000, effective from the beginning of the 2016 financial year. This was Mr. McInnes' first increase in fixed remuneration since joining the Group in 2011.

Mr. McInnes' notice period

Upon cessation of his employment, Mr. McInnes is entitled to 12 months' notice ("Notice Period") if he resigns or is terminated by Premier for any reason other than for serious misconduct, or for conduct otherwise giving rise to an entitlement at law to summarily dismiss ("Terminated Without Cause").

During the Notice Period, Premier may direct Mr. McInnes to continue in his role, perform no duties, reduced duties or alternative duties during the Notice Period, or elect to provide Mr. McInnes with payment in lieu of the Notice Period. The maximum amount of any payment in lieu of the Notice Period based on Mr. McInnes' current fixed remuneration is \$2,500,000 gross, less applicable tax.

If Mr. McInnes is terminated for serious misconduct or Premier is otherwise entitled at law to summarily dismiss Mr. McInnes ("Terminated for Cause"), Premier may terminate Mr. McInnes' employment without providing the Notice Period (or payment in lieu of the Notice Period).

Mr. McInnes' STI arrangements

Mr. McInnes is entitled to receive a STI if the applicable performance targets and conditions set out below are met.

Calculation of Mr. McInnes' STI is based on growth of Premier Retail EBIT, as compared to the previous financial year ("Base Year"). The relevant performance targets and corresponding STI payment amounts are as follows:

EBIT growth less than 5% of Base Year	No payment.
EBIT growth of 5% of Base Year	\$1,250,000.
EBIT growth between 5% and 10% of Base Year	\$1,250,000 plus a pro rata payment based on the % of the EBIT growth above 5%, up to a maximum of \$2,500,000 for 10% EBIT growth.
EBIT growth of above 10% of Base Year	If Mr. McInnes considers that any additional payment is warranted based on EBIT growth of above 10%, he may make a request for an additional payment to the Chairman of Premier. The Chairman may determine whether or not to make any such payment in his sole and absolute discretion within 30 days of receiving any such request.

The maximum payment that Mr. McInnes may receive under the current STI scheme is \$2,500,000, unless the Chairman decides to make an additional payment in his absolute discretion to reward EBIT growth of above 10%. The Chairman has not used such discretion during the 2017 or 2018 financial years.

The Chairman has absolute discretion to make an additional STI payment if Mr. McInnes would not otherwise be entitled to such a payment under the above table.

The amount that Mr. McInnes may receive under the STI scheme in connection with him ceasing employment (for reasons other than being Terminated for Cause) will depend on the financial year in which the Notice Period ends and will be calculated in accordance with the above table (on a pro rata basis for part of a financial year if the Notice Period ends part way through a financial year).

If Mr. McInnes resigns from his employment, or is Terminated Without Cause, he remains entitled to continue participating in the STI scheme until the end of the Notice Period.

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. REMUNERATION OF CEO PREMIER RETAIL, MR. MCINNES (CONTINUED)

Mr. McInnes' STI arrangements (continued)

This entitlement will not be impacted by any election by Premier to direct Mr. McInnes to continue in his role, to perform no duties, reduced duties or alternative duties during the Notice Period, or to provide Mr. McInnes with a payment in lieu of the Notice Period.

If Mr. McInnes' employment is Terminated for Cause, he is not entitled to participate in the STI scheme for the financial year in which his employment ceases, or any following financial year.

Payment of an STI upon Mr. McInnes' cessation of employment may be considered a termination benefit within the meaning of Part 2D.2 of the Act.

Mr. McInnes' STI payments during the financial years ended 28 July 2018 and 29 July 2017

During the 2018 financial year, an STI payment of \$1,840,000 was made to Mr. McInnes which primarily reflected the significant growth achieved in Premier Retail's EBIT for the 2017 financial year.

During the 2017 financial year, an STI payment of \$2,500,000 was made to Mr. McInnes which primarily reflected the significant growth achieved in Premier Retail's EBIT for the 2016 financial year.

The historical growth in Premier Retail's underlying EBIT is detailed in the graph in section 4 of this report.

Mr. McInnes' STI payment for the 2018 financial year will be finalised in December 2018.

Mr. McInnes' LTI arrangements

Mr. McInnes is entitled to 1,000,000 performance rights split into four equal tranches. The performance rights were granted at no cost to Mr. McInnes and, conditional on the performance hurdles being met, the performance rights will be exercisable at no cost.

Shareholders approved the right of the Group to issue the 1,000,000 performance rights to Mr. McInnes at the 2015 Annual General Meeting of shareholders held on 27 November 2015. The rules pertaining to this grant were approved by shareholders at the Extraordinary General Meeting of shareholders held on 15 June 2016.

The performance rights granted will vest in four equal tranches subject to the achievement of both an absolute and relative TSR test. No value will be received by Mr. McInnes if the performance rights lapse prior to the vesting date.

Each tranche of performance rights will be tested against the TSR performance measure over different testing periods, as follows:

- Tranche A – 4 April 2014 to 4 April 2017 (*Tested, see further details provided in Section 5*)
- Tranche B – 4 April 2014 to 4 April 2018 (*Tested, see further details provided in Section 5*)
- Tranche C – 4 April 2014 to 4 April 2019
- Tranche D – 4 April 2014 to 4 April 2020

(each date being a "Vesting Date").

The share price baseline for each tranche is \$9.88, which was the volume weighted average share price ("VWAP") of the ordinary shares on ASX for the five trading days prior to 4 April 2014. Premier's TSR will be calculated based on the percentage growth achieved from the share price baseline of \$9.88 to the share price on the relevant Vesting Date (calculated by the VWAP of the ordinary shares on ASX for the five trading days prior to the relevant Vesting Date).

The first stage absolute test requires that the TSR over the testing period is positive.

If the TSR is positive, the second stage relative test requires the TSR to be assessed against the relative performance of the Comparison Peer Group.

Mr. McInnes' LTI arrangements (continued)

The relative TSR performance targets and the corresponding vesting percentages are as follows:

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

Premier's TSR and ranking within the Comparison Peer Group for each testing period will be assessed by an external independent advisor.

The performance rights under each tranche lapse if the applicable performance hurdles are not met (unless otherwise determined by the Board in its absolute discretion).

If in any year Mr. McInnes has satisfied all performance conditions, other than the TSR being positive, and would otherwise have been entitled to vesting of any performance rights, the Chairman may, in his sole and absolute discretion, elect to enable some or all of the applicable performance rights to vest if circumstances justify such an award.

If Mr. McInnes resigns, or is Terminated Without Cause, he will be entitled to continue to participate in the LTI plan until the end of his Notice Period, regardless of any election by Premier to direct Mr. McInnes to continue in his role, to perform no duties, reduced duties or alternative duties during the Notice Period, or to provide Mr. McInnes with a payment in lieu of the Notice Period.

If Mr. McInnes' employment is Terminated for Cause, he is not entitled to participate in the LTI plan for the financial year in which his employment ceases, or any following financial year.

If Mr. McInnes resigns, or is Terminated Without Cause, and the final day of the Notice Period is within 14 days prior to a Vesting Date, Mr. McInnes remains entitled to have the performance rights tested against the TSR performance measure on the Vesting Date ("Special Vesting").

The Special Vesting terms will be effective regardless of any election by Premier to direct Mr. McInnes to continue in his role, to perform no duties, reduced duties or alternative duties during the Notice Period, or to provide Mr. McInnes with a payment in lieu of the Notice Period.

Provision of a LTI upon Mr. McInnes' cessation of employment may be considered a termination benefit within the meaning of Part 2D.2 of the Act.

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

5. REMUNERATION OF CEO PREMIER RETAIL, MR. MCINNES (CONTINUED)

Shares issued as a result of vesting of performance rights issued to Mr McInnes for the financial years ended 28 July 2018 and 29 July 2017

During the 2018 financial year, a tranche of 250,000 performance rights (being Tranche B) were tested for the period 4 April 2014 to 4 April 2018. The TSR over this period was 87.67%, placing Premier in the 83rd percentile of the Comparison Peer Group. Details of this test have been presented in Section 4 of this report. The testing resulted in 100% of the performance rights qualifying for vesting into 250,000 newly issued shares in April 2018.

During the 2017 financial year, a tranche of 250,000 performance rights (being Tranche A) were tested for the period 4 April 2014 to 4 April 2017. The TSR over this period was 62.80%, placing Premier in the 74th percentile of the Comparison Peer Group. Details of this test have been presented in Section 4 of this report. The testing resulted in 94.7% of the performance rights qualifying for vesting into 236,800 newly issued shares in April 2017.

Mr. McInnes' post-employment restrictions

If Mr. McInnes resigns, is Terminated Without Cause or is Terminated for Cause, Premier may elect to restrict Mr. McInnes from certain conduct in competition with Premier for a period of either 12 months or 24 months from the end of the Notice Period ("Post-employment Restrictions").

If Premier elects to enforce the Post-employment Restrictions, it is required to provide Mr. McInnes with his total fixed remuneration during the relevant period (up to a maximum period of 24 months). If Premier elects to enforce the Post-employment Restrictions for 24 months, Mr. McInnes would receive a total of \$5,000,000 gross, less applicable tax based on his current total fixed remuneration. If Premier elects to enforce the Post-employment Restrictions for 12 months, Mr. McInnes would receive a total of \$2,500,000 gross, less applicable tax.

Premier's ability to enforce the Post-employment Restrictions will not be impacted by any election by Premier to direct Mr. McInnes to continue in his role, perform no duties, reduced duties or alternative duties during the Notice Period, or to provide Mr. McInnes with a payment in lieu of the Notice Period.

If Mr. McInnes' employment is Terminated for Cause, Premier may elect to enforce the Post-employment Restrictions from the date on which his employment is terminated (as no Notice Period will be provided).

The payments outlined above may be considered a termination benefit within the meaning of Part 2D.2 of the Act.

Termination benefits

The STI, LTI and Post-employment Restrictions payments and benefits outlined above may be considered termination benefits within the meaning of Part 2D.2 of the Act.

At an Extraordinary General Meeting held on 15 June 2016, shareholders approved these potential termination benefits for the purposes of Part 2D.2 of the Act.

6. EXECUTIVE SERVICE AGREEMENTS

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

	Start date	Term of agreement	Review period	Notice period required from Premier	Termination benefits		
					Premier initiated	Upon diminution of role	Notice period required from employee
Mr. McInnes	4 April 2011	Open	Annual	12 months	12 months fixed rem. including notice	Nil	12 months fixed rem. including notice
Mr. Bryce <i>(appointed: 13 December 2016)</i>	13 Dec 2016	Open	Annual	12 months	12 months fixed rem. including notice	Nil	12 months
Mr. Davis	17 Nov 1993	Open	Annual	3 months	Nil	Nil	3 months

7. NON-EXECUTIVE DIRECTOR REMUNERATION ARRANGEMENTS

Determination of fees and maximum aggregate Non-Executive Director Remuneration

The Board seeks to set Non-Executive Director fees at a level which provides the Group with the ability to attract and retain Non-Executive Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Group's constitution and the ASX listing rules specify that the Non-Executive Director maximum aggregate remuneration shall be determined from time to time by a general meeting. The most recent determination of this kind was at the 2016 Annual General Meeting held on 2 December 2016 when shareholders approved an aggregate remuneration of an amount not exceeding \$1,500,000 per year.

The Chairman of the Group, consistent with his past practice, has declined to accept any remuneration for his role as a director or for his role on any committees.

Fee policy

Non-Executive Director's fees consist of base fees and committee fees. The payment of committee fees recognises the additional time commitment required by Non-Executive Directors who serve on Board committees.

Non-Executive Directors may be reimbursed for expenses reasonably incurred in attending to the Group's affairs. Non-Executive Directors do not participate in any incentive programs. Premier has not established any schemes for retirement benefits for Non-Executive Directors (other than superannuation).

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

2018	Short-term		Non-Monetary Benefits	Post-employment		Share based Long-term incentives	Total	Performance related %
	Salary/Fee	Cash		Superannuation	Other Post-employment			
	\$	\$	\$	\$	\$	\$		
Non-Executive Directors								
Mr. S. Lew	-	-	-	-	-	-	-	-
Mr. T. Antonie	120,000	-	-	-	-	-	120,000	-
Dr. D. Crean	146,119	-	-	13,881	-	-	160,000	-
Ms. S. Falzon	34,369	-	-	3,265	-	-	37,634	-
Mr. L. E. Fox	73,059	-	-	6,941	-	-	80,000	-
Ms. S Herman	91,324	-	-	8,676	-	-	100,000	-
Mr. H. D. Lanzer ¹	80,000	-	-	-	-	-	80,000	-
Mr. T.L. McCartney	340,000	-	-	-	-	-	340,000	-
Mr. M. R. I. McLeod	95,000	-	-	25,000	-	-	120,000	-
Dr. G. H. Weiss	73,059	-	-	6,941	-	-	80,000	-
Total Non-Executive Directors	1,052,930	-	-	64,704	-	-	1,117,634	-
Executives								
Mr. M. McInnes	2,475,000	1,840,000 ²	154,410	25,000	-	2,332,071	6,826,481	61.12
Mr. J.S. Bryce	423,936	-	-	20,089	-	11,032	455,057	2.42
Mr. K.F. Davis	509,551	-	-	20,049	-	-	529,600	-
Total executives	3,408,487	1,840,000	154,410	65,138	-	2,343,103	7,811,138	-
TOTAL 2018	4,461,417	1,840,000	154,410	129,842	-	2,343,103	8,928,772	-

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

² Refer to page 27 for further information relating to the STI payment for Mr. McInnes.

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL (CONTINUED)

2017	Salary/Fee \$	Short-term		Non-Monetary Benefits \$	Post-employment		Share based Long-term incentives \$	Total \$	Performance related %
		Cash \$			Superannuation \$	Other Post- employment \$			
Non-Executive Directors									
Mr. S. Lew	-	-	-	-	-	-	-	-	-
Mr. T. Antonie	120,000	-	-	-	-	-	-	120,000	-
Dr. D. Crean	146,119	-	-	-	13,881	-	-	160,000	-
Mr. L. E. Fox	73,059	-	-	-	6,941	-	-	80,000	-
Ms. S. Herman	91,324	-	-	-	8,676	-	-	100,000	-
Mr. H. D. Lanzer ¹	80,000	-	-	-	-	-	-	80,000	-
Mr. T. L. McCartney	340,000	-	-	-	-	-	-	340,000	-
Mr. M. R. I. McLeod	83,817	-	-	-	36,183	-	-	120,000	-
Dr. G. H. Weiss	73,059	-	-	-	6,941	-	-	80,000	-
Total Non-Executive Directors	1,007,378	-	-	-	72,622	-	-	1,080,000	-
Executives									
Mr. M. McInnes	2,470,417	2,500,000 ²	-	161,200	29,583	-	4,929,541	10,090,741	73.63
Mr. J. S. Bryce	277,959	50,000 ²	-	-	13,798	-	-	341,757	14.63
Mr. K. F. Davis	480,385	-	-	-	19,615	-	-	500,000	-
Ms. C. Garnsey ³	964,111	300,000 ²	-	291,212	35,864	-	41,036	1,632,223	20.89
Total executives	4,192,872	2,850,000	-	452,412	98,860	-	4,970,577	12,564,721	
TOTAL 2017	5,200,250	2,850,000	-	452,412	171,482	-	4,970,577	13,644,721	

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

² Refer to page 27 for further information relating to the STI payment for Mr. McInnes, and to page 24 for information relating to the STI payment for Mr. Bryce and Ms. Garnsey.

³ Ms. Garnsey ceased employment on 7 August 2017.

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

9. ADDITIONAL DISCLOSURES RELATING TO RIGHTS AND SHARES

a) Rights awarded, vested and lapsed during the year:

The table below discloses the number of performance rights granted to key management personnel (KMP) as remuneration for the financial year ended 28 July 2018, as well as the number of rights vested and lapsed during the year:

2018	Year granted	Rights awarded during the year	Terms and conditions			Rights vested and lapsed during the year		
			No.	Fair value per right at grant date \$	Grant date	Expiry date	First exercise date	Last exercise date
KMP								
	2016	-	-	26 Apr 2016	-	4 Apr 2017	-	-
	2018	8,713	7.85	19 Feb 2018	1 Oct 2020	1 Oct 2020	250,000	-

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

2018	Value of rights granted during the year \$	Value of rights exercised during the year \$	Value of rights lapsed during the year \$	Remuneration consisting of rights for the year %
KMP				
Mr. M. McInnes	-	3,935,000	-	34.16
Mr. J.S. Bryce	68,397	-	-	2.42

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

c) Shares issued on exercise of rights:

2018	Shares issued No	Paid per share \$	Unpaid per share \$
KMP			
Mr. M. McInnes	250,000	-	-

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

d) Rights holdings of KMP:

2018	Balance at 29 July 2017	Granted as remuneration	Rights exercised	Rights lapsed	Rights forfeited	Balance at 28 July 2018	At 28 July 2018	
							Total	Not exercisable
KMP								
Mr. M. McInnes	750,000	-	(250,000)	-	-	500,000	-	500,000
Mr. J.S. Bryce	-	8,713	-	-	-	8,713	-	8,713
Ms. C Garnsey	15,923	-	-	-	(15,923)	-	-	-

Ms. Garnsey ceased employment on 7 August 2017.

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

Directors' Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

9. ADDITIONAL DISCLOSURES RELATING TO RIGHTS AND SHARES (CONTINUED)

e) Number of Shares held in Premier Investments Limited:

2018	BALANCE 29 JULY 2017 ORDINARY	SHARE PURCHASE ORDINARY	SHARES ACQUIRED UNDER PERFORMANCE RIGHTS PLAN ORDINARY	NET CHANGE - OTHER ORDINARY	BALANCE 28 JULY 2018 ORDINARY
NON-EXECUTIVE DIRECTORS					
Mr. S. Lew *	4,437,699	-	-	-	4,437,699
Mr. T. Antonie	-	-	-	-	-
Dr. D.M. Crean	-	-	-	-	-
Ms. S. Falzon	-	-	-	-	-
Mr. L.E. Fox **	2,577,014	-	-	-	2,577,014
Ms. S. Herman	8,000	-	-	-	8,000
Mr. H.D. Lanzer	27,665	-	-	-	27,665
Mr. T.L. McCartney	-	-	-	-	-
Mr. M.R.I. McLeod	28,186	-	-	-	28,186
Dr. G.H. Weiss **	6,000	-	-	-	6,000
EXECUTIVES					
Mr. M. McInnes	236,800	-	250,000	-	486,800
Mr. K.F. Davis	-	-	-	-	-
Mr. J.S. Bryce	-	-	-	-	-
Ms. C. Garnsey ***	160,000	-	-	(160,000)	-
TOTAL	7,481,364	-	250,000	(160,000)	7,571,364

* Mr. Lew is an associate of Century Plaza Investments Pty. Ltd. and Metrepark Pty. Ltd (Associated Entities). The Associated Entities, collectively, have a relevant interest in 59,804,731 (2017: 59,804,731) shares in the company. However, Mr. Lew does not have a relevant interest in the shares in the company held by the Associated Entities.

** Mr. Fox and Dr. Weiss retired on 28 July 2018.

*** Ms. Garnsey ceased employment on 7 August 2017.

10. ADDITIONAL DISCLOSURES RELATING TO TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

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

Mr. Lanzer is the managing partner of the legal firm Arnold Bloch Leibler. Group companies use the services of Arnold Bloch Leibler from time to time. Legal services totalling \$1,996,754 (2017: \$3,242,483), including Mr. Lanzer's Director fees, GST and disbursements were invoiced by Arnold Bloch Leibler to the Group, with \$58,580 (2017: \$200,314) remaining outstanding at year-end. The fees paid for these services were at arm's length and on normal commercial terms.

Details and terms and conditions of other transactions and balances with key management personnel and their related parties (continued)

Mr. Lanzer is a director of Loch Awe Pty Ltd. During the year, operating lease payments totalling \$330,000 (2017: \$299,750) including GST was paid to Loch Awe Pty Ltd. The payments were at arm's length and on normal commercial terms.

Mr. Lew is a director of Voyager Distributing Company Pty Ltd and family companies associated with Mr. Lew have a controlling interest in Playcorp Pty Ltd and Sky Chain Trading Limited. During the year, purchases totalling \$16,404,781 (2017: \$15,052,592) including GST have been made by Group companies from Voyager Distributing Co. Pty Ltd, Playcorp Pty Ltd and Sky Chain Trading Limited, with \$1,737,758 (2017: \$788,091) remaining outstanding at year-end. The purchases were all at arm's length and on normal commercial terms.

Mr. Lew is a director of Century Plaza Trading Pty. Ltd. The company and Century Plaza Trading Pty Ltd are parties to a Services Agreement to which Century Plaza Trading agrees to provide certain services to the company to the extent required and requested by the company. The company is required to reimburse Century Plaza Trading for costs it incurs in providing the company with the services under the Service Agreement. The company reimbursed a total of \$476,379 (2017: \$537,575) costs including GST incurred by Century Plaza Trading Pty Ltd.

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

i) Amounts included within Assets and Liabilities

	2018 \$'000
Current Liabilities	
Trade and other payables	1,796
	<hr/> 1,796

ii) Amounts included within Profit or Loss

	2018 \$'000
Expenses	
Purchases/ Cost of goods sold	15,116
Operating lease rental expense	300
Legal fees	1,815
Other expenses	476
Total expenses	<hr/> 17,707

Independent Auditor's Declaration



8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67
Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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

As lead auditor for the audit of Premier Investments Limited for the year ended 28 July 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Premier Investments Limited and the entities it controlled during the financial period.

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

Ernst & Young

A handwritten signature in black ink that reads 'Rob Perry'.

Rob Perry
Partner
27 September 2018

Statement of Comprehensive Income

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND JULY 2017

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

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

Statement of Financial Position

AS AT 28 JULY 2018 AND 29 JULY 2017

	NOTES	CONSOLIDATED	
		2018 \$'000	2017 \$'000
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents	19	178,618	170,631
Trade and other receivables	9	21,563	23,682
Inventories	10	159,313	140,755
Other financial instruments	24	11,973	181
Other current assets	11	15,323	11,572
Total current assets		386,790	346,821
<i>Non-current assets</i>			
Property, plant and equipment	15	238,167	214,378
Intangible assets	16	825,949	855,114
Deferred tax assets	6	36,637	35,773
Listed equity investment at fair value	17	40,687	67,665
Investment in associate	18	223,184	216,940
Total non-current assets		1,364,624	1,389,870
TOTAL ASSETS		1,751,414	1,736,691
LIABILITIES			
<i>Current liabilities</i>			
Trade and other payables	12	84,558	71,528
Other financial instruments	24	-	21,651
Income tax payable		9,947	17,936
Provisions	13	19,234	19,365
Other current liabilities	14	21,629	12,910
Total current liabilities		135,368	143,390
<i>Non-current liabilities</i>			
Interest-bearing liabilities	20	175,684	173,475
Deferred tax liabilities	6	63,933	58,787
Provisions	13	2,040	1,828
Other financial instruments	24	425	460
Other non-current liabilities	14	29,030	23,078
Total non-current liabilities		271,112	257,628
TOTAL LIABILITIES		406,480	401,018
NET ASSETS		1,344,934	1,335,673
<i>EQUITY</i>			
Contributed equity	21	608,615	608,615
Reserves	22	(16,009)	(30,100)
Retained earnings		752,328	757,158
TOTAL EQUITY		1,344,934	1,335,673

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

Statement of Cash Flows

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

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

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

Statement of Changes in Equity

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

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

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

Notes to the Financial Statements

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

1 GENERAL INFORMATION

The financial report contains the consolidated financial statements of the consolidated entity, comprising Premier Investments Limited (the 'parent entity') and its wholly owned subsidiaries ('the Group') for the 52 weeks ended 28 July 2018. The financial report was authorised for issue in accordance with a resolution of the Directors on 27 September 2018.

Premier Investments Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

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

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

- (i) Other significant group accounting policies: Summarises the basis of financial statement preparation and other accounting policies adopted in the preparation of these consolidated financial statements. Specific accounting policies are disclosed in the note to which they relate.
- (ii) Group performance: Contains the notes that focus on the results and performance of the Group.
- (iii) Operating assets and liabilities: Provides information on the Group's assets and liabilities used to generate the Group's performance.
- (iv) Capital invested: Provides information on the capital invested which allows the Group to generate its performance.
- (v) Capital structure and risk management: Provides information on the Group's capital structure, and summarises the Group's Risk Management policies.
- (vi) Group structure: Contains information in relation to the Group's structure and related parties.
- (vii) Other disclosures: Summarises other disclosures which are required in order to comply with Australian Accounting Standards and other authoritative pronouncements.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES

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

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

(a) BASIS OF FINANCIAL REPORT PREPARATION

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

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(b) STATEMENT OF COMPLIANCE

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

(c) BASIS OF CONSOLIDATION

The consolidated financial statements are those of the consolidated entity, comprising Premier Investments Limited and its wholly owned subsidiaries as at the end of each financial year. A list of the Group's subsidiaries is included in note 26.

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

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

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

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

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

(d) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified certain critical accounting policies for which significant judgements, estimates and assumptions are required. These key judgements, estimates and assumptions have been disclosed as part of the relevant note to the financial statements. Actual results may differ from those estimated under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(e) CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

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

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

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

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

(f) OFFSETTING OF FINANCIAL INSTRUMENTS

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

(g) FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Both the functional and presentation currency of Premier Investments Limited and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences are taken to profit or loss in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

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

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

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(i) COMPARATIVE AMOUNTS

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

(j) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Changes in accounting policies, disclosures, standards and interpretations

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

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

- (i) AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 *Statement of Cash Flows* became effective as of 30 July 2017 and resulted in updated disclosures in the financial statements (refer to note 20).
- (ii) AASB 9 Financial Instruments: The Group has elected to early adopt AASB 9 as of the beginning of the financial year, being 30 July 2017. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 provides a simpler approach to classification and measurement of financial assets compared to the requirements of AASB 139 and introduces a new expected credit-loss impairment model that requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a timelier basis. The Group has also elected to early adopt the hedge accounting requirements of AASB 9 as of 28 January 2018. The nature and effects of the key changes to the Group's accounting policies resulting from the early adoption of AASB 9 are summarised below:

Classification of financial assets and liabilities

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

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

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

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

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

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

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

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

Impairment of financial assets

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(j) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

Hedge accounting

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

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

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

Resulting from the adoption of AASB 9, additional disclosures are presented in note 25 of the financial statements.

Accounting Standards and Interpretations issued but not yet effective

Recently issued or amended Australian Accounting Standards and Interpretations that have been identified as those which may be relevant to the Group in future reporting periods, but are not yet effective and have not been adopted by the Group for the reporting period ended 29 July 2017, are outlined below:

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

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

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

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

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

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

GROUP PERFORMANCE

3 OPERATING SEGMENTS

Identification of operating segments

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating segments are identified by management based on the nature of the business conducted, and for which discrete financial information is available and reported to the chief operating decision maker on at least a monthly basis.

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

Reportable Segments

Retail

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

Investment

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

Accounting policies

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

Income tax expense

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

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

Segment capital expenditure

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

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

(A) OPERATING SEGMENTS

	RETAIL		INVESTMENT		ELIMINATION		CONSOLIDATED	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>REVENUE AND OTHER INCOME</i>								
Sale of goods	1,182,221	1,092,760	-	-	-	-	1,182,221	1,092,760
Interest revenue	106	117	3,526	6,028	-	-	3,632	6,145
Other revenue	195	250	82,799	72,027	(81,000)	(72,000)	1,994	277
Other income	1,193	1,935	-	15	-	-	1,193	1,950
Total revenue and other income	1,183,715	1,095,062	86,325	78,070	(81,000)	(72,000)	1,189,040	1,101,132
Total income per the statement of comprehensive income							1,189,040	1,101,132
<i>RESULTS</i>								
Depreciation and amortisation	27,910	24,951	994	580	-	-	28,904	25,531
Impairment of property plant and equipment	-	540	-	-	-	-	-	540
Impairment of intangible asset brand names	-	-	30,000	-	-	-	30,000	-
Interest expense	5,467	4,884	2,084	1,358	-	-	7,551	6,242
Share of profit of associate	-	-	16,087	14,799	-	-	16,087	14,799
Profit before income tax expense	142,484	126,182	62,481	84,963	(81,000)	(72,000)	123,965	139,145
Income tax expense							(40,327)	(34,009)
Net profit after tax per the statement of comprehensive income							83,638	105,136
<i>ASSETS AND LIABILITIES</i>								
Segment assets	552,218	499,031	1,260,913	1,301,128	(61,717)	(63,468)	1,751,414	1,736,691
Segment liabilities	308,458	305,959	106,637	112,513	(8,906)	(17,454)	406,189	401,018
Capital expenditure	45,854	45,040	4,927	58,485	-	-	50,781	103,525

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

GROUP PERFORMANCE (CONTINUED)

3 OPERATING SEGMENTS (CONTINUED)

(B) GEOGRAPHIC AREAS OF OPERATION

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

CONSOLIDATED

2018 **2017**
\$'000 **\$'000**

4 REVENUE AND OTHER INCOME

REVENUE

Revenue from sale of goods	1,182,221	1,092,760
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OTHER REVENUE

Membership program fees	190	247
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Sundry revenue	34	30
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Interest received	3,632	6,145
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Dividends received from listed equity investment	1,769	-
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TOTAL OTHER REVENUE	5,626	6,422
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TOTAL REVENUE	1,187,847	1,099,182
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OTHER INCOME

Royalty and licence fees

Other persons	127	43
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Foreign exchange gains	-	669
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Other	1,066	1,238
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TOTAL OTHER INCOME	1,193	1,950
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TOTAL REVENUE AND OTHER INCOME	1,189,040	1,101,132
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REVENUE RECOGNITION ACCOUNTING POLICY

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

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

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

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

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

GROUP PERFORMANCE (CONTINUED)

4 REVENUE AND OTHER INCOME (CONTINUED)

KEY ACCOUNTING ESTIMATES

Estimated gift card redemption rates

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

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

CONSOLIDATED

	2018 \$'000	2017 \$'000
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6 INCOME TAX

The major components of income tax expense are:

(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS

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

(b) STATEMENT OF CHANGES IN EQUITY

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

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

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

GROUP PERFORMANCE (CONTINUED)

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
6 INCOME TAX (CONTINUED)		
<i>(d) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES</i>		
<i>DEFERRED TAX RELATES TO THE FOLLOWING:</i>		
Foreign currency balances	630	(610)
Potential capital gains tax on financial investments	(32,794)	(38,269)
Deferred gains and losses on foreign exchange contracts	(3,464)	6,579
Inventory provisions	290	515
Deferred income	12,572	9,131
Employee provisions	6,302	5,806
Other receivables and prepayments	(1,902)	(823)
Property, plant and equipment	(6,346)	(6,620)
Other	(2,584)	1,277
NET DEFERRED TAX LIABILITIES	(27,296)	(23,014)

REFLECTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS:

Deferred tax assets	36,637	35,773
Deferred tax liabilities	(63,933)	(58,787)
NET DEFERRED TAX LIABILITIES	(27,296)	(23,014)

INCOME TAX ACCOUNTING POLICY

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

Current income tax

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

Deferred income tax

Deferred income tax is recognised on taxable temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes based on the expected manner of recovery of the carrying value of an asset or liability. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

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

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

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

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

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

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

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

Tax consolidation

Premier Investments Limited and its wholly owned Australian controlled entities have implemented a tax consolidation group. The head entity, Premier Investments Limited and the controlled entities continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach to determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At reporting date the possibility of default is remote.

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

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

GROUP PERFORMANCE (CONTINUED)

6 INCOME TAX (CONTINUED)

INCOME TAX ACCOUNTING POLICY (CONTINUED)

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

CONSOLIDATED

2018 \$'000	2017 \$'000
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7 EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

Net profit for the period	83,638	105,136
	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in calculating:		
- basic earnings per share	157,890	157,436
- diluted earnings per share	158,897	158,693

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

EARNINGS PER SHARE ACCOUNTING POLICY

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

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

8 A) DIVIDENDS PAID AND PROPOSED

DIVIDENDS PAID

Declared and paid during the year:

Interim franked dividends for 2018:

29 cents per share (2017: 26 cents)	45,849	40,994
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Final franked dividends for 2017:

27 cents per share (2016: 25 cents)	42,619	39,358
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TOTAL DECLARED AND PAID DURING THE YEAR	88,468	80,352
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DIVIDENDS PROPOSED

Final franked dividend proposed for 2018:

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

8 B) FRANKING CREDIT BALANCE

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

FRANKING CREDIT BALANCE

The amount of franking credits available for the subsequent financial year are:

- franking account balance as at the end of the financial year at 30% (2017: 30%)	215,483	212,295
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- franking credits that will arise from the payment of income tax payable as at the end of the financial year	4,848	12,322
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- franking debits that will arise from the payment of dividends as at the end of the financial year	(22,360)	(18,254)
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TOTAL FRANKING CREDIT BALANCE	197,971	206,363
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The tax rate at which paid dividends have been franked is 30% (2017: 30%). Dividends proposed will be franked at the rate of 30% (2017: 30%).

CONSOLIDATED

2018 \$'000	2017 \$'000
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CONSOLIDATED

2018 \$'000	2017 \$'000
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Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

OPERATING ASSETS AND LIABILITIES

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
9 TRADE AND OTHER RECEIVABLES (CURRENT)		
Sundry debtors	21,563	23,682
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	21,563	23,682

(a) *Impairment losses*

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

(b) *Fair value*

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

TRADE AND OTHER RECEIVABLES ACCOUNTING POLICY

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

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

INVENTORIES ACCOUNTING POLICY

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

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

- Finished goods and work-in-progress - purchase cost plus a proportion of the purchasing department, freight, handling and warehouse costs incurred to deliver the goods to the point of sale.

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

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
11 OTHER ASSETS (CURRENT)		
Deposits and prepayments	15,323	11,572
TOTAL OTHER CURRENT ASSETS	15,323	11,572

12 TRADE AND OTHER PAYABLES (CURRENT)		
Trade creditors	43,282	39,318
Other creditors and accruals	41,276	32,210
TOTAL CURRENT TRADE AND OTHER PAYABLES	84,558	71,528

(a) *Fair values*

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

TRADE AND OTHER PAYABLES ACCOUNTING POLICY

Trade and other payables are recognised and carried at original invoice cost, which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

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

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

PROVISIONS ACCOUNTING POLICIES

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

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

OPERATING ASSETS AND LIABILITIES (CONTINUED)

13 PROVISIONS (CONTINUED)

PROVISIONS ACCOUNTING POLICIES (CONTINUED)

EMPLOYEE ENTITLEMENTS ACCOUNTING POLICIES

Current annual leave

The provisions for employee entitlements to wages, salaries and annual leave (which are expected to be settled wholly within 12 months of the reporting date) represent the amount which the Group has a present obligation to pay, resulting from employees' services provided up to the reporting date. The provisions have been calculated at nominal amounts based on current wage and salary rates, and include related on-costs.

Long service leave and non-current annual leave

The liability for long service leave and non-current annual leave (which are not expected to be settled wholly within 12 months of the reporting date) is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Related on-costs have also been included in the liability.

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

Retirement benefit obligations

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

CONSOLIDATED	
2018	2017
\$'000	\$'000

14 OTHER LIABILITIES

CURRENT

Deferred income	21,629	12,910
TOTAL CURRENT	21,629	12,910

NON-CURRENT

Deferred income	29,030	23,078
TOTAL NON-CURRENT	29,030	23,078

DEFERRED INCOME ACCOUNTING POLICY

Deferred lease incentives

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

Deferred rent

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

CAPITAL INVESTED

15 PROPERTY, PLANT AND EQUIPMENT

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL INVESTED (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

LAND AND BUILDINGS

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

PROPERTY, PLANT AND EQUIPMENT ACCOUNTING POLICY

Property, Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

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

Freehold land is not depreciated.

KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimation of useful lives of assets

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

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

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

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

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

The post-tax discount rate applied to the cash flow projections is 10.5% (2017: 10.5%). The discount rate used reflects management's estimate of the risks specific to the CGU that is not already reflected in the cash flow. In determining the appropriate discount rate, regard has been given to the weighted average cost of capital for the retail segment.

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

16 INTANGIBLES

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

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

GOODWILL ACCOUNTING POLICY

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing.

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL INVESTED (CONTINUED)

16 INTANGIBLES (CONTINUED)

GOODWILL ACCOUNTING POLICY (CONTINUED)

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

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

OTHER INTANGIBLE ASSETS (excluding goodwill) ACCOUNTING POLICY

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

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

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

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

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

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

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

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

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

IMPAIRMENT TESTING OF GOODWILL

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

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

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

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

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

IMPAIRMENT TESTING OF BRAND NAMES

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

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

The recoverable amounts of brand names acquired in a business combination have been determined on an individual brand basis based upon a value-in-use calculation. The value-in-use calculation has been determined based upon the relief from royalty method using cash flow projections as at July 2018 for a period of five years plus a terminal value. The cash flow projections are based on financial estimates approved by senior management and the Board for the 2019 financial year and are projected for a further four years based on estimated growth rates.

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL INVESTED (CONTINUED)

16 INTANGIBLES (CONTINUED)

IMPAIRMENT TESTING OF BRAND NAMES (CONTINUED)

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

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

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

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

Royalty rates have been determined for each brand within the CGU groups by considering the brand's history and future expected performance. Factors such as the profitability of the brand, market share, brand recognition and general conditions in the industry have also been considered in determining an appropriate royalty rate for each brand. Consideration is also given to the industry norms relating to royalty rates by analysing market derived data for comparable brands and by considering the notional royalty payments as a percentage of the divisional earnings before interest and taxation generated by the division in which the brand names are used. Net royalty rates applied across the three CGU groups range between 3.5% and 8% (2017: 3.5% and 8.5%).

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

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

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

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

CONSOLIDATED	
2018 \$'000	2017 \$'000

17 LISTED EQUITY INVESTMENT AT FAIR VALUE

INVESTMENT

Investment in listed securities at fair value	40,687	67,665
TOTAL INVESTMENTS	40,687	67,665

FAIR VALUE LISTED EQUITY INVESTMENT ACCOUNTING POLICY

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

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

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

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

CONSOLIDATED	
2018 \$'000	2017 \$'000

18 INVESTMENT IN ASSOCIATE

Movements in carrying amounts

Carrying amount at the beginning of the financial year	216,940	213,392
Share of profit after income tax	16,087	14,799
Share of other comprehensive income	1,424	(700)
Dividends received	(11,267)	(10,551)
TOTAL INVESTMENT IN ASSOCIATE	223,184	216,940

Breville Group Limited

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

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL INVESTED (CONTINUED)

18 INVESTMENT IN ASSOCIATE (CONTINUED)

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

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

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

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

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

INVESTMENT IN ASSOCIATE ACCOUNTING POLICY

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

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

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

CAPITAL STRUCTURE AND RISK MANAGEMENT

CONSOLIDATED	
2018 \$'000	2017 \$'000

19 NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash at bank and in hand	47,020	33,623
Short-term deposits	131,598	137,008
TOTAL CASH AND CASH EQUIVALENTS	178,618	170,631

(b) RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATIONS

Net profit for the period	83,638	105,136
<i>Adjustments for:</i>		
Amortisation	24	27
Depreciation	28,880	25,504
Impairment and write-off of non-current assets	30,000	540
Foreign exchange losses (gains)	989	(669)
Share of profit of associate	(16,087)	(14,799)
Dividends received from listed equity investment	(1,769)	-
Borrowing costs	209	300
Net loss on disposal of property, plant and equipment	176	492
Share-based payments expense	3,178	6,210
Gross movement in cash flow hedge reserve	23,340	(4,990)
Net exchange differences	2,954	302
<i>Changes in assets and liabilities net of the effects from acquisition and disposal of businesses:</i>		
Increase in provisions	81	2,865
Increase in deferred tax liabilities	5,146	1,476
Increase (decrease) in trade and other payables	13,030	(1,437)
(Decrease) increase in other financial liabilities	(21,686)	5,921
Increase in deferred income	14,671	14,212
Decrease (increase) in trade and other receivables	2,119	(7,221)
(Increase) decrease in other current assets	(3,751)	122
Increase in inventories	(18,558)	(17,199)
(Increase) decrease in other financial assets	(11,792)	1,455
Decrease (increase) in deferred tax assets	7,048	(6,393)
Decrease in income tax payable	(7,989)	(14,017)
NET CASH FLOWS FROM OPERATING ACTIVITIES	133,851	97,837

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
19 NOTES TO THE STATEMENT OF CASH FLOWS		
(CONTINUED)		
(c) FINANCE FACILITIES		
Working capital and bank overdraft facility		
Used	-	-
Unused	11,800	11,800
	11,800	11,800
Finance facility		
Used	176,000	174,000
Unused	53,000	55,000
	229,000	229,000
Bank guarantee facility		
Used	51	51
Unused	149	149
	200	200
Interchangeable facility		
Used	7,790	6,759
Unused	5,210	1,241
	13,000	8,000
Total facilities		
Used	183,841	180,810
Unused	70,159	68,190
TOTAL	254,000	249,000

CASH AND CASH EQUIVALENTS ACCOUNTING POLICY

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

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

CONSOLIDATED	
2018 \$'000	2017 \$'000

20 INTEREST-BEARING LIABILITIES

NON-CURRENT

Bank loans* unsecured	106,684	104,475
Bank loans ** secured	69,000	69,000
TOTAL INTEREST-BEARING LIABILITIES	175,684	173,475

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

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

(a) Fair values

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

(b) Defaults and breaches

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

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

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

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

INTEREST-BEARING LIABILITIES ACCOUNTING POLICY

Interest-bearing liabilities are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

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

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

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

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

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

(i) A total of 350,978 ordinary shares (2017: 584,305) were issued in relation to the performance rights plan.

(b) CAPITAL MANAGEMENT

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

The capital structure of the Group consists of debt which includes interest-bearing borrowings, cash and cash equivalents and equity attributable to the equity holders of Premier Investments Limited, comprising of contributed equity, reserves and retained earnings.

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

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

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

(c) EXTERNALLY IMPOSED CAPITAL REQUIREMENTS

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

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

CONSOLIDATED

	2018 \$'000	2017 \$'000
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22 RESERVES

RESERVES COMPRISE:

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

(a) FOREIGN CURRENCY TRANSLATION RESERVE

Nature and purpose of reserve

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

• *Movements in the reserve*

Opening balance	(3,661)	1,047
Foreign currency translation of overseas subsidiaries	5,214	(4,008)
Net movement in associate entity's reserves	1,424	(700)

CLOSING BALANCE	2,977	(3,661)
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(b) CASH FLOW HEDGE RESERVE

Nature and purpose of reserve

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

• *Movements in the reserve*

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

CLOSING BALANCE	8,059	(15,281)
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(c) PERFORMANCE RIGHTS RESERVE

Nature and purpose of reserve

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

• *Movements in the reserve*

Opening balance	12,556	6,346
Performance rights expense for the year	3,178	6,210

CLOSING BALANCE	15,734	12,556
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Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
22 RESERVES (CONTINUED)		
<i>(d) FAIR VALUE RESERVE</i>		
<i>Nature and purpose of reserve</i>		
Reserve is used to record unrealised gains and losses on fair value revaluation of listed equity investment at fair value.		
<i>Movements in the reserve</i>		
Opening balance	(24,178)	-
Unrealised loss on revaluation of listed investment at fair value	(26,978)	(34,700)
Net deferred income tax movement on listed equity investment at fair value	7,913	10,522
CLOSING BALANCE	(43,243)	(24,178)

	CONSOLIDATED	
	2018 \$'000	2017 \$'000
23 EXPENDITURE COMMITMENTS		
<i>OPERATING LEASE EXPENDITURE COMMITMENTS</i>		
Payable within one year	114,149	100,385
Payable within one to five years	228,593	195,426
Payable in more than five years	61,091	59,288
TOTAL OPERATING LEASES	403,833	355,099

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.

LEASES ACCOUNTING POLICY

Operating lease payments are recognised as an expense in profit or loss in the statement of comprehensive income 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.

CONSOLIDATED	
2018 \$'000	2017 \$'000

24 OTHER FINANCIAL INSTRUMENTS

CURRENT ASSETS

Derivatives designated as hedging instruments

Forward currency contracts – cash flow hedges	11,973	181
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TOTAL CURRENT FINANCIAL INSTRUMENTS	11,973	181
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CURRENT LIABILITIES

Derivatives designated as hedging instruments

Forward currency contracts – cash flow hedges	-	21,651
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TOTAL CURRENT FINANCIAL INSTRUMENTS	-	21,651
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NON –CURRENT LIABILITIES

Derivatives designated as hedging instruments

Interest rate swaps – cash flow hedges	425	460
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TOTAL NON-CURRENT FINANCIAL INSTRUMENTS	425	460
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(a) DERIVATIVE INSTRUMENTS USED BY THE GROUP

(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 predominantly purchase US Dollars.

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast inventory purchases and are timed to mature when payments are scheduled to be made. Any gain or loss on the contracts attributable to the hedge risk are recognised in other comprehensive income and accumulated in the hedge reserve in equity.

The cash flows are expected to occur between one to twelve months from 28 July 2018 and the profit or loss within cost of sales will be affected over the next couple of years as the inventory is sold.

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

24 OTHER FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) Interest rate swaps – cash flow hedges

The Group has entered into interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts on certain of its interest-bearing liabilities. These interest rate swap contracts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest rate payments on the loans occur simultaneously. The amount accumulated in the hedge reserve in equity is reclassified to profit or loss over the period that the floating rate interest payments on debt affect profit or loss.

At reporting date, the details of outstanding forward currency contracts are:

	CONSOLIDATED			
	2018 \$'000	2017 \$'000	2018	2017
<i>Buy USD / Sell AUD</i>	NOTIONAL AMOUNTS \$AUD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	90,902	140,230	0.7892	0.7217
Maturity 6 – 12 months	93,367	74,833	0.7637	0.7510
<i>Buy USD / Sell NZD</i>	NOTIONAL AMOUNTS \$NZD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	15,284	29,844	0.7299	0.6562
Maturity 6 – 12 months	17,742	12,252	0.6916	0.7146
<i>Buy USD / Sell GBP</i>	NOTIONAL AMOUNTS £GBP		AVERAGE EXCHANGE RATE	
Maturity < 6 months	7,697	4,854	1.4033	1.2877
Maturity 6 – 12 months	3,485	-	1.4414	-
<i>Buy AUD / Sell NZD</i>	NOTIONAL AMOUNTS \$NZD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	3,863	5,911	1.098	1.0440
<i>Buy USD / Sell SGD</i>	NOTIONAL AMOUNTS \$SGD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	4,179	4,288	0.7650	0.7129
Maturity 6 – 12 months	4,150	-	0.7504	-

OTHER FINANCIAL INSTRUMENTS AND HEDGING ACCOUNTING POLICY

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value at subsequent reporting dates.

Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges and are considered to be effective, 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 highly probable future purchases as well as cash flows attributable to a particular risk associated with a recognised asset or liability that is a firm commitment and that could affect the statement of comprehensive income.

The Group's cash flow hedges that meet the strict criteria for hedge accounting are accounted for by recognising the effective portion of the gain or loss on the hedging instrument directly in other comprehensive income and accumulated in the cash flow hedge reserve in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are reclassified out of equity and included in the measurement of the hedge transaction (finance costs or inventory purchases) when the forecast transaction occurs.

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.

25 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group's principal financial instruments comprise cash and cash equivalents, derivative financial instruments, listed equity investments at fair value, receivables, payables, bank overdrafts and interest-bearing liabilities.

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

25 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

RISK EXPOSURES AND RESPONSES

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

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

CREDIT RISK

The overwhelming majority of the Group's sales are on cash terms with settlement within 24 hours. As such, the Group's exposure to credit risk is minimal. 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 mainly from cash and cash equivalents and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised creditworthy third parties, there is no requirement for collateral by either party.

Credit risk for the Group also arises from financial guarantees that members of the Group act as guarantor. At 28 July 2018, the maximum exposure to credit risk of the Group is the amount guaranteed as disclosed in note 33.

INTEREST RATE RISK

The Group's exposure to market interest rates relates primarily to its cash and cash equivalents that it holds and interest-bearing liabilities.

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

		CONSOLIDATED	
	NOTES	2018 \$'000	2017 \$'000
Financial Assets			
Cash and cash equivalents	19	178,618	170,631
		178,618	170,631
Financial Liabilities			
Bank loans AUD	20	175,684	173,475
		175,684	173,475
NET FINANCIAL ASSETS (LIABILITIES)		2,934	(2,844)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's objective of managing interest rate risk is to minimise the Group's exposure to fluctuations in interest rates that might impact its interest revenue, interest expense and cash flow. The Group manages this by locking in a portion of its cash and cash equivalents into term deposits. The maturity of term deposits is determined based on the Group's cash flow forecast.

The Group manages its interest rate risk relating to interest-bearing liabilities by having access to both fixed and variable rate debt which can be drawn down. The Group also entered into interest rate swaps, in which it agreed to exchange, at specific intervals, the difference between fixed and variable interest amounts, calculated on an agreed-upon notional principal amount.

j) Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the portion of cash and cash equivalents and interest-bearing liabilities affected. A 100 (2017:100) basis point increase and decrease in Australian interest rates represents management's assessment of the reasonably possible change in interest rates. The table indicates an increase or decrease in the Group's profit before tax.

Impacts of reasonably possible movements:	POST-TAX PROFIT TO INCREASE (DECREASE) BY:	
	2018 \$000	2017 \$000
<i>CONSOLIDATED</i>		
+1.0% (100 basis points)	356	138
-1.0% (100 basis points)	(21)	20

Significant assumptions used in the interest rate sensitivity analysis include:

- Reasonably possible movements in interest rates were determined based on the Group's current credit rating and mix of debt in Australian and foreign countries, relationships with financial institutions, the level of debt that is expected to be renewed as well as a review of the last two years' historical movements and economic forecasters' expectations.
- The net exposure at reporting date is representative of what the Group was and is expecting to be exposed to in the next twelve months.
- The sensitivity analysis assumes all other variables are held constant, and the change in interest rates take place at the beginning of the financial year and are held constant throughout the reporting period.

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

25 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

FOREIGN OPERATIONS

The Group has operations in Australia, New Zealand, Singapore, Hong Kong, Malaysia, The Republic of Ireland and the United Kingdom. As a result, movements in the Australian Dollar and the currencies applicable to these foreign operations affect the Group's statement of financial position and results from operations. From time to time the Group obtains New Zealand Dollar denominated financing facilities from a financial institution to provide a natural hedge of the Group's exposure to movements in the Australian Dollar and New Zealand Dollar (AUD/NZD) on translation of the New Zealand statement of financial position. In addition, the Group, on occasion, hedges its cash flow exposure to movements in the AUD/NZD. The Group also on occasion, hedges its cash flow exposure in movements in the AUD/SGD and AUD/GBP.

FOREIGN CURRENCY TRANSACTIONS

The Group has exposures to foreign currencies principally arising from purchases by operating entities in currencies other than their functional currency. Approximately 70% of the Group's purchases are denominated in United States Dollar (USD), which is not the functional currency of any Australian entities or any of the foreign operating entities.

The Group considers its exposure to USD arising from the purchases of inventory to be a long-term and ongoing exposure. In order to protect against exchange rate movements, the Group enters into forward exchange contracts to purchase US Dollars. These forward exchange contracts are designated as cash flow hedges that are subject to movements through equity and profit or loss respectively as foreign exchange rates move.

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 base currency against the currency risk being hedged, relative to long-term indicators;
- the Group's strategic decision-making horizon; and
- other factors considered relevant by the Board

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

At reporting date, the Group had the following exposures to movements in the United States Dollar (USD), New Zealand Dollar (NZD), Singapore Dollar (SGD), Pound Sterling (GBP), Hong Kong Dollar (HKD), Malaysian Ringgit (MYR), and Euro (EUR):

2018	USD	NZD	SGD	GBP	HKD	MYR	EUR
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>FINANCIAL ASSETS</i>							
Cash and cash equivalents	157	4,482	908	5,707	581	10,540	553
Derivative financial assets	11,973	-	-	-	-	-	-
	12,130	4,482	908	5,707	581	10,540	553
<i>FINANCIAL LIABILITIES</i>							
Trade and other payables	23,240	3,341	71	4	49	-	-
Derivative financial liabilities	-	-	-	-	-	-	-
	23,240	3,341	71	4	49	-	-
NET EXPOSURE	(11,110)	1,141	837	5,703	532	10,540	553

2017	USD	NZD	SGD	GBP	HKD	MYR	EUR
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>FINANCIAL ASSETS</i>							
Cash and cash equivalents	98	2,477	1,330	6,194	171	5,001	227
Derivative financial assets	181	-	-	-	-	-	-
	279	2,477	1,330	6,194	171	5,001	227
<i>FINANCIAL LIABILITIES</i>							
Trade and other payables	17,697	2,531	317	722	96	-	-
Derivative financial liabilities	21,651	-	-	-	-	-	-
	39,348	2,531	317	722	96	-	-
NET EXPOSURE	(39,069)	(54)	1,013	5,472	75	5,001	227

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

25 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

FOREIGN CURRENCY RISK

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

CONSOLIDATED Impacts of reasonably possible movements:	POST-TAX PROFIT HIGHER/(LOWER)		OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000
<i>CONSOLIDATED</i>				
AUD/USD + 2.5%	(46)	4	(4,161)	646
AUD/USD – 10.0%	189	189	16,959	17,665
AUD/NZD + 2.5%	(28)	1	-	-
AUD/NZD – 10.0%	127	(6)	-	-
AUD/SGD + 2.5%	(20)	(25)	-	-
AUD/SGD –10.0%	93	113	-	-
AUD/GBP + 2.5%	(139)	(133)	-	-
AUD/GBP –10.0%	634	608	-	-
AUD/HKD + 2.5%	(43)	(2)	-	-
AUD/HKD –10.0%	194	8	-	-
AUD/MYR + 2.5%	(257)	(122)	-	-
AUD/MYR –10.0%	1,171	556	-	-
AUD/EUR + 2.5%	(53)	(6)	-	-
AUD/EUR –10.0%	17	25	-	-

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

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

LIQUIDITY RISK

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities and other cash flow commitments. Liquidity risk management is 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 reporting date, \$47 million (2017: \$34 million) cash held in deposit with 11am at call and the remaining \$131.6 million (2017: \$137 million) cash held in deposit with maturity terms ranging from 30 to 180 days (2017: 30 to 120 days). Hence management believe there is no significant exposure to liquidity risk at 28 July 2018 and 29 July 2017.

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

At reporting date, the remaining undiscounted contractual maturities of the Group's financial liabilities are:

2018	MATURITY < 6 MONTHS	MATURITY 6 – 12 MONTHS	MATURITY 12 – 24 MONTHS	MATURITY > 24 MONTHS
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
<i>FINANCIAL LIABILITIES</i>				
Trade and other payables	84,558	-	-	-
Bank loans	-	-	106,684	69,000
Forward currency contracts	134,779	123,784	447	-
	219,337	123,784	107,131	69,000

2017	MATURITY < 6 MONTHS	MATURITY 6 – 12 MONTHS	MATURITY 12 – 24 MONTHS	MATURITY > 24 MONTHS
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
<i>FINANCIAL LIABILITIES</i>				
Trade and other payables	71,528	-	-	-
Bank loans	-	-	104,475	69,000
Forward currency contracts	166,543	83,616	-	-
	238,071	83,616	104,475	69,000

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

CAPITAL STRUCTURE AND RISK MANAGEMENT (CONTINUED)

25 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

In determining the fair value of an asset or liability, the Group uses market observable data, to the extent possible. 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.

Fair value hierarchy

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

Level 1 – the fair value is calculated using quoted price in active markets for identical assets or liabilities.

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

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

The following table provides the fair value measurement hierarchy of the Group's financial assets and liabilities:

	CONSOLIDATED					
	FINANCIAL YEAR ENDED 28 JULY 2018			FINANCIAL YEAR ENDED 29 JULY 2017		
	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000
<i>FINANCIAL ASSETS</i>						
Listed equity investment at fair value	40,687	-	-	67,665	-	-
Foreign Exchange Contracts	-	11,973	-	-	181	-
	40,687	11,973	-	67,665	181	-
<i>FINANCIAL LIABILITIES</i>						
Foreign Exchange Contracts	-	-	-	-	21,651	-
Interest Rate Swaps	-	425	-	-	460	-
	-	425	-	-	22,111	-

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year.

At 28 July 2018 and 29 July 2017, the fair values of cash and cash equivalents, short-term receivables and payables approximate their carrying values. The carrying value of interest bearing liabilities is considered to approximate the fair value, being the amount at which the liability could be settled in a current transaction between willing parties.

Foreign exchange contracts and interest rate swaps are initially recognised in the statement of financial position at fair value on the date which the contract is entered into, and subsequently remeasured to fair value. Accordingly, the carrying amounts of forward exchange contracts and interest rate swaps approximate their fair values at the reporting date.

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

Interest rate swaps are measured based on forward interest rates from observable yield curves at the end of the respective reporting period, and contract interest rates, which have been discounted at a rate that incorporates the credit risk of the counterparties.

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

GROUP STRUCTURE

26 SUBSIDIARIES

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

	COUNTRY OF INCORPORATION	2018 INTEREST	2017 INTEREST
Kimtara Investments Pty Ltd	Australia	100%	100%
Premfin Pty Ltd	Australia	100%	100%
Springdeep Investments Pty Ltd	Australia	100%	100%
Prempref Pty Ltd	Australia	100%	100%
Metalgrove Pty Ltd	Australia	100%	100%
Just Group Limited	Australia	100%	100%
Just Jeans Group Pty Limited	Australia	100%	100%
Just Jeans Pty Limited	Australia	100%	100%
Jay Jays Trademark Pty Limited	Australia	100%	100%
Just-Shop Pty Limited	Australia	100%	100%
Peter Alexander Sleepwear Pty Limited	Australia	100%	100%
Old Blues Pty Limited	Australia	100%	100%
Kimbyr Investments Limited	New Zealand	100%	100%
Jacqui E Pty Limited	Australia	100%	100%
Jacqueline-Eve Fashions Pty Limited *	Australia	100%	100%
Jacqueline-Eve (Hobart) Pty Limited *	Australia	100%	100%
Jacqueline-Eve (Retail) Pty Limited *	Australia	100%	100%
Jacqueline-Eve (Leases) Pty Limited *	Australia	100%	100%
Sydney Pty Limited *	Australia	100%	100%
Old Favourites Blues Pty Limited *	Australia	100%	100%
Urban Brands Retail Pty Ltd *	Australia	100%	100%
Portmans Pty Limited	Australia	100%	100%
Dotti Pty Ltd	Australia	100%	100%
Smiggle Pty Limited	Australia	100%	100%
Just Group International Pty Limited *	Australia	100%	100%
Smiggle Group Holdings Pty Limited *	Australia	100%	100%
Smiggle International Pty Limited *	Australia	100%	100%
Smiggle Singapore Pte Ltd	Singapore	100%	100%
Just Group International HK Limited*	Hong Kong	100%	100%
Smiggle HK Limited	Hong Kong	100%	100%
Just Group USA Inc.*	USA	100%	100%
Peter Alexander USA Inc.*	USA	100%	100%
Smiggle USA Inc.*	USA	100%	100%
Just UK International Limited*	UK	100%	100%
Smiggle UK Limited	UK	100%	100%
Peter Alexander UK Limited*	UK	100%	100%
Smiggle Ireland Limited	Ireland	100%	100%
Smiggle Netherlands B.V.*	Netherlands	100%	-
ETI Holdings Limited*	New Zealand	100%	100%
Roskill Hill Limited*	New Zealand	100%	-
RSCA Pty Limited*	Australia	100%	100%
RSCB Pty Limited*	Australia	100%	100%
Just Group Singapore Private Ltd *	Singapore	100%	100%
Peter Alexander Singapore Private Ltd *	Singapore	100%	100%
Smiggle Stores Malaysia SDN BHD	Malaysia	100%	100%

27 PARENT ENTITY INFORMATION

The accounting policies of Premier Investments Limited, being the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

	2018 \$'000	2017 \$'000
<i>(a) Summary financial information</i>		
<i>Statement of financial position</i>		
Current assets	163,694	175,062
Total assets	1,367,975	1,367,532
Current liabilities	4,837	13,016
Total liabilities	70,301	80,948
<i>Shareholders' equity</i>		
Issued capital	608,615	608,615
Reserves:		
- Foreign currency translation reserve	3,705	2,281
- Performance rights reserve	15,734	12,556
- Cash flow hedge reserve	(86)	(88)
Retained earnings	664,869	663,220
Net profit for the period	90,118	87,590
Total comprehensive income (loss) for the period, net of tax	1,427	(789)

(b) Guarantees entered into by the parent entity

The parent entity has provided no financial guarantees in respect of bank overdrafts and loans of subsidiaries (2017: \$nil).

The parent entity has also given no unsecured guarantees in respect of finance leases of subsidiaries or bank overdrafts of subsidiaries (2017: \$nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 28 July 2018 (2017: \$nil).

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

The parent entity did not have any contractual commitments to purchase property, plant and equipment as at 28 July 2018 or 29 July 2017.

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

GROUP STRUCTURE (CONTINUED)

28 DEED OF CROSS GUARANTEE

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, dated 17 December 2016, relief has been granted to certain wholly-owned subsidiaries in the Australian Group from the Corporations law requirements for preparation, audit and lodgement of financial reports.

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

29 RELATED PARTY TRANSACTIONS

(a) PARENT ENTITY AND SUBSIDIARIES

The ultimate parent entity is Premier Investments Limited. Details of subsidiaries are provided in note 26.

(b) KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	2018 \$	2017 \$
<i>COMPENSATION FOR KEY MANAGEMENT PERSONNEL</i>		
Short-term employee benefits	6,455,827	8,502,662
Post-employment benefits	129,842	171,482
Share-based payments	2,343,103	4,970,577
TOTAL	8,928,772	13,644,721

(c) RELATED PARTY TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Mr. Lanzer is the managing partner of the legal firm Arnold Bloch Leibler. Group companies use the services of Arnold Bloch Leibler from time to time. Legal services totalling \$1,996,754 (2017: \$3,242,483), including Mr. Lanzer's Director fees, GST and disbursements were invoiced by Arnold Bloch Leibler to the Group, with \$58,580 (2017: \$200,314) remaining outstanding at year-end. The fees paid for these services were at arm's length and on normal commercial terms.

Mr. Lanzer is a director of Loch Awe Pty Ltd. During the year, operating lease payments totalling \$330,000 (2017: \$299,750) including GST was paid to Loch Awe Pty Ltd. The payments were at arm's length and on normal commercial terms.

Mr. Lew is a director of Voyager Distributing Company Pty Ltd and family companies associated with Mr. Lew have a controlling interest in Playcorp Pty Ltd and Sky Chain Trading Limited. During the year, purchases totalling \$16,404,781 (2017: \$15,052,592) including GST have been made by Group companies from Voyager Distributing Co. Pty Ltd, Playcorp Pty Ltd and Sky Chain Trading Limited, with \$1,737,758 (2017: \$788,091) remaining outstanding at year-end. The purchases were all at arm's length and on normal commercial terms.

Mr. Lew is a director of Century Plaza Trading Pty. Ltd. The company and Century Plaza Trading Pty Ltd are parties to a Services Agreement to which Century Plaza Trading agrees to provide certain services to the company to the extent required and requested by the company. The company is required to reimburse Century Plaza Trading for costs it incurs in providing the company with the services under the Service Agreement. The company reimbursed a total of \$476,379 (2017: \$537,575) costs including GST incurred by Century Plaza Trading Pty Ltd.

OTHER DISCLOSURES

CONSOLIDATED	
2018 \$	2017 \$

30 AUDITOR'S REMUNERATION

The auditor of Premier Investments Limited is Ernst & Young. Amounts received, or due and receivable, by Ernst & Young (Australia) for:

- An audit or review of the financial report of the entity and any other entity in the consolidated group.

577,732 529,065

Other services in relation to the entity and any other entity in the consolidated group:

- Other non-audit services

82,438 143,028

TOTAL AUDITOR'S REMUNERATION

660,170 672,093

31 SHARE-BASED PAYMENT PLANS

(a) RECOGNISED SHARE-BASED PAYMENT EXPENSE

CONSOLIDATED	
2018 \$'000	2017 \$'000

TOTAL EXPENSE ARISING FROM EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

3,178 6,210

(b) TYPE OF SHARE-BASED PAYMENT PLANS

Performance rights

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

A performance right is a right to acquire one fully paid ordinary share of the Group after meeting a three or four 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 section of the Directors' Report.

The fair value of the performance rights has been calculated as at the respective grant dates using an appropriate valuation technique. The valuation model applied, being either the Black Sholes European option pricing model (for performance rights granted prior to the end of the 2015 financial year) or the Monte-Carlo simulation pricing model (for performance rights granted in the 2016 financial year and onwards) is dependent on the assumptions underlying the performance rights granted to ensure these are appropriately factored into the determination of fair value.

In determining the share-based payments expense 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 Total Shareholder Return ("TSR") performance hurdles.

Notes to the Financial Statements

FOR THE 52 WEEKS ENDED 28 JULY 2018 AND 29 JULY 2017 (CONTINUED)

OTHER DISCLOSURES (CONTINUED)

31 SHARE-BASED PAYMENT PLANS (CONTINUED)

(b) TYPE OF SHARE-BASED PAYMENT PLANS (CONTINUED)

The following table shows the share-based payment arrangements in existence during the current and prior reporting periods, as well as the factors considered in determining the fair values of the performance rights in existence:

GRANT DATE (DD/MM/YYYY)	NUMBER OF RIGHTS GRANTED	SHARE ISSUE PRICE	OPTION LIFE	DIVIDEND YIELD	VOLATILITY	RISK-FREE RATE	FAIR VALUE
18/04/2013	240,000	\$8.40	4.2 years	5%	40%	2.71%	\$4.20
11/12/2013	319,493	\$8.56	3.8 years	5%	40%	2.98%	\$4.28
22/06/2015	169,365	\$10.34	2.3 years	5%	40%	1.95%	\$10.34
22/06/2015	12,266	\$8.56	2.3 years	5%	40%	1.95%	\$8.56
24/02/2016	123,647	\$12.89	2.6 years	5%	40%	1.75%	\$12.89
26/04/2016	1,000,000	\$9.88	3-6 years	5.5%	30%	2.06%	\$9.96
10/04/2017	120,124	\$15.70	2.5 years	5%	30%	1.79%	\$6.89
19/02/2018	148,237	\$12.91	2.5 years	3.4%	16%	2.14%	\$7.85

(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:

	2018 No.	2018 WAEP	2017 No.	2017 WAEP
Balance at beginning of the year	1,149,837	-	1,627,218	-
Granted during the year	148,237	-	120,124	-
Forfeited during the year	(42,805)	-	-	-
Exercised during the year (i)	(350,978)	-	(584,305)	-
Expired during the year	(42,020)	-	(13,200)	-
Balance at the end of the year	862,271	-	1,149,837	-

(i) The weighted average share price at the date of exercise of rights exercised during the year was \$15.01 (2017: \$14.12).

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

(d) WEIGHTED AVERAGE FAIR VALUE

The weighted average fair value of performance rights granted during the year was \$7.85 (2017: \$6.89).

SHARE-BASED PAYMENT ACCOUNTING POLICIES

The Group provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for rights over shares (equity-settled transactions). The plan in place to provide these benefits is 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 in profit or loss, 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 profit or loss in the statement of comprehensive income is the product of:

- (i) The grant date fair value of the award;
- (ii) The extent to which the vesting period has expired; and
- (iii) The current best estimate of the number of awards that will vest as at the grant date.

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

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

KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The fair value of share-based payment transactions is determined at the grant date using an appropriate valuation model, which takes into account the terms and conditions upon which the instruments were granted to key executives. The terms and conditions require estimates to be made of the number of equity instruments expected to vest, as well as the probabilities of meeting the relevant TSR performance hurdles. These accounting estimates and assumptions would have no impact on the carrying amounts of assets or liabilities within the next annual reporting period, but may impact the share-based payment expense and performance rights reserve within equity.

32 EVENTS AFTER THE REPORTING DATE

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

33 CONTINGENT LIABILITIES

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

Directors' Declaration

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

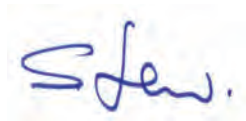
In the opinion of the Directors:

- (a) the financial statements and notes of Premier Investments Limited for the financial year ended 28 July 2018 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 28 July 2018 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) in the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

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

The Directors have been given the declaration by the Chief Financial Officer required by section 295A of the *Corporations Act 2001* for the financial year ended 28 July 2018.

On behalf of the Board



Solomon Lew
Chairman

27 September 2018

Independent Auditor's Report



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Auditor's Report to the Members of Premier Investments Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Premier Investments Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 28 July 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 28 July 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor's Report continued

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of intangible assets

Why significant

As at 28 July 2018 the Group held \$823.3 million (or 47.1% of total assets) in goodwill and indefinite-life brand names recognised from historical business combinations.

As outlined in Note 16 of the financial report, the goodwill and brand names are tested by the Group for impairment annually.

The recoverable amount of these assets has been determined based on a value in use model referencing discounted cash flows of the retail segment for goodwill, and the casual wear, women's wear and non-apparel cash generating units (CGUs) for brand names. The model contains estimates and significant judgments regarding future cash flow projections which are critical to the assessment of impairment, particularly planned sales growth in the casual wear and women's wear CGUs and discount rates applied.

In the current year, the Group recognised \$30.0 million of impairment related to a brand within the casual wear CGU.

Accordingly, we considered this a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the application of valuation methodologies applied.
- ▶ Assessed the key inputs and assumptions within the board approved forecast cashflows, discount rates, relief from royalty rates and sales growth rates adopted in the value in use model.
- ▶ Considered the historical reliability of the Group's cash flow forecasting process.
- ▶ Evaluated whether the determination of CGUs was in accordance with Australian Accounting Standards.
- ▶ Compared the data used in the value in use model to the actual current year and forecast financial performance of the underlying CGUs.
- ▶ Performed sensitivity analysis on key inputs and assumptions included in the board approved forecast cashflows and impairment models including the discount rates
- ▶ Compared earnings multiples derived from the Group's value in use model to those observable from external market data of comparable listed entities.
- ▶ Benchmarked key assumptions used by the Group to our independent views.
- ▶ Assessed the adequacy of the disclosures included in the financial report.

Our valuation specialists were involved in the conduct of these procedures where considered relevant.

2. Existence and valuation of inventories

Why significant

As at 28 July 2018 the Group held \$159.3 million in inventories.

Inventories are held at several distribution centres, as well as at over 1,200 retail stores.

As detailed in Note 10 of the financial report, inventories are valued at the lower of cost and net realisable value.

The cost of finished goods inventories includes a proportion of purchasing department costs, as well as freight, handling, and warehouse costs incurred to deliver the goods to the point of sale.

Provisions are recorded for matters such as aged and slow moving inventory to ensure inventory is recorded at the lower of cost and net realisable value. This requires a level of judgment with regard to changing consumer demands and fashion trends. Such judgments include the Group's expectations for future sales and inventory mark downs.

Accordingly, the existence and valuation of inventory was considered to be a key audit matter.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Assessed the application of valuation methodologies applied
- ▶ Assessed and tested the effectiveness of relevant controls over the determination of standard costs.
- ▶ Selected a sample of inventory lines and recalculated standard costs.
- ▶ Attended store and distribution centre inventory counts on a sample basis and assessed the stock counting process which addressed inventory quantity, condition and inventory quality.
- ▶ Assessed the basis for inventory provisions, including the rationale for recording specific provisions. In doing so we examined the ageing profile of inventory, considered how the Group identified specific slow-moving inventories, assessed future selling prices and historical loss rates.
- ▶ Tested the slow-moving inventory reports for accuracy and completeness.
- ▶ Considered the completeness of inventory provisions by identifying mark down sales at or subsequent to year end, completing gross margin analysis to assess movements impacting net realisable value, and comparing sale prices against the value of inventories at balance date.

Independent Auditor's Report continued

3. Accounting for the Group's interest in Breville Group Limited

Why significant

At 28 July 2018 the Group held a 27.5% stake in the ASX-listed entity Breville Group Limited ("Breville").

As detailed in Note 18 of the financial report, this investment was equity-accounted in accordance with Australian Accounting Standards. At balance date the Group held an equity accounted investment of \$223.2 million and recorded an equity accounted profit of \$16.1 million in the overall profit after tax of the Group.

The Group's accounting for the investment in Breville was considered to be a key audit matter due to the quantum of the contribution to the Group's result.

How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Enquired with Breville's auditors to discuss the audit procedures they completed including significant areas of audit focus, and subsequent events.
- ▶ Examined the audit work completed by Breville's auditors for the 30 June 2018 audit prepared in forming their audit opinion over the Breville financial report.
- ▶ Considered whether the accounting policies of Breville were consistent with those of the Group.
- ▶ Recalculated the Group's share of profit and dividends for the year to be equity accounted.
- ▶ Agreed Premier's shareholding to supporting evidence.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2018 Annual Report, but does not include the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report continued

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

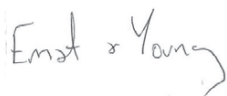
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 28 July 2018.

In our opinion, the Remuneration Report of Premier Investments Limited for the year ended 28 July 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



Ernst & Young



Rob Perry
Partner
Melbourne
27 September 2018

ASX Additional Shareholder Information

AS AT 24 SEPTEMBER 2018

TWENTY LARGEST SHAREHOLDERS

NAME	TOTAL	% IC	RANK
CENTURY PLAZA INVESTMENTS PTY LTD	51,569,400	32.62%	1
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	26,135,211	16.53%	2
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,775,401	13.14%	3
CITICORP NOMINEES PTY LIMITED	10,103,975	6.39%	4
METREPARK PTY LTD	8,235,331	5.21%	5
NATIONAL NOMINEES LIMITED	5,119,614	3.24%	6
SL SUPERANNUATION NO 1 PTY LTD <SL SUPER FUND NO 1 A/C>	4,437,699	2.81%	7
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,729,489	1.73%	8
LINFOX SHARE INVESTMENT PTY LTD	2,577,014	1.63%	9
BNP PARIBAS NOMS PTY LTD <DRP>	2,347,120	1.48%	10
UBS NOMINEES PTY LTD	1,749,957	1.11%	11
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	1,724,864	1.09%	12
ARGO INVESTMENTS LIMITED	1,250,000	0.79%	13
MILTON CORPORATION LIMITED	590,321	0.37%	14
MARK MCINNES	486,800	0.31%	15
MR CON ZEMPILAS	470,000	0.30%	16
DAVID ALAN BULL	363,472	0.23%	17
AMP LIFE LIMITED	308,444	0.20%	18
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	268,900	0.17%	19
GEOMAR SUPERANNUATION PTY LTD <CHAPMAN SUPER FUND A/C>	250,000	0.16%	20
TOTAL FOR TOP 20:	141,493,012	89.51%	

SUBSTANTIAL SHAREHOLDERS

NAME	TOTAL UNITS	% IC
CENTURY PLAZA INVESTMENTS PTY LTD AND ASSOCIATES PERPETUAL LIMITED AND ITS SUBSIDIARIES	58,552,420	42.43%
	18,796,813	11.89%

DISTRIBUTION OF EQUITY SHAREHOLDERS

	1 TO 1,000	1,001 TO 5,000	5,001 TO 10,000	10,001 TO 100,000	100,001 TO (MAX)	TOTAL
Holders	5,373	2,549	342	201	30	8,495
Ordinary Fully Paid Shares	2,071,082	5,769,715	2,482,024	4,580,731	143,196,192	158,099,744

The number of investors holding less than a marketable parcel of 28 securities (\$18.11 on 24 September 2018) is 193 and they hold 960 securities.

VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

Corporate Directory

A.C.N. 006 727 966

DIRECTORS

Mr. Solomon Lew (*Chairman*)
Dr. David M. Crean (*Deputy Chairman*)
Mr. Timothy Antonie (*Lead Independent Director*)
Ms. Sylvia Falzon (*appointed: 16 March 2018*)
Mr. Lindsay E. Fox AC (*retired: 28 July 2018*)
Ms. Sally Herman
Mr. Henry D. Lanzer AM
Mr. Terrence L. McCartney
Mr. Mark McInnes
Mr. Michael R.I. McLeod
Dr. Gary H. Weiss (*retired: 28 July 2018*)

COMPANY SECRETARY

Mr. Kim Davis

REGISTERED OFFICE

Level 53
101 Collins Street
Melbourne Victoria 3000
Telephone (03) 9650 6500
Facsimile (03) 9654 6665

WEBSITE

www.premierinvestments.com.au

EMAIL

info@premierinvestments.com.au

AUDITOR

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

SHARE REGISTER AND SHAREHOLDER ENQUIRIES

Computershare Investor Services Pty
Limited
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Telephone (03) 9415 5000

LAWYERS

Arnold Bloch Leibler
Level 21
333 Collins Street
Melbourne Victoria 3000
Telephone (03) 9229 9999

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This report has been printed on Sovereign Silk and Alpha 3000 Matt and are both elemental chlorine free.

Both stocks are FSC certified derived from well-managed forests and are manufactured by an ISO 14001 certified mill.

The printer is also ISO 9001 and ISO 14001 accredited.

These certifications specify the requirements for a quality and environmental management system.

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