PREMIER INVESTMENTS LIMITED

A.C.N. 006 727 966

Annual Report 2020

Solomon Lew
Chairman

Mark McInnes
CEO Premier Retail

Chairman's Report

On behalf of the Premier Investments Limited ("Premier") Board of Directors, it is my pleasure to present the Annual Report for the year ended 25 July 2020 ("2020").

The year has been an incredibly difficult year for all Australians in the context of the COVID-19 health crisis. While the likely long-term impacts of this global pandemic are yet to be properly understood, your company's clear priorities continue to be the safety and wellbeing of our employees and customers while also ensuring the continued underlying strength of our business as we deal with the reality of the times and also look forward.

Your Directors have always focused their attention on maintaining a strong business to grow long-term sustainable shareholder value. The strategic decisions the Board has taken over the past decade have resulted in year on year record financial results while also maintaining a strong balance sheet to provide security and flexibility.

As a result of this approach – and notwithstanding the global health crisis – your company reported Net Profit After Tax (NPAT) of $137.8 million for 2020, up 29% on last year. Our wholly-owned retail businesses (Premier Retail) contributed a record underlying earnings before interest and tax (EBIT) of $187.2 million[1] to this result, up 11.9% on 2019. Premier's 26.73% investment in Breville Group Limited was also a significant contributor to group profits.

PREMIER RETAIL – TWO VERY DIFFERENT HALVES

The 2020 financial year has been like no other with two very different halves.

The first half saw Premier trading through Brexit uncertainty in the United Kingdom, protests in Hong Kong, devastating bushfires in Australia and a continuing fall in the Australian Dollar. Yet Premier Retail was able to deliver record sales and profit. Highlights of the first half included record online sales, record Peter Alexander sales, record Smiggle global sales and strong like-for-like sales growth across all of our apparel brands.

Second half trading globally was severely impacted by COVID-19, but Premier Retail's senior management team proved to be nimble and resilient. In consultation with the Board, the management team adapted quickly, making very hard decisions for the long-term health of the Group.

ONLINE CHANNELS AND PETER ALEXANDER – DELIVERING RECORD SALES

The Peter Alexander brand has developed to be an exceptionally powerful brand in Australia and New Zealand and continues to deliver record results. Annual sales of $288.2 million in 2020 were up 16.3% on prior year with positive like-for-like sales growth in both Australia and New Zealand despite the pandemic.

To demonstrate the strength of the brand, during the key Mother's Day trading week (the week ending 2 May 2020) all 122 Peter Alexander stores in Australia were closed, yet Peter Alexander in Australia still delivered sales growth of 18% on prior year – purely through the online channel. This is truly a brand that Australians and New Zealanders love.

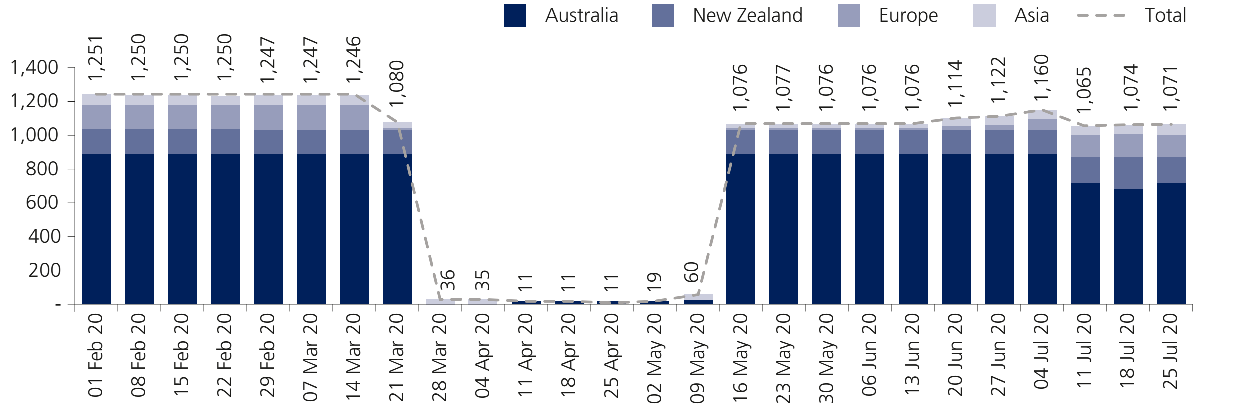
In fact, Premier Retail's online businesses across all seven brands went from strength to strength in 2020. Online sales were $220.4 million, up 48.8% on prior year – with second half sales up 70.0% on 2H19. This was partly a response to the pandemic which your Board believes has accelerated the long-term structural shift to online. This strong trading result was facilitated by strategic, decade long investments in both online experience and the critical infrastructure required to deliver a world-class online shopping experience.

Overall, in 2020 the online business contributed 18.1% of total Premier Retail sales for the year and 25.5% of the total sales for the second half.

COVID-19 IMPACTS ON 2H20 RESULTS

The devastating global impact of the COVID-19 health crisis resulted in the very difficult decision to temporarily shut down Premier Retail's global operations on 26 March 2020 and stand down over 9,000 employees. At the time, there was no certainty of when global stores would be able to reopen, and no wage subsidy scheme was in existence in Australia.

Global Stores Trading by week



[1] Refer to page 9 of the Director's Report for a reconciliation between underlying EBIT and statutory reported operating profit before taxation for the Retail Segment.

Chairman's Report continued

The financial impact of the COVID-19 was most severe during the period 11 March 2020 to 15 May 2020, with retail stores down 78.4% and global sales down $131.1 million on the comparable period in 2H19.

Due to the devastating impact on Premier Retail's sales resulting from the COVID-19 health crisis, the Group became eligible for a range of global government subsidy programs, across seven countries, designed to keep people connected to their employers and in jobs. Eligible Premier team members received wages subsidies in full while they were not working. In addition, in Australia, many of Premier's casual and part-time workforce received subsidy payments in excess of their normal wages, in accordance with the rules of the government schemes. The funds Premier received were used to support standing up its employees as stores gradually reopened under COVID-19 safe plans. This public policy initiative ensured that Premier was able to fulfill the respective Governments' objectives of keeping people in jobs and connected to their employers in the midst of the global pandemic.

RETAIL INDUSTRY RESTRUCTURE ACCELERATING DUE TO COVID-19

Globally, the temporary closures of retail stores, "stay at home" health directives and ongoing government implementation of social distancing in each of the countries and markets we operate in, has significantly changed customer shopping behaviour. Customers are increasingly choosing to shop online in this highly uncertain environment.

Over the past nine years, Premier has made significant investment in its fully integrated online channel and is well placed to maximise this significant swing in customer shopping preference.

Premier Retail today has:

- Seven brands each with a strong, distinctive, and competitive market position
- A world class customer facing website platform trading in three countries
- A fully integrated and owned Australian Distribution Centre
- Significant digital capability, online technology and IT infrastructure – including dedicated teams focused on online growth

As a result, Premier delivered 2H20 online sales growth of 70% with online contributing 25.5% of total Premier Retail sales in the second half. It is also worth noting that Premier Retail's online business has a significantly higher EBIT margin than the retail store channel.

As a result of this efficiency and the accelerated swing in customer preferences to shopping online, Premier Retail has further increased its focus on individual store profitability. Premier Retail has maximum flexibility in managing its cost base and store footprint, with over 70% of stores in Australia and New Zealand either in holdover or with leases that expire in 2020.

While it is not Premier Retail's objective to close any stores, should landlords not accept the major shift in consumer shopping behaviour and adjust their rents according to customer shopping preferences, store closures will be inevitable.

BALANCE SHEET AND DIVIDENDS

Throughout the health crisis, Premier has maintained a very strong balance sheet. At year end the Group had $448.8 million of cash on hand. Our year-end balance sheet reflects our holding in Breville Group Limited at $257.4 million in line with Accounting Standards on equity accounting, however the market value of this stake at year-end was $947.9 million.

Premier paid its fully franked interim dividend of 34 cents per share on 30 September 2020. In making the decision on the final dividend, the Board considered the impact of wage subsidies on the profit and cash position of the company and determined that the net global government subsidies received were not required for the payment of the final dividend. The Board approved a fully franked final dividend of 36 cents per share, payable on 28 January 2021. Together, 2020 full year dividends of 70 cents per share fully franked are in line with last year.

LEADERSHIP AND GOVERNANCE

Premier's Board and management team remain focused, flexible and nimble in response to the current environment.

The Board and I are extremely proud of our team's dedication and commitment during these unprecedented times. On behalf of the Board and all shareholders, I thank Premier Retail CEO Mark McInnes, his senior leadership group and our entire team of employees for their outstanding contribution.

As I have said previously, your Board believes that we have the most outstanding senior management team of any retail business in Australia, and one which could be successfully benchmarked internationally.

On behalf of all shareholders, I would also like to thank my fellow Directors for their valuable contribution, insights, and counsel throughout this very difficult year.

I encourage all of our shareholders to attend the Company's Annual General Meeting for a further overview on the performance of the Group and strategies for the future.

Solomon Lew
Chairman and Non-Executive Director

The Directors

Solomon Lew
Chairman and
Non-Executive Director

David M. Crean
Deputy Chairman
and Non-Executive Director

Timothy Antonie
Non-Executive Director

Sylvia Falzon
Non-Executive Director

Sally Herman
Non-Executive Director

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

Terrence McCartney
Non-Executive Director

Mark McInnes
Executive Director

Michael R.I. McLeod
Non-Executive Director

Brand Performance Premier Retail

peteralexander

Peter Alexander, is a powerful brand in Australia and New Zealand and delivered record sales in FY20, up 16.3% to $288.2 million - underpinned by strong like for like (LFL) sales growth. The strength of the brand was clearly demonstrated in Australia during the key Mothers' Day week (week ended 2 May 2020). Peter Alexander online sales alone with all 122 stores closed due to the COVID-19 health crisis were up 18% on the prior year's total sales when all stores and online were open. Under the leadership of Judy Coomber, Managing Director Peter Alexander and Dotti, and Peter Alexander, Founder and Creative Director, the growth is set to continue. Peter Alexander is extremely well placed as the leading gift destination for the upcoming Christmas trading period.

Just Jeans, under Matthew McCormack's leadership, delivered exceptional 1H20 results with sales up 9.6% to $134.4 million - a particularly pleasing result for the group's original brand now celebrating its 50th anniversary. As stores re-opened and most regions of Australia and New Zealand gradually returned to business after the COVID-19 shutdowns, in the final 10 weeks of FY20 Just Jeans delivered sales growth up 26.3% on the comparable period in 2H19 on a LFL basis. Just Jeans has a strong, distinctive and competitive market position and is well positioned for future growth.

Jay Jays, under Linda Whitehead's leadership, has delivered 1H20 sales growth up 4.2% to $96.1 million - a strong result for the brand. As stores re-opened and most regions of Australia and New Zealand gradually returned to business after the COVID-19 shutdowns, in the final 10 weeks of FY20 Jay Jays delivered sales growth up 47.2% on the comparable period in 2H19 on a LFL basis.

In a year severely disrupted by the impact of the COVID-19 health crisis, Jay Jays still delivered full year sales growth in FY20, up 0.8% on FY19. Jay Jays has a strong, distinctive and competitive market position and is well positioned for future growth.

dotti

Dotti, under Deanna Moylan's leadership, delivered strong results in 1H20 with sales growth up 8.2% to $57.5 million. 1H20 LFL sales up 11.8% were stronger than overall sales, with continued improvement in profit margins being delivered through changes to sourcing strategy. As stores gradually re-opened in regions largely free of COVID-19 social distancing restrictions, Dotti sales in the final 10 weeks of FY20 in Western Australia were up 31% and New Zealand were up 16% on a LFL basis. Online Sales continued to grow ahead of the market with this channel delivering significantly higher EBIT margin than the Brand average. Dotti has a strong, distinctive and competitive market position and is well positioned for future growth.

JACQUI·E

Jacqui E, under the leadership of Nicole Naccarella, delivered strong results in 1H20 with sales growth up 8.1% to $40.0 million. Jacqui E has been significantly impacted by the temporary exodus of workers from CBD areas during the COVID-19 health crisis. As stores gradually re-opened in regions largely free of COVID-19 social distancing restrictions, Jacqui E sales in the final 10 weeks of FY20 in Western Australia were up 17.2% on a LFL basis. Jacqui E has an extremely strong and distinctive market position and is well positioned for future growth.

portmans

Portmans, delivered strong results in 1H20 with 2 year LFL sales up 11.1% from 1H18 to 1H20. Online Sales continue to drive overall growth at a significantly higher EBIT margin than the store portfolio. Portmans has been significantly impacted by the temporary exodus of workers from CBD areas during the COVID-19 health crisis. As stores gradually re-opened in regions largely free of COVID-19 social distancing restrictions, Portmans sales in the final 10 weeks of FY20 in Western Australia were up 2.2% on a LFL basis. We are delighted to announce that Jade Wyatt and Vicki Skidmore will now lead the Portmans business to drive a step change in Performance. Both Jade and Vicki are already on the company's executive team and have long track records of creating shareholder value in all roles they have occupied.

smiggle®
where a smile meets a giggle

Smiggle, delivered record 1H20 global retail sales including wholesale partners sales to consumers up 14.2% on 1H19. The impact of COVID-19 was particularly severe on the Smiggle business as schools were closed for extended periods of time, international borders were shut across all Smiggle Retail and Wholesale Markets, and families no longer felt safe shopping with children in stores in the midst of a once in a century global health crisis. Smiggle is a powerful global brand flourishing where children are back at school and is set to rebound and grow in a post-COVID-19 environment. John Cheston, Managing Director Smiggle, continues to lead a strong and focused management team growing a truly unique global brand.

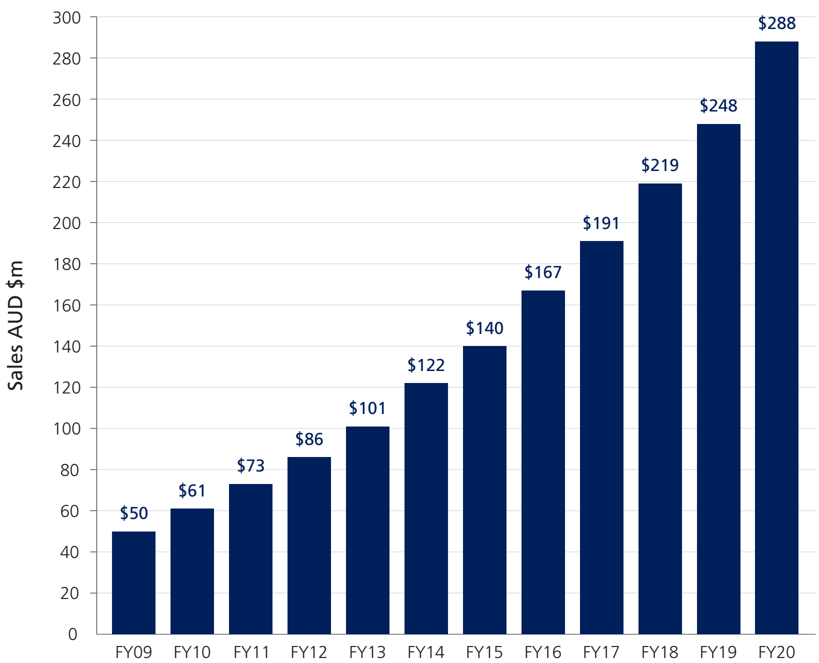
Peter Alexander

Powerful Brand Delivers a Record Result

- Record FY20 sales of $288.2 million, up a record $40.4 million or 16.3% on FY19, underpinned by strong LFL growth both online and in stores
- Demonstrating the strength of Peter Alexander and the investment made over the last nine years in the online channel, in Australia during the key Mothers Day week ended 2 May 2020, with all 122 stores closed due to the COVID-19 health crisis, online sales alone were up 18% on the prior year's total sales when all stores were open
- Children's sleepwear continued to deliver outstanding growth. FY20 sales were up 34% on FY19 on a LFL basis, with 35% of all Children's sleepwear sales delivered through the online channel
- P.A. Plus continued to deliver outstanding results. FY20 sales up 48% on FY19 on a LFL basis, with 64% of all P.A. Plus sales delivered through the online channel
- Peter Alexander is extremely well placed as the leading gift destination for the upcoming Christmas trading period
- Strong and focused management team led by Judy Coomber (Managing Director: Peter Alexander and Dotti) and Peter Alexander (Founder and Creative Director: Peter Alexander)

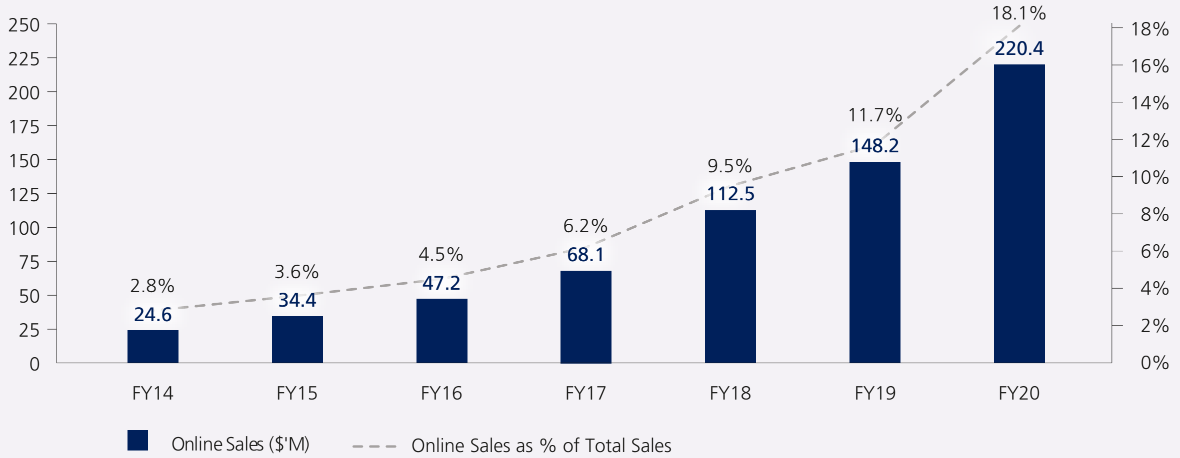
Peter Alexander
Founder and Creative Director

Peter Alexander Sales

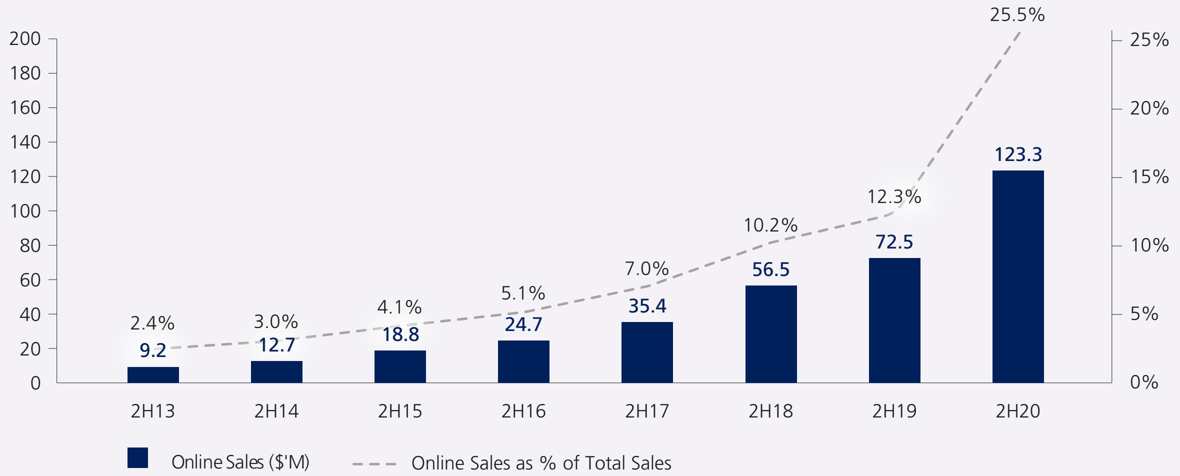


Internet Performance Premier Retail

Full Year Online Sales Growth



2H Online Sales Growth



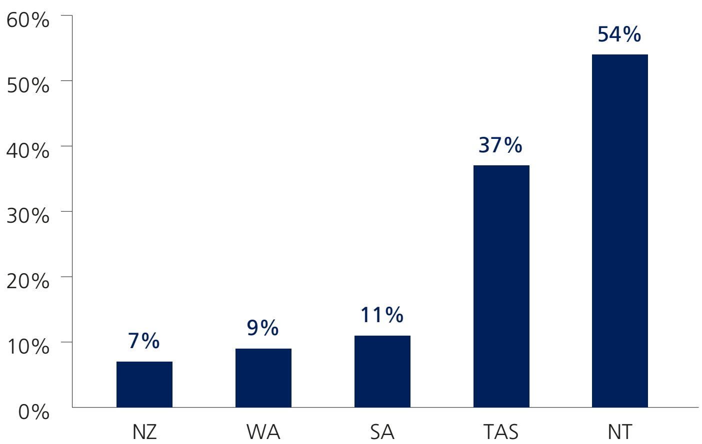
- Record online sales of $220.4 million, up 48.4% on a previous record FY19 and contributed 18.1% of total FY20 sales (FY19: 11.7%)
- Online sales growth accelerated during 2H20, up 70% on 2H19 and contributed 25.5% of total sales (2H19: 12.3%)
- Recently launched New Zealand Websites for Smiggle, Just Jeans, Portmans and Jacqui E, in addition to the rapidly growing Peter Alexander and Dotti Online businesses already in New Zealand, far exceeded expectations in FY20 up 144% on FY19
- 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 both the retail store and group average
- Major investment in technology, people and new marketing initiatives continuing to deliver a world class platform and customer experience in FY21 and beyond

Smiggle

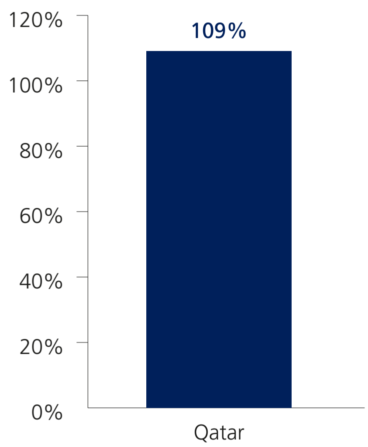
Strong Global Brand Flourishing Where Children are Back at School

- Smiggle is a powerful global brand
- Record 1H20 global retail sales including wholesale partners sales to consumers up 14.2% on 1H19
- The impact of COVID-19 was particularly severe on the Smiggle business as schools were closed for extended periods of time, international borders were shut across all Smiggle Retail and Wholesale Markets, and families no longer felt safe shopping with children in stores in the midst of a once in a century global health crisis
- The key to Smiggle's success is children attending school
- In countries and markets where schools have re-opened and these markets are largely free of COVID-19 restrictions the brand is flourishing. Since children have returned to school and stores have reopened, LFL sales are up: 7% in New Zealand, 9% in Western Australia, 11% in South Australia, 37% in Tasmania, 54% in Northern Territory and in the Wholesale channel, up 109% in Qatar
- Smiggle delivered record global online sales in FY20 of $42.3 million, up 41.8% on FY19, and contributed 16.5% of total Smiggle FY20 sales (FY19: 9.7%)
- Smiggle is a powerful global brand flourishing where children are back at school and is set to rebound and grow in a post-COVID-19 environment

Like for Like sales in markets where schools have reopened and these markets are largely free of COVID-19 restrictions



Like for Like sales in Wholesale market where schools have reopened and the market is largely free of COVID-19 restrictions



Our Commitment To Business Sustainability

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

PEOPLE	COMMUNITY	ENVIRONMENT	ETHICAL SOURCING
• Attraction and retention • Development • Reward and recognition • Workplace Safety	• Peter Alexander and RSPCA/PAW JUSTICE • Smiggle Community Partnerships	• Packaging Stewardship • Waste and Recycling • Energy efficiency	• 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.

% FEMALE EMPLOYEES **91%**

ATTRACTION AND RETENTION

By Christmas 2020, Premier will employ over 10,200 staff in seven countries.

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 FY20, 91% of our total team members are women, who held 75% 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 ecommerce, 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 3 Stage Just Getting Started Induction Program. All existing team members complete sales training seasonally online and participate in regular instore H&S training. Leadership and Management Development training is provided for our leaders, and this year 176 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 recognise our best performing Retail Leaders and salespeople for their excellent performance and contribution to achieving our financial goals. The top performing Regional Managers, Store Managers and Visual Merchandisers for each of our brands are rewarded publicly amongst their peers for their great leadership and delivery of their 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 14 years with the RSPCA in Australia, and for the last six 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 $1,141,000 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 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 six years have raised almost $125,000.

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 2019, 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 $157,274 to the RSPCA and $15,147 to Paw Justice.

Peter Alexander
Founder and Creative Director

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

$1.2 Million

Our Commitment to the Community continued

SMIGGLE COMMUNITY PARTNERSHIPS

Premier and our Smiggle brand regularly support a number of children's charities, organisations and educational programs. Plus countless community fundraising initiatives both locally and abroad, for schools and educational events.

In FY20 Smiggle continued to partner with the **Alannah & Madeline Foundation** in Australia, an organisation committed to the safety and well-being of children who have experienced or witnessed violence, including cyber bullying and bullying in schools. Smiggle donated $10,000 AUD (RRP) worth of products for inclusion in the charity's "Buddy Bag" programme; which provides 10,000 vulnerable children per year with backpacks full of essential home and school supplies.

In the same period, Smiggle also partnered with the **Jonathan Thurston Academy**, an organisation which provides outstanding initiatives and community programs throughout Australia. Smiggle is proud to sponsor the JTBelieve Kowanyama program, donating $12,000 AUD (RRP) worth of school supplies and prizes for the JTBelieve program awards. The JTBelieve program supports young Australians in Indigenous communities to reach their full potential by providing educational and wellbeing support. The program helps improve kids' self-belief, confidence and courage in their future abilities and opportunities.

Children in the Jonathan Thurston JT Believe Kowanyama program.

Our Commitment to the Environment

PACKAGING STEWARDSHIP

Premier and Just Group are committed to managing and reducing the impact our business operations have on the environment. Just Group 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. Just Group has submitted its Action Plan outlining its objectives in relation to:

1. Having a strategy to improve packaging sustainability;
2. Preparing a procedure that requires the use of the Sustainable Packaging Guidelines or equivalent to evaluate packaging during design or procurement;
3. Developing a documented plan to optimise material efficiency;
4. Investigating opportunities to increase the use of recycled and/or renewable materials in packaging; and
5. Investigating opportunities to improve recoverability in packaging and amount of single use business-to-business packaging.

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 372 stores to LED lighting, all of the DC high bay lighting to LED, and converting over 80% of our support office lighting to LED. In addition to the Support office lighting upgrade the lights are controlled by timers and motion sensors to ensure that they are on only when required. 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.

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.

MODERN SLAVERY

Premier has zero tolerance to modern slavery in all its forms, including forced labour, child labour, slavery, people trafficking, deceptive labour recruitment practices, forced marriage and debt bondage. Premier fully supports the introduction of modern slavery legislation in various jurisdictions in which we operate, and will fully comply with the legislative timelines in all relevant markets. Premier will publish its full Modern Slavery Statement in March 2021.

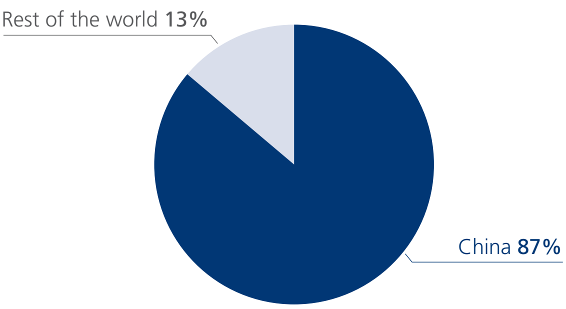
OUR SOURCING MODELS, PRINCIPLES & POLICIES

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.

Our sourcing activities include direct sourcing from fully audited factories across Asia. In addition, we work with known established and trusted Australian importers.

We currently source products in the following countries: China, Australia, Bangladesh, India, Pakistan, Taiwan, 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.

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 have zero tolerance for modern slavery in all its forms
3. We insist on workers' legal rights – including worker empowerment and free association
4. We have zero tolerance for bribery and corruption
5. We have zero tolerance for animal cruelty

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.)
- 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 direct suppliers by qualified audit firms.

Factory inspections. All factories that manufacture for us are audited and inspected. We continue factory visits and ensure audits are up to date 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 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 http://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 inspects 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 recently reviewed and updated 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 which they need to formally acknowledge. Additionally, they are re-issued with a copy annually and again are asked to formally acknowledge receipt in line with any amendments which may have been made to the 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 52 week period
28 July 2019 to 25 July 2020

Contents

Director's 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 25 July 2020.

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 28 July 2019 to 25 July 2020, 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.

Director's 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 and turning David Jones into a fashion and financial powerhouse creating in excess of $2billion of Shareholder value in his time as CEO.

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.

Since his appointment, Mark, as CEO of Premier Retail, has assembled and led the executive team to completely restructure and rebuild the organisation to deliver long-term strategic competitive advantage and sustainable growth platforms, which has delivered in excess of $2billion of Shareholder value since he joined the group

Premier Retail has delivered record underlying Earnings before Interest and Tax each year over the past nine years. Today, the Group has a world-class, fully integrated, and highly profitable online operation, with seven high performing and distinctive brands delivering exceptional results through a highly capable senior leadership team.

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***

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 and customer driven businesses in financial services, health and 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 Suncorp Group Limited and Regis Healthcare. In the not-for-profit sector, she is the Chairman of Cabrini Australia Limited. Ms. Falzon previously served on the board of ASX listed companies Perpetual Limited until October 2019 and 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.

Sally Herman ***Non-Executive Director***

Ms. 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 not-for-profit Boards, including Suncorp Group Limited, Breville Group Limited, Evans Dixon Limited and Investec Property Limited. She is also a Trustee of the Art Gallery of NSW. Ms. Herman holds a Bachelor of Arts 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.

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.

Director's Report continued

COMPANY SECRETARY

Marinda Meyer

Ms. Meyer was appointed as Company Secretary effective 4 February 2019. She is a Chartered Accountant with over 15 years financial experience. She has both local and international experience in financial accounting and reporting, corporate governance, and administration of listed companies.

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 approved for 2020	36.00	57,141
Dividends approved in the year:		
Interim for the half-year ended 25 January 2020 (payable 30 September 2020)	34.00	53,966
Dividends paid in the year:		
Final for 2019 shown as recommended in the 2019 report	37.00	58,636

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. Just Group is a leading specialty fashion retailer with operations in Australia, New Zealand, Asia and Europe. The 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 through wholesale and online. The Group's key strategic growth initiatives continues to deliver results for the Group. 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.

The Group's reported revenue from contracts with customers, total income and net profit before income tax for the 52 week period ended 25 July 2020 (2019: 52 week period ended 27 July 2019) are summarised below:

	CONSOLIDATED		
	52 WEEKS ENDED 25 JULY 2020 $'000	52 WEEKS ENDED 27 JULY 2019 $'000	% CHANGE
Revenue from contracts with customers	1,216,316	1,270,958	-4.3%
Total interest income	2,290	3,886	-41.1%
Total other income and revenue	30,356	709	nm
Total revenue and other income	**1,248,962**	**1,275,553**	**-2.1%**
Reported profit before income tax	195,199	151,742	+28.6%

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 25 July 2020 are highlighted below:

RETAIL SEGMENT	52 WEEKS ENDED 25 JULY 2020 $'000	52 WEEKS ENDED 27 JULY 2019 $'000	% CHANGE
Revenue from contracts with customers	1,216,316	1,270,958	-4.3%
Total segment income	1,230,918	1,271,899	-3.2%
Segment net profit before income tax	165,776	136,667	+21.3%

The Retail Segment contributed $165.8 million to the Group's net profit before income tax for the 52 week period ended 25 July 2020 (2019: $136.7 million net profit before income tax for the 52 week period ended 27 July 2019).

The Retail Segment net profit before income tax was delivered through a very challenging year. The onset of COVID-19 in early 2020 created an extremely challenging operating environment in the second half of the 2020 financial year. The Retail Segment's result has been delivered through two very different half-years. For the first 26 weeks ended 25 January 2020, the Retail Segment reported net profit before income tax of $124.4 million – up 11.69% on the previous year corresponding period. The retail segment delivered revenue of $732.1 million during the first half of the year, up 7.63% on the previous year corresponding period.

The second half of the year (26 weeks ended 25 July 2020) saw a changed and challenging environment due to the significant global impact of the COVID-19 health crisis. During this time, the Group's absolute priority has been, and continues to be, the safety and wellbeing of its team members and the broader community in which it operates. With this in mind, the Group made the very difficult decision to temporarily shut down its global operations on 26 March 2020 and stand down over 9,000 employees. At that time, there was no certainty of when global stores would be able to reopen, and no wage subsidy scheme was in existence in Australia. The financial impact of COVID-19 was most severe for the period 11 March 2020 to 15 May 2020, when global sales were down $131.1 million on the prior year comparable period, with retail store sales down 78.4%. Due to the devastating impact on Group Sales resulting from the COVID-19 health crisis, the Group became eligible for global wage subsidies across seven countries (refer to note 5 of the financial statements for further information).

Notwithstanding the temporary store closures during the second half of the year, the Retail Segment delivered record online sales of $220.4 million for the 52 weeks ended 25 July 2020 – up 48.8% on the prior year (2019: $148.2 million). The online business contributed 18.1% of the Group's sales for the financial year ended 25 July 2020 (2019: 11.7%).

Peter Alexander delivered an outstanding result, with record sales for the financial year ended 25 July 2020 of $288.2 million (up 16.3% on the prior comparable period).

Globally, the temporary closure of retail stores and the ongoing government implementation of social distancing in each of the countries and markets we operate, has significantly changed customer shopping behaviour. Consumers are increasingly choosing to shop online in this highly uncertain environment.

Over the past nine years, the Group has made significant investment in its fully integrated online channel and is well placed to maximise this significant swing in customer shopping preference.

The Group prides itself on having:

- Seven unique brands, each with a strong and distinctive competitive market position.
- A world-class customer facing website platform trading in three countries.
- A fully integrated and owned Australian Distribution Centre.
- Significant investment in digital capability, online technology and IT infrastructure.
- Significant investment in dedicated teams focusing on online growth.

Director's Report continued

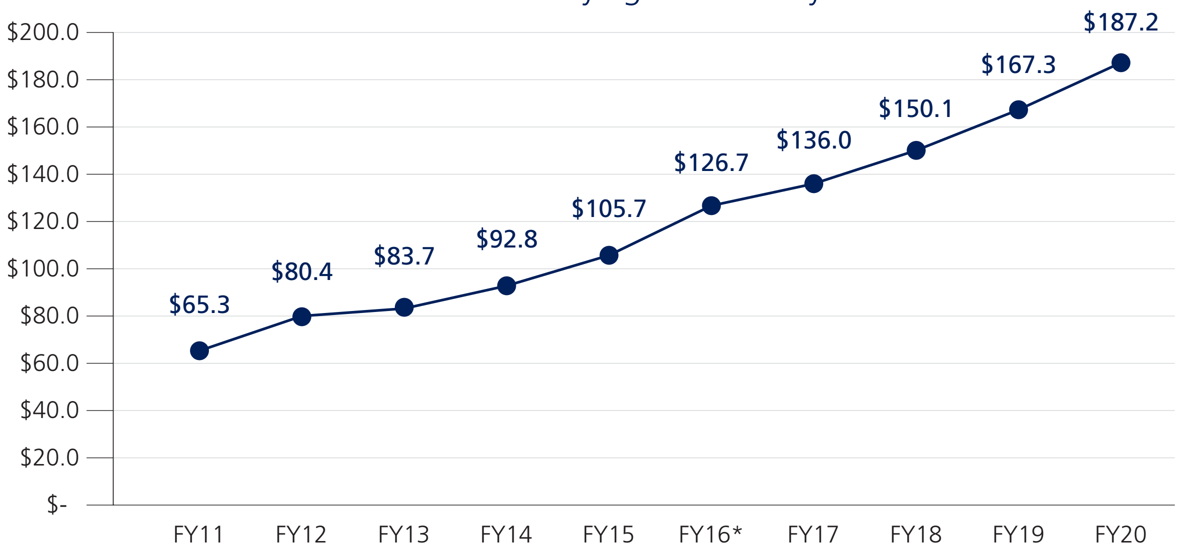
OPERATING AND FINANCIAL REVIEW (CONTINUED)

Retail Segment (continued):

The accelerated swing in customer preference to shopping online has further increased the Group's focus on each store's profitability. Given these changed consumer behaviours, the Group reviewed each retail store's future estimated cash flows. Consideration was also given to the fact that the Group has maximum flexibility within its current store portfolio, given that over 70% of its Australian and New Zealand store leases are currently in holdover, or are due to expire within 2020. As a result of the uncertain future trading environment of traditional bricks-and-mortar stores due to COVID-19, together with the accelerating growth of the online channel, the Group has recognised an impairment loss on store plant and equipment during the second half of the year amounting to $26.2 million, and associated costs of $2.8 million. In addition, the Group recognised an impairment loss of $2.4 million in relation to the Group's right-of-use assets. This relates to the closure of Hong Kong retail stores, writing down the associated right-of-use asset to its recoverable amount.

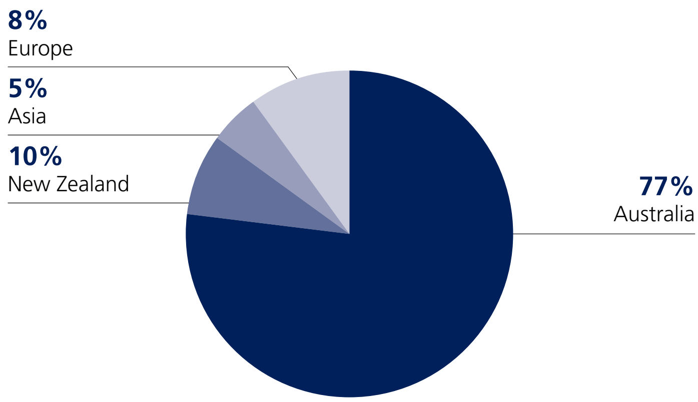
The impact of the COVID-19 health crisis during the second half of the year, resulted in the very difficult decision to temporarily shut down the Group's global operations on 26 March 2020, with no certainty at that time as to when the Group would be able to reopen. During this time of uncertainty, the Group closed out of its US Dollar currency hedge books. As a result, the Group recognised a net gain on settlement of its cash flow hedges of $13.2 million.

Premier Retail Underlying EBIT History



FY 16 underlying EBIT represents a comparable 52 week period. Refer to page 9 for a reconciliation between underlying EBIT and statutory reported operating profit before taxation for the Retail Segment.

Revenue from customers per Geographic Segment for the year ended 25 July 2020



Investment Segment:

The Group’s balance sheet remains strong, primarily due to the significant asset holding of the investment segment. As at 25 July 2020, the Group continued to reflect its 26.73% (2019: 28.06%) shareholding in Breville Group Limited as an investment in associate, with an equity accounted value of $257.4 million (2019: $238.7 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 25 July 2020 was $947.9 million (2019: $691.7 million). Dividends received from Breville Group Limited during the year amounted to $14.2 million (2019: $12.7 million).

During the 2017 financial year, the Group acquired a strategic investment of 10.77% in Myer Holdings Limited. At the end of the 2020 financial year the fair value of this listed equity investment is reflected as $18.1 million (2019: $46.9 million).

Premier Investments owns its Australian Distribution Centre, as well as the global head office building of Premier Retail in Melbourne. These properties are carried at a combined written down value at 25 July 2020 of $70.8 million (2019: $72.2 million).

Director's Report continued

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Reconciliation between underlying Premier Retail EBIT and Reported Retail Segment Result

The Group's results are reported under Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). 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:

	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Reported Retail Segment Operating Profit before Taxation	**165,776**	**136,667**	**142,484**	**126,182**	**126,207**	**98,958**	**79,299**	**76,686**	**69,988**	**39,796**
Add back: Interest expense (excluding AASB 16 interest on lease liabilities)	2,757	4,808	5,467	4,884	4,912	5,738	6,311	6,988	10,194	9,614
EBIT	**168,533**	**141,475**	**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 53rd week in 2016	-	-	-	-	(6,596)	-	-	-	-	-
One-off expenses relating to Head office relocation and make-good	-	-	1,460	1,786	-	-	-	-	-	-
One-off United Kingdom accelerated depreciation and associated costs	-	25,858	-	-	-	-	-	-	-	-
One-off litigation expense	-	-	-	3,045	2,345	-	-	-	-	-
Net impact of the adoption of AASB 16 on FY20 results	427	-	-	-	-	-	-	-	-	-
One-off COVID-19 impairment of store plant & equipment and associated costs	31,420	-	-	-	-	-	-	-	-	-
One-off COVID-19 net gain from settlement of cash flow hedge book	(13,207)	-	-	-	-	-	-	-	-	-
Underlying Premier Retail EBIT (pre-AASB 16)	**187,173**	**167,333**	**150,066**	**136,031**	**126,701**	**105,747**	**92,803**	**83,704**	**80,374**	**65,255**
Underlying Premier Retail EBIT, expressed in $' millions	**187.2**	**167.3**	**150.1**	**136.0**	**126.7**	**105.7**	**92.8**	**83.7**	**80.4**	**65.3**

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.

	2020	2019	2018	2017	2016
Closing share price at end of financial year	$17.57	$16.28	$17.35	$13.35	$16.22
Basic earnings per share (cents)	86.89	67.51	52.97	66.8	66.3
Dividend paid per share (cents)	37.0[1]	66.0	56.0	51.0	44.0
Return on equity (%)	10.2%	7.9%	8.5%[2]	7.9%	7.8%
Net debt/equity ratio (%)	(22.4%)[3]	(1.7%)	(0.2%)	0.2%	(13.3%)

[1] Excludes the approved interim fully franked dividend of 34 cents per share, which is payable on 30 September 2020.

[2] Return on Equity excludes the impact of a non-cash impairment of intangible assets in FY18 ($30 million).

[3] Net debt has been calculated as cash and cash equivalents, less interest-bearing liabilities, representing bank loans.

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 25 July 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

The Directors of Premier Investments Limited approved a final dividend in respect of the 2020 financial year. The total amount of the dividend is $57,141,000 (2019: $58,636,000) which represents a fully franked dividend of 36 cents per share (2019: 37 cents per share).

The Group temporarily closed all of its 165 Melbourne metropolitan stores to customers from 8 July 2020, in direct response to the Victorian Government's COVID-19 directive whereby Stage 3 "stay at home" restrictions were reinstated. As of 5 August 2020, the Victorian Government introduced Stage 4 restrictions across metropolitan Melbourne for a period of at least 6 weeks. As a result, these Melbourne metropolitan stores remain temporarily closed. In response to the Victorian Government directives, all 47 regional Victorian stores were temporarily closed from 4 August 2020 and reopened on 14 September 2020.

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 25 July 2020 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.

Director’s Report continued

SHARE OPTIONS AND SHARES ISSUED DURING THE FINANCIAL YEAR

Unissued Shares:

As at the date of this report, there were 813,410 unissued performance rights. 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 294,579 shares (2019: 330,112) 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 35.

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 31 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.

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:

Solomon Lew	4,437,699 ordinary shares**
Timothy Antonie	5,001 ordinary shares
Sally Herman	11,500 ordinary shares
Henry Lanzer AM	27,665 ordinary shares
Michael McLeod	28,186 ordinary shares
Mark McInnes	982,100 ordinary shares

**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:

	BOARD MEETINGS		AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
DIRECTOR	MEETINGS HELD	NUMBER ATTENDED	MEETINGS HELD	NUMBER ATTENDED	MEETINGS HELD	NUMBER ATTENDED
Solomon Lew	9	9	-	1	-	-
Mark McInnes	9	8	-	1	-	-
Timothy Antonie	9	9	3	3	4	4
David Crean	9	9	3	3	-	-
Sylvia Falzon	9	9	3	3	-	-
Sally Herman	9	9	3	3	-	-
Henry Lanzer AM	9	8	-	3	4	4
Terrence McCartney	9	9	-	1	4	4
Michael McLeod	9	9	-	-	-	-

REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented from page 13.

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

Solomon Lew
Chairman
1 October 2020

Director's Report continued

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 25 July 2020. This report outlines, in detail, the remuneration outcomes and incentive arrangements, related to our performance.

The onset of COVID-19 in early 2020 created an extremely challenging operating environment in the second half of the 2020 financial year. During this global pandemic, the Group's absolute priority has been, and continues to be, the safety and wellbeing of our teams, our customers, and the broader community in each of the regions in which we operate. The devastating global impact of the COVID-19 health crisis resulted in the very difficult decision to temporarily shut down the Group's global operations on 26 March 2020 and stand down over 9,000 employees. At the time there was no certainty of when the Group would be able to reopen its retail stores, and there was no government wage subsidy scheme in existence in Australia.

The financial impact of COVID-19 was most severe during the period 11 March 2020 to 15 May 2020, with retail store sales down 78.4% and global sales down $131.1 million on the prior year comparable period.

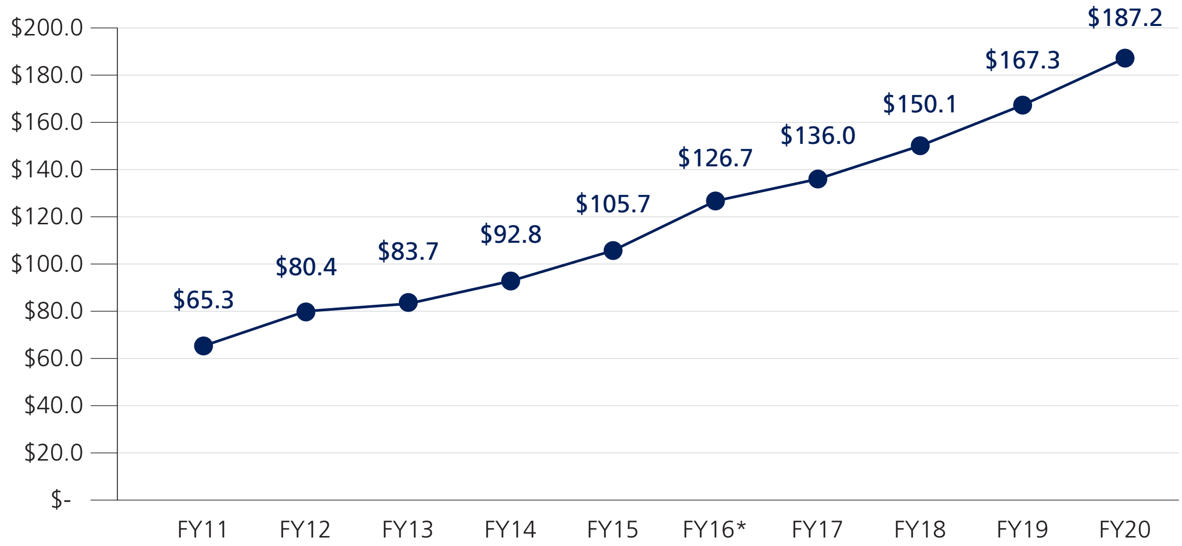
Due to the devastating impact on the Group's sales resulting from the COVID-19 health crisis, the Group became eligible for a range of global government wage subsidy programs, across seven countries, designed to keep people in jobs. Eligible Group employees received wage subsidies whilst they were unable to work. In addition, in Australia, many of the Group's casual and part time work force received subsidy payments in excess of their normal working arrangements in accordance with the rules of the government scheme. The funds that the Group received were used to support standing up its employees as stores gradually reopened under COVID-19 safe plans. This ensured that the Group was able to fulfill the government's objectives of keeping people in jobs and connected to their employees amid a global pandemic.

In response to the uncertainties surrounding the COVID-19 pandemic, Premier Retail CEO, Mark McInnes, together with the entire Just Group Senior Executive team voluntarily did not receive any remuneration for the month of April 2020, and received only 80% of their monthly gross remuneration for the month of May 2020 as stores gradually reopened. Normal monthly remuneration was restored from June 2020. In addition, Premier's Non-Executive Directors voluntarily did not receive any remuneration for April 2020 and received 80% of their monthly director's fees for May 2020 through to July 2020.

The Directors believe that the strong result delivered for this financial year, amidst a very challenging global background, was a function of the swift response of the Group's world-class management team. This has been a year of great turmoil in the retail market, here in Australia as well as for our international operations, which has required the very best executives to deliver the result. Premier Retail CEO, Mark McInnes, has expertly led a talented executive team to deliver reported revenue of $1.22 billion, with statutory reported retail segment operating profit before taxation of $165.8 million and underlying Earnings before Interest and Taxation ("EBIT") [1], of $187.2 million, up 11.9% on the prior financial year. This year's result was delivered through two very different halves. Premier announced first half revenue for the 26 weeks ended 25 January 2020 of $733.9 million - up 7.53% on the previous corresponding period. The second half of the year was significantly impacted by temporary store closures resulting from the COVID-19 health crisis.

For the 9th consecutive year, Premier Retail has delivered growth in underlying EBIT.

Underlying EBIT History[1]



[1] Refer to page 9 of the Directors' Report for a definition and reconciliation of underlying EBIT. FY20 Underlying EBIT is presented on a pre-AASB 16 basis. FY16 Underlying EBIT represents a comparable 52 week period

The senior executive team, many of whom are female, are highly skilled, experienced and very well respected within the retail industry. Female senior leaders are responsible for five of our seven retail brands, and two of our major support functions, being Internet and Marketing and People and Culture. 50%[2] of the CEO's direct reports are female.

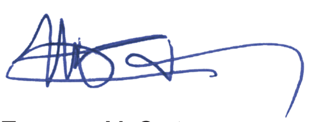
Across our over 1,200 stores in Australia, New Zealand, Asia and Europe, the critical support functions within those markets, our fast-growing online business and in the Group's head office, over 90% of the Group's workforce are female. Female management represents approximately 75%[2] of management.

We will continue to encourage and support a business leadership structure that reflects the values of equal opportunity.

The retail environment in all markets have experienced difficult conditions as the general economic environment has damaged consumer confidence. Global health concerns have brought an accelerated swing in traditional channels of retail. Premier remains well placed to maximise this significant swing in customer shopping preference. The Group benefits from its diversified portfolio of brands, each with a strong and distinctive market position, together with a world-class customer facing website platform, currently trading in three countries. The significant investments of the past decade in the Group's fully integrated online channel as well as the Group's integrated and owned Australian Distribution Centre places the Group in a strong position for the future.

Now more than ever, in this rapidly changing global retail world, Premier continues to encourage, incentivise and develop executives who understand this complex retail environment and proactively develop business outcomes that build shareholder wealth. With that in mind, the Premier Board is committed to supporting executives to ensure that strong financial returns are continued to be enjoyed by our shareholders.

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 2019-2020.

Director's Report continued

REMUNERATION REPORT (AUDITED)

This remuneration report for the 52 weeks ended 25 July 2020 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 25 July 2020. Unless otherwise indicated, the individuals were KMP for the entire financial year.

KEY MANAGEMENT PERSONNEL

(i) Non-Executive Directors

Solomon Lew	Chairman and Non-Executive Director
David Crean	Deputy Chairman and Non-Executive Director
Timothy Antonie	Non-Executive Director and Lead Independent Director
Sylvia Falzon	Non-Executive Director
Sally Herman	Non-Executive Director
Henry Lanzer AM	Non-Executive Director
Terrence McCartney	Non-Executive Director
Michael McLeod	Non-Executive Director

(ii) Executive Director

Mark McInnes	Executive Director and Chief Executive Officer Premier Retail

(iii) Executives

John Bryce	Chief Financial Officer, Just Group Limited
Marinda Meyer	Company Secretary, Premier Investments Limited

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.

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. The Committee is led by Terrence McCartney, 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 remuneration advisors were engaged during the 2020 financial year.

Director's Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. EXECUTIVE REMUNERATION ARRANGEMENTS

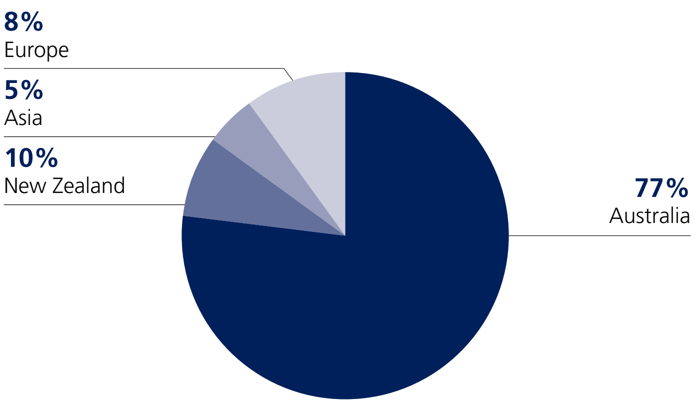
3A. Remuneration principles and strategy

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. Globally, as a result of the COVID-19 health crisis, temporary store closures and the ongoing government implementation of social distancing in each of the countries and markets the Group operates in, customer shopping behaviour has significantly changed.

Complementing its strong market position in Australia and New Zealand, the Group continues to operate in international markets in Asia and Europe. The Group remains committed to growing its existing international presence. During the 2019 financial year, the Group launched its wholesale business internationally, expanding its overseas footprint.

Revenue from Customers per Geographic Area FY20



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 growth focus, 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.

The Group is committed to ensuring that executive remuneration outcomes are explicitly linked to the overall performance and success of the Group. This section illustrates this link between the Group's strategic objectives and its executive remuneration strategies.

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 generating 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”) Premier 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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

3B. Approach to setting remuneration

For the 52 weeks ended 25 July 2020, the executive remuneration framework comprised of fixed remuneration, STI and LTI, as outlined below. Details of Mr. McInnes’ remuneration is 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.

In response to the uncertainties surrounding the COVID-19 pandemic, the Just Group Executive team voluntarily did not receive any remuneration for the month of April 2020 and received only 80% of their monthly gross remuneration for the month of May 2020. Normal monthly remuneration was restored from June 2020.

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?	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: • 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). 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. 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. 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. 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.

What are the applicable non-financial performance measures?	The award of an STI is also dependent on the executive achieving individual aligned non-financial performance indicators, such as: • 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?	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. 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.

Long-term incentive ("LTI")

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

Refer to section 5 for details surrounding Mr McInnes' LTI arrangements.

Prior to the 2020 financial year, LTI performance rights were granted to executives annually and eligible to vest three years from the date of the grant. During the 2020 financial year, certain amendments were made to LTI performance rights granted to executives, which have been described in more detail below.

Who participates?	Executives.
How is LTI delivered?	Performance rights.
What were the performance measures for the 2020 and 2019 financial years?	LTI rights awarded to each executive are subject to a two-stage performance test - an absolute and relative test - based on Premier'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). 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. The absolute test requires Premier to achieve a positive TSR over the testing period. If the TSR is negative over the testing period, then the performance rights lapse. If the TSR is positive over the testing period, the relative test is undertaken, which compares Premier's TSR with the S&P/ASX200 Industrials excluding overseas and resource companies ("Comparison Peer Group"). The Comparison Peer Group was chosen to reflect Premier's competitors for both capital and talent.

Director's Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

3. EXECUTIVE REMUNERATION ARRANGEMENTS (CONTINUED)

3D. Detail of incentive plans (continued)

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

What were the performance measures for the 2020 and 2019 financial years (continued)?

Premier'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 for the 2019 financial year was as follows:

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

For LTI rights issued during the 2020 financial year, the vesting schedule has been amended as follows:

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

The absolute test ensures that shareholders and executives are aligned in the goal of absolute wealth creation. The relative test provides alignment between comparative shareholder return and reward for executives.

Premier considers the suitability of the above performance conditions on an annual basis.

How is performance assessed?

TSR performance is calculated by an independent external advisor at the end of each performance period.

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.

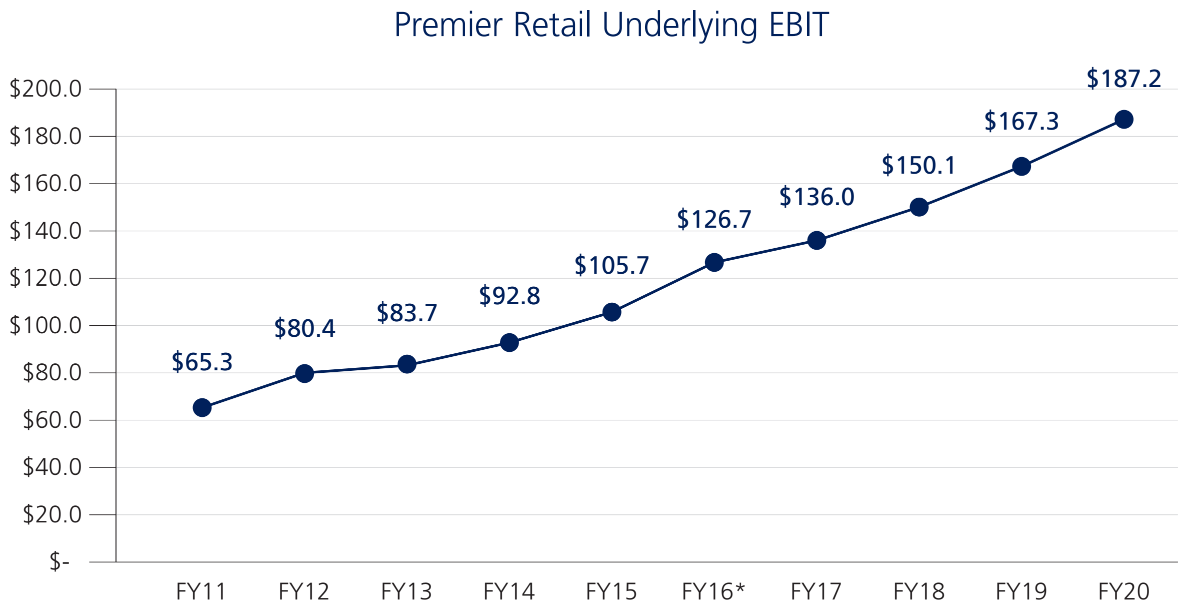
When does the LTI vest?	For rights issued prior to the 2020 financial year, the performance rights will generally vest over a period of three years subject to meeting performance measures. For rights issued during the 2020 financial year, the performance rights will vest in accordance with the following schedule: Tranche A: LTI rights will be tested for vesting from 1 May 2020 to 1 October 2022 (being the 1st Vesting Date). Tranche B: LTI rights will be tested for vesting from 1 May 2020 to 1 October 2023 (being the 2nd Vesting Date). Tranche C: LTI rights will be tested for vesting from 1 May 2020 to 1 May 2024 (being the 3rd Vesting Date). The performance rights issued during the 2020 financial year will be tested for vesting in three equal tranches. The three-tranche performance rights issue replaces the previous annual performance rights issue during the above vesting periods (e.g. additional performance rights will not be granted during the above vesting periods). Performance rights have no opportunity to re-test.
How are grants treated on termination?	Generally, all rights (whether vested or unvested) lapse and terminate on cessation of employment.
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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

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.



Note: The term underlying EBIT is not an IFRS defined term. Please refer to page 9 for a reconciliation between underlying EBIT and statutory reported operating profit before tax for the Retail Segment. FY16 Underlying EBIT represents a comparable 52 week period.

Performance compared to STI payments made during the financial year ended 25 July 2020

During the 2020 financial year, an amount of $215,851 was paid to Mr Bryce and combined both an STI payment and discretionary bonus payment. The STI payment was in line with hurdles and qualifiers relating to his 2019 financial year STI plan. This included the achievement of Premier Retail underlying EBIT. No STI was paid to Mr. Bryce during the 2019 financial year.

Group performance and its link to LTI

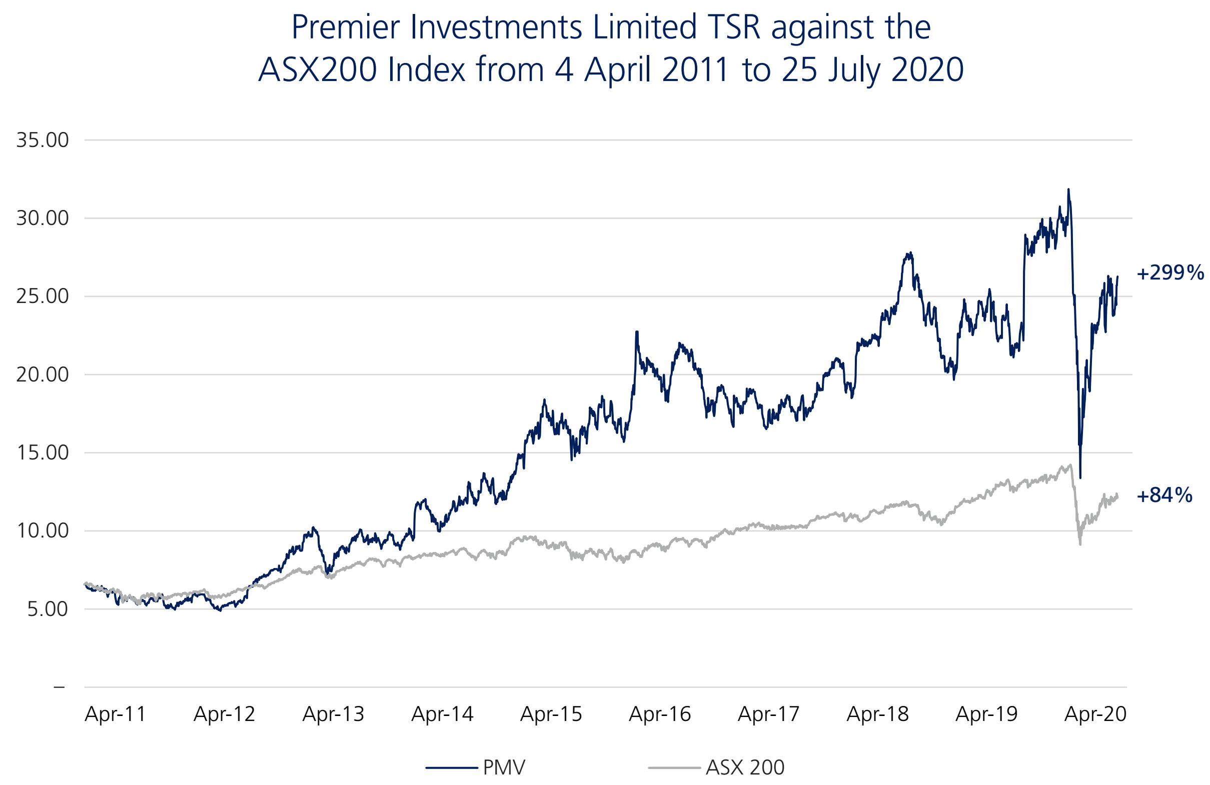
The performance measure which drives LTI vesting is dependent on an absolute test, being a positive Premier TSR performance and a relative test, being a comparison against the Comparison Peer Group (as defined in section 3D of this report).

The table below illustrates the outcomes of the TSR testing performed during the 2019 and 2020 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 2019	$9.95	$15.65	$2.54 fully franked	100.58%	74.53	250,000*
4 Apr 2014 to 4 Apr 2020	$9.95	$11.55	$3.24 fully franked	54.73%	68.0	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 25 July 2020:



5. REMUNERATION OF CEO PREMIER RETAIL, MR. MCINNES

Mr. McInnes' fixed remuneration

Mr. McInnes' annual fixed remuneration increased from $2,500,000 to $2,750,000, effective from the beginning of the 2020 financial year. This was Mr. McInnes' first increase in fixed remuneration since the end of the 2015 financial year. In response to the COVID-19 pandemic and to support the Group as a result of these uncertainties, Mr McInnes voluntarily did not receive any remuneration for the month of April 2020 and received only 80% of his monthly gross remuneration for the month of May 2020. Normal monthly remuneration was restored from June 2020 onwards.

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 $2,750,000 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).

Director’s Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

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	$1,375,000.
EBIT growth between 5% and 10% of Base Year	$1,375,000 plus a pro rata payment based on the % of the EBIT growth above 5%, up to a maximum of $2,750,000 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 $2,750,000, 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 2019 or 2020 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.

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 25 July 2020 and 27 July 2019

During the 2020 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 2019 financial year.

During the 2019 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 2018 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 2020 financial year will be finalised in December 2020.

Mr. McInnes' LTI arrangements

Mr. McInnes was 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 vested 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 has been tested against the TSR performance measure over different testing periods, as follows:

- Tranche A – 4 April 2014 to 4 April 2017
- Tranche B – 4 April 2014 to 4 April 2018
- Tranche C – 4 April 2014 to 4 April 2019 *(Tested in FY19, see further details provided in Section 5)*
- Tranche D – 4 April 2014 to 4 April 2020 *(Tested in FY20, see further details provided in Section 5)*

(each date being a "Vesting Date").

The share price baseline for each tranche was $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 was 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 required that the TSR over the testing period is positive.

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

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

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

Premier's TSR and ranking within the Comparison Peer Group for each testing period was 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 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.

Director’s Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

Mr. McInnes’ LTI arrangements (continued)

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.

Shares issued as a result of vesting of performance rights issued to Mr McInnes for the financial years ended 25 July 2020 and 27 July 2019

During the 2020 financial year, the final tranche of 250,000 performance rights (being Tranche D) were tested for the period 4 April 2014 to 4 April 2020. The TSR over this period was 54.73%, placing Premier in the 68.0 percentile of the Comparison Peer Group, resulting in vesting of 72% of the performance rights. Details of this test have been presented in Section 4 of this report. The Board, in its absolute discretion under the Performance Rights Plan, performed an indicative TSR test over two alternative testing periods, being 4 April 2014 to 29 April 2020, and 4 April 2014 and 28 February 2020, to provide the Board with further clarity on the impact on the short-term global share price volatility on the Premier’s TSR resulting from the COVID-19 pandemic. The results of these two TSR tests reflected an indicative percentile ranking of 75.7 percentile and 78.6 percentile, respectively. Therefore, both indicative tests would have resulted in 100% of the performance rights qualifying for vesting into newly issued shares. Based on the circumstances surrounding the testing period for Tranche D, the results of the extended indicative TSR tests and the Group’s compounding growth achieved over the testing period, the Board exercised its discretion provided under the Performance Rights Plan. As a result, 250,000 performance rights vested into newly issued shares in May 2020. This is the first incidence where the Board has exercised its discretion under the Performance Rights Plan in relation to performance rights for members of Premier’s KMP.

During the 2019 financial year, a tranche of 250,000 performance rights (being Tranche C) were tested for the period 4 April 2014 to 4 April 2019. The TSR over this period was 100.58%, placing Premier in the 74.53 percentile of the Comparison Peer Group. Details of this test have been presented in Section 4 of this report. The testing resulted in 98% of the performance rights qualifying for vesting into 245,300 newly issued shares in May 2019.

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 $5,500,000 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 $2,750,000 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 Ms. Meyer, whose relevant terms of employment are set out below). Material provisions of the service agreements are set out below:

					Termination benefits		
	Start date	**Term of agreement**	**Review period**	**Notice period required from Premier**	**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	13 Dec 2016	Open	Annual	12 months	12 months fixed rem. including notice	Nil	12 months
Ms. Meyer	4 Feb 2019	Open	Annual	12 months	Nil	Nil	12 months

Director’s Report continued

REMUNERATION REPORT (AUDITED) (CONTINUED)

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.

The Non-Executive Directors voluntarily did not receive any remuneration for the month of April 2020 and reduced their fees by 20% for the months of May – July 2020 to support the Group as a result of the severe uncertainty surrounding the COVID-19 pandemic.

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).

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL (KMP)

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

2020	Short-term Salary/Fee $	Cash $	Non-Monetary Benefits $	Post-employment Superannuation $	Other Post-employment $	Share based Long-term incentives $	Total $	Performance related %
Non-Executive Directors								
Mr. S. Lew	-	-	-	-	-	-	-	-
Mr. T. Antonie	121,333	-	-	-	-	-	121,333	-
Dr. D. Crean	142,466	-	-	13,534	-	-	156,000	-
Ms. S. Falzon	99,662	-	-	4,338	-	-	104,000	-
Ms. S Herman	99,662	-	-	4,338	-	-	104,000	-
Mr. H. D. Lanzer[1]	104,000	-	-	-	-	-	104,000	-
Mr. T.L. McCartney	294,667	-	-	-	-	-	294,667	-
Mr. M. R. I. McLeod	96,333	-	-	25,000	-	-	121,333	-
Total Non-Executive Directors[2]	**958,123**	**-**	**-**	**47,210**	**-**	**-**	**1,005,333**	
Executives								
Mr. M. McInnes[3]	2,452,083	2,500,000	-	22,917	-	444,444	5,419,444	54.33%
Mr. J.S. Bryce[4]	386,097	215,851	-	19,310	-	60,278	681,536	40.52%
Ms. M. Meyer	316,254	-	-	23,731	-	-	339,985	-
Total executives	**3,154,434**	**2,715,851**	**-**	**65,958**	**-**	**504,722**	**6,440,965**	
TOTAL 2020	**4,112,557**	**2,715,851**	**-**	**113,168**	**-**	**504,722**	**7,446,298**	

[1] Mr. Lanzer's director's fees were paid to Arnold Bloch Leibler.
[2] All Non-Executive Directors voluntarily did not receive any remuneration for April 2020 and received 80% of their monthly remuneration for the months of May – July 2020.
[3] Mr. McInnes voluntarily did not receive any remuneration for April 2020 and received 80% of his monthly gross remuneration for May 2020. Refer to page 25 for further information relating to the STI payment for Mr. McInnes.
[4] Refer to page 23 for further information relating to the bonus payment for Mr. Bryce.

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Director's Report continued

8. REMUNERATION OF KMP (CONTINUED)

2019	Short-term			Post-employment		Share based		
	Salary/Fee	Cash	Non-Monetary Benefits	Superannuation	Other Post-employment	Long-term incentives	Total	Performance related
	$	$	$	$	$	$	$	%
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	91,325	-	-	8,675	-	-	100,000	-
Ms. S Herman	91,325	-	-	8,675	-	-	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	-
Total Non-Executive Directors	**963,769**	**-**	**-**	**56,231**	**-**	**-**	**1,020,000**	
Executives								
Mr. M. McInnes	2,475,000	2,500,000[2]	-	25,000	-	1,153,624	6,153,624	59.37%
Mr. J.S. Bryce	408,859	-	-	20,570	-	32,095	461,524	6.95%
Ms. M. Meyer[3]	131,024	-	-	17,808	-	-	148,832	-
Mr. K. F. Davis[3]	265,192	-	-	10,266	-	-	275,458	-
Total executives	**3,280,075**	**2,500,000**	**-**	**73,644**	**-**	**1,185,719**	**7,039,438**	
TOTAL 2019	**4,243,844**	**2,500,000**	**-**	**129,875**	**-**	**1,185,719**	**8,059,438**	

[1] Mr. Lanzer's director's fees were paid to Arnold Bloch Leibler.
[2] Refer to page 25 for further information relating to the STI payment for Mr. McInnes.
[3] Mr. Davis retired as Company Secretary on 4 February 2019. Ms. Meyer was appointed as Company Secretary on 4 February 2019.

9. ADDITIONAL DISCLOSURES RELATING TO RIGHTS AND SHARES OF KMP

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

The table below discloses the number of performance rights granted to KMP as remuneration for the financial year ended 25 July 2020, as well as the number of rights vested and lapsed during the year:

	Terms and conditions					Rights vested and lapsed during 2020	
2020	**Grant year**	**Rights granted during the year No.**	**Grant date**	**Fair value per right at grant date $**	**Expiry and Exercise date**	**Rights vested No.**	**Rights lapsed No.**
Mr. M. McInnes	2016	-	26-Apr-16	-	-	250,000	-
Mr. J.S. Bryce	2020	25,548 *	1-May-20	8.33	1-Oct-22, 1-Oct-23, 1-May-24 *	-	-

* The total number of rights granted equals 25,548, to be tested for vesting in 3 equal tranches on the relevant vesting dates.

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

2020	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 %
Mr. M. McInnes	-	3,825,000	-	8.20%
Mr. J.S. Bryce	212,815	-	-	8.84%

There were no alterations to the terms and conditions of rights awarded as remuneration since their award date. The value of rights exercised during the year represent the intrinsic value of the rights based on the share price on the relevant day of vesting.

c) Shares issued on exercise of rights:

2020	Shares issued No	Paid per share $	Unpaid per share $
Mr. M. McInnes	250,000	-	-

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

Director's Report continued

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

d) Rights holdings of KMP:

2020	Balance at 27 July 2019	Granted as remuneration	Rights exercised	Rights lapsed	Balance at 25 July 2020	At 25 July 2020 Rights not exercisable
Mr. M. McInnes	250,000	-	(250,000)	-	-	-
Mr. J.S. Bryce	14,901	25,548	-	-	40,449	40,449

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

e) Number of Ordinary Shares held in Premier Investments Limited by KMP:

2020	Balance at 27 July 2019	Share Purchase	Shares acquired under performance rights plan	Balance at 25 July 2020
NON-EXECUTIVE DIRECTORS				
Mr. S. Lew *	4,437,699	-	-	4,437,699
Mr. T. Antonie	-	5,001	-	5,001
Dr. D.M. Crean	-	-	-	-
Ms. S. Falzon	-	-	-	-
Ms. S. Herman	11,500	-	-	11,500
Mr. H.D. Lanzer	27,665	-	-	27,665
Mr. T.L. McCartney	-	-	-	-
Mr. M.R.I. McLeod	28,186	-	-	28,186
EXECUTIVES				
Mr. M. McInnes	732,100	-	250,000	982,100
Mr. J.S. Bryce	-	-	-	-
Ms. M. Meyer	-	-	-	-
TOTAL	**5,237,150**	**5,001**	**250,000**	**5,492,151**

* 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 (2019: 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.

10. ADDITIONAL DISCLOSURES RELATING TO TRANSACTIONS AND BALANCES WITH KMP

Details and terms and conditions of other transactions and balances with KMP 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 $2,396,209 (2019: $1,797,386), including Mr. Lanzer's Director fees, GST and disbursements were invoiced by Arnold Bloch Leibler to the Group, with $713,866 (2019: $30,445) 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 $223,293 (2019: $330,000) 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 $17,273,036 (2019: $22,842,474) including GST have been made by Group companies from Voyager Distributing Co. Pty Ltd, Playcorp Pty Ltd and Sky Chain Trading Limited, with $4,058,067 (2019: $1,882,897) 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. Premier 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 Premier. Premier is required to reimburse Century Plaza Trading for costs it incurs in providing the Company with the services under the Service Agreement. Premier reimbursed a total of $512,600 (2019: $518,650) 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

	2020 $'000
Current Liabilities	
Trade and other payables	4,772
	4,772

ii) Amounts included within Profit or Loss

	2020 $'000
Expenses	
Purchases/ Cost of goods sold	15,923
Operating lease rental expense	203
Legal fees	2,178
Other expenses	513
Total expenses	18,817

Auditor's Independence Declaration

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

As lead auditor for the audit of the financial report of Premier Investments Limited for the financial period ended 25 July 2020, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
1 October 2020

Statement of Comprehensive Income

for the 52 weeks ended 25 July 2020 and 27 July 2020

	NOTES	CONSOLIDATED 2020 $'000	2019 $'000
Revenue from contracts with customers	4	1,216,316	1,270,958
Other revenue	4	2,464	4,108
Total revenue		1,218,780	1,275,066
Other income	4	30,182	487
Total revenue and other income		1,248,962	1,275,553
Changes in inventories		(474,582)	(484,380)
Employee expenses	5	(247,612)	(302,642)
Lease rental expenses	5	(17,532)	(224,393)
Depreciation, impairment and amortisation of non-current assets	5	(250,060)	(52,315)
Advertising and direct marketing		(14,171)	(15,896)
Finance costs	5	(16,716)	(7,687)
Other expenses		(50,786)	(55,404)
Total expenses		(1,071,459)	(1,142,717)
Share of profit of associate	20	17,696	18,906
Profit from continuing operations before income tax		195,199	151,742
Income tax expense	6	(57,446)	(44,935)
Net profit for the period attributable to owners		**137,753**	**106,807**
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss			
Net loss on cash flow hedges	24	(9,886)	(7,937)
Foreign currency translation	24	(868)	2,936
Net movement in other comprehensive (loss) income of associates	24	(688)	1,424
Income tax on items of other comprehensive (loss) income	6	2,964	2,381
Other comprehensive loss which may be reclassified to profit or loss in subsequent periods, net of tax		**(8,478)**	**(1,196)**
Items not to be reclassified subsequently to profit or loss			
Net fair value (loss) gain on listed equity investment	24	(28,747)	6,192
Income tax on items of other comprehensive (loss) income	6	8,623	(1,857)
Other comprehensive (loss) income not to be reclassified to profit or loss in subsequent periods, net of tax		**(20,124)**	**4,335**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS		**109,151**	**109,946**
Earnings per share from continuing operations attributable to the ordinary equity holders of the parent:			
- basic, profit for the year (cents per share)	7	86.89	67.51
- diluted, profit for the year (cents per share)	7	86.56	67.19

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

Statement of Financial Position

as at 25 July 2020 and 27 July 2019

	NOTES	CONSOLIDATED 2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	21	448,832	190,255
Trade and other receivables	9	30,320	23,011
Inventories	10	156,590	171,165
Other financial instruments	25	-	6,119
Other current assets	11	10,531	14,688
Total current assets		646,273	405,238
Non-current assets			
Property, plant and equipment	17	155,134	210,855
Right-of-use assets	12	231,790	-
Intangible assets	18	826,888	826,639
Deferred tax assets	6	66,924	40,380
Listed equity investment at fair value	19	18,132	46,879
Investment in associate	20	257,391	238,732
Total non-current assets		1,556,259	1,363,485
TOTAL ASSETS		**2,202,532**	**1,768,723**
LIABILITIES			
Current liabilities			
Trade and other payables	13	208,979	81,938
Income tax payable		66,172	12,571
Lease liabilities	14	189,221	-
Provisions	15	38,297	23,881
Other financial instruments	25	4,008	-
Other current liabilities	16	8,588	26,529
Total current liabilities		515,265	144,919
Non-current liabilities			
Interest-bearing liabilities	22	146,659	167,493
Deferred tax liabilities	6	65,427	63,875
Lease liabilities	14	114,668	-
Provisions	15	10,603	11,465
Other financial instruments	25	2,316	2,548
Other non-current liabilities	16	146	29,137
Total non-current liabilities		339,819	274,518
TOTAL LIABILITIES		**855,084**	**419,437**
NET ASSETS		**1,347,448**	**1,349,286**
EQUITY			
Contributed equity	23	608,615	608,615
Reserves	24	(37,847)	(10,858)
Retained earnings		776,680	751,529
TOTAL EQUITY		**1,347,448**	**1,349,286**

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

Statement of Cash Flows

for the 52 weeks ended 25 July 2020 and 27 July 2019

	NOTES	CONSOLIDATED 2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		1,344,202	1,397,331
Payments to suppliers and employees (inclusive of GST)		(829,742)	(1,209,685)
Interest received		2,436	3,919
Borrowing costs paid		(5,422)	(7,892)
Interest on lease liabilities		(11,080)	-
Income taxes paid		(16,812)	(44,859)
NET CASH FLOWS FROM OPERATING ACTIVITIES	21(b)	**483,582**	**138,814**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from investment in associate		14,235	12,654
Payment for trademarks		(273)	(714)
Purchase of investments		-	(7,872)
Payment for property, plant and equipment		(7,316)	(19,618)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**6,646**	**(15,550)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity dividends paid		(58,636)	(104,483)
Payment of lease liabilities		(150,958)	-
Proceeds from borrowings		137,000	173,000
Repayment of borrowings		(158,000)	(181,000)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(230,594)**	**(112,483)**
NET INCREASE IN CASH HELD		**259,634**	**10,781**
Cash at the beginning of the financial year		190,255	178,618
Net foreign exchange difference		(1,057)	856
CASH AT THE END OF THE FINANCIAL YEAR	21(a)	**448,832**	**190,255**

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

Statement of Changes Equity

for the 52 weeks ended 25 July 2020 and 27 July 2019

	CONSOLIDATED							
	CONTRIBUTED EQUITY	CAPITAL PROFITS RESERVE	PERFORMANCE RIGHTS RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	FAIR VALUE RESERVE	RETAINED PROFITS	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 28 July 2019	608,615	464	17,746	2,503	7,337	(38,908)	751,529	1,349,286
Net profit for the period	-	-	-	-	-	-	137,753	137,753
Other comprehensive loss	-	-	-	(6,922)	(1,556)	(20,124)	-	(28,602)
Total comprehensive income for the period	**-**	**-**	**-**	**(6,922)**	**(1,556)**	**(20,124)**	**137,753**	**109,151**
Transactions with owners in their capacity as owners:								
Performance rights issued	-	-	1,613	-	-	-	-	1,613
Dividends paid and payable	-	-	-	-	-	-	(112,602)	(112,602)
Balance as at 25 July 2020	**608,615**	**464**	**19,359**	**(4,419)**	**5,781**	**(59,032)**	**776,680**	**1,347,448**
At 29 July 2018	608,615	464	15,734	8,059	2,977	(43,243)	752,328	1,344,934
Restatement on initial application of AASB 15	-	-	-	-	-	-	(3,123)	(3,123)
Restated balance as at 29 July 2018	608,615	464	15,734	8,059	2,977	(43,243)	749,205	1,341,811
Net profit for the period	-	-	-	-	-	-	106,807	106,807
Other comprehensive income	-	-	-	(5,556)	4,360	4,335	-	3,139
Total comprehensive income for the period	**-**	**-**	**-**	**(5,556)**	**4,360**	**4,335**	**106,807**	**109,946**
Transactions with owners in their capacity as owners:								
Performance rights issued	-	-	2,012	-	-	-	-	2,012
Dividends paid	-	-	-	-	-	-	(104,483)	(104,483)
Balance as at 27 July 2019	**608,615**	**464**	**17,746**	**2,503**	**7,337**	**(38,908)**	**751,529**	**1,349,286**

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

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019

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 25 July 2020. The financial report was authorised for issue in accordance with a resolution of the Directors on 1 October 2020.

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 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 28 July 2019 to 25 July 2020.

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.

(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).

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(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 27.

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) COMPARATIVE AMOUNTS

The current reporting period, 28 July 2019 to 25 July 2020, represents 52 weeks and the comparative reporting period is from 29 July 2018 to 27 July 2019 which also represents 52 weeks. From time to time, management may change prior year comparatives to reflect classifications applied in the current year.

(e) 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.

During the second half of the 2020 financial year, the Group's operations were impacted as a direct result of the ongoing COVID-19 pandemic. In particular, the Group experienced a disruption to trading conditions, mainly due to widespread temporary retail store closures. In respect of the financial statements for the 2020 financial year, the impact of COVID-19 is particularly relevant to estimates of future performance. This, in turn, has an impact on areas of impairment of assets as well as the estimation of the expected lease term of retail store leases in holdover. The extent of the impact of the pandemic on future trading performance is unclear, and estimations in this environment entail a great degree of uncertainty. In response to these estimation uncertainties, key assumptions have been critically assessed and incorporate the possibility of continued COVID-19 restrictions and regulations, along with the Group's proposed responses in these circumstances. Assumptions have been based on management's best estimates and information available in respect of conditions that existed at the reporting date, amidst a once in a century global health crisis.

(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) 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.

(h) 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 the parent entity 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 the parent entity 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.

(i) 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.

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

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

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.

(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, described below:

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 Group has adopted the Interpretation from 28 July 2019, with no material impact on the consolidated financial statements of the Group.

AASB 16 *Leases*

The Group has adopted AASB 16 *Leases* from 28 July 2019, which replaces AASB 117 *Leases* and related interpretations. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The impact of the adoption of AASB 16 on the Group's financial statements and a summary of the new accounting policies that have been applied from 28 July 2019 have been noted below.

(i) Initial application and nature of the effect of adoption of AASB16

Prior to the adoption of AASB 16, the Group classified leases of property, plant and equipment as operating leases under AASB 117. Payments made under operating leases were expensed in profit or loss in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives were recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and a reduction of the liability, over the term of the store lease to which it related.

Upon the adoption of AASB 16, the Group recognises lease liabilities in relation to its contracted obligation to make future lease payments, and a right-of-use asset representing the future economic benefit associated with the right to use the underlying asset. The Group recognises a lease liability and a right-of-use asset for all leases where it is the lessee, except for leases of low-value assets.

The Group has adopted AASB 16 using a modified retrospective approach. Under the transition provisions of the Standard, comparative information has not been restated and continues to be reported under AASB 117. As at 28 July 2019 (being the date of initial application), the Group has measured the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately prior to the date of initial application. The Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under AASB 117. The Group has measured these lease liabilities at the present value of the remaining future lease payments, discounted using the Group's weighted average incremental borrowing rate of 3.15% as at 28 July 2019.

In applying AASB 16 for the first time, the Group has applied the following practical expedients permitted by the Standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table summarises the impact of adopting AASB 16 on the Group's Statement of Financial Position on adoption at 28 July 2019 for each of the line items affected:

	CONSOLIDATED		
	AASB 117 (PREVIOUS STANDARD) $'000	ADJUSTMENTS $'000	AASB 16 (ADOPTED STANDARD) $'000
ASSETS			
Right-of-use asset	-	364,643	364,643
TOTAL ASSETS	**1,768,723**	**364,643**	**2,133,366**
LIABILITIES			
Current liabilities			
Other current liabilities	26,529	(16,738)	9,791
Lease liability	-	177,086	177,086
Total current liabilities	144,919	160,348	305,267
Non-current liabilities			
Other non-current liabilities	29,137	(28,812)	325
Lease liability	-	233,107	233,107
Total non-current liabilities	274,518	204,295	478,813
TOTAL LIABILITIES	**419,437**	**364,643**	**784,080**
NET ASSETS	**1,349,286**	**-**	**1,349,286**

Operating lease expenditure commitments as disclosed in the financial statements for the 52 weeks ended 27 July 2019 can be reconciled to the lease liabilities recognised in the statement of financial position as at 28 July 2019 as follows:

	CONSOLIDATED $'000
Operating lease commitments disclosed as at 27 July 2019	304,969
Impact of discounting using the Group's weighted average incremental borrowing	(20,405)
Adjustments for changes in leases (reasonably certain options, leases in holdover)	125,629
Total lease liability recognised as at 28 July 2019	410,193
Comprising of:	
Current lease liability	177,086
Non-current lease liability	233,107
Total lease liability recognised as at 28 July 2019	410,193

2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(j) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

AASB 16 *Leases* (continued)

(i) Initial application and nature of the effect of adoption of AASB16 (continued)

As at 25 July 2020, the right-of-use asset amounted to $231.8 million and the total lease liability amounted to $303.9 million in the statement of financial position as a result of applying AASB 16 in the current financial year.

Furthermore, for the 52 weeks ended 25 July 2020 the Group has recognised depreciation and interest expense, instead of operating lease expenses in relation to leases under AASB 16. For the 52 weeks ended 25 July 2020, the Group recognised $172.7 million of depreciation charges and $11.1 million of interest expenses in the statement of other comprehensive income in relation to leases.

(ii) Summary of new accounting policies

The Group has applied the practical expedient where non-lease components are not separated out from the lease components of a lease. The below sets out a summary of the new accounting policies under AASB 16.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, being the date that the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date of the lease less any lease incentives received and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate initially measured using the index or rate as at the commencement date, and amount expected to be paid under residual value guarantees. The variable lease payments which are not included in the measurement of the lease liability are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date, if the rate implicit in the lease cannot be readily determined, using inputs such as government bond rates for the lease period and the Group's expected borrowing margin. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, a change in the assessment to purchase the underlying asset, or a change in the amounts expected to be payable under a residual value guarantee.

Leases of low-value assets

The Group applies the low-value assets recognition exemption to leases of certain office equipment that are considered of low value. Lease payments on low-value assets are recognised as a lease expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Where a lease enters holdover, the Group estimates the expected lease term based on reasonably certain information available as at balance date. Any adjustments required due to changes in estimates or entering into a new lease agreement are recognised in the period in which the adjustments are made.

Significant judgement in determining the incremental borrowing rate

The Group has applied judgement to determine the incremental borrowing rate, which affects the amount of lease liabilities and right-of-use assets recognised. The Group assesses and applies the incremental borrowing rate on a lease by lease basis at the relevant lease commencement date, based on the term of the lease. The incremental borrowing rate is determined using inputs including the Group's expected lending facility margin and applicable government bond rates at the time of entering into the lease, which reflects the expected lease term.

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, have not been early adopted by the Group for the reporting period ended 25 July 2020. The Group does not anticipate that the below amended standards and interpretations will have a material impact on the Group:

- AASB 2019-1: Amendments to Australian Accounting Standards: References to Conceptual Framework; and
- AASB 2018-7: Amendments to Australian Accounting Standards: Definition of Material.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (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 25 July 2020 and 27 July 2019.

(A) OPERATING SEGMENTS

	RETAIL		INVESTMENT		ELIMINATION		CONSOLIDATED	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
REVENUE AND OTHER INCOME								
Revenue from contracts with customers	1,216,316	1,270,958	-	-	-	-	1,216,316	1,270,958
Interest revenue	159	270	2,131	3,616	-	-	2,290	3,886
Other revenue	147	184	53,027	98,038	(53,000)	(98,000)	174	222
Other income	14,296	487	15,886	-	-	-	30,182	487
Total revenue and other income	1,230,918	1,271,899	71,044	101,654	(53,000)	(98,000)	1,248,962	1,275,553
Total revenue per the statement of comprehensive income							**1,248,962**	**1,275,553**
RESULTS								
Depreciation and amortisation	42,337	50,592	1,368	1,368	-	-	43,705	51,960
Impairment – property, plant and equipment	31,254	355	-	-	-	-	31,254	355
Depreciation – right-of-use asset	175,932	-	-	-	(3,251)	-	172,681	-
Impairment – right-of-use asset	2,420	-	-	-	-	-	2,420	-
Interest expense	14,057	4,808	2,879	2,879	(220)	-	16,716	7,687
Share of profit of associate	-	-	17,696	18,906	-	-	17,696	18,906
Profit before income tax expense	**165,776**	**136,667**	**82,343**	**113,322**	**(52,920)**	**(98,247)**	**195,199**	**151,742**
Income tax expense							(57,446)	(44,935)
Net profit after tax per the statement of comprehensive income							**137,753**	**106,807**

	RETAIL		INVESTMENT		ELIMINATION		CONSOLIDATED	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
ASSETS AND LIABILITIES								
Segment assets	970,254	537,684	1,381,509	1,324,521	(149,231)	(93,482)	2,202,532	1,768,723
Segment liabilities	733,215	299,299	242,195	130,636	(120,326)	(10,498)	855,084	419,437
Capital expenditure	19,024	25,457	-	-	-	-	19,024	25,457

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

GROUP PERFORMANCE

3 OPERATING SEGMENTS (CONTINUED)

(B) GEOGRAPHIC AREAS OF OPERATION

	AUSTRALIA 2020 $'000	NEW ZEALAND 2020 $'000	ASIA 2020 $'000	EUROPE 2020 $'000	ELIMINATION 2020 $'000	CONSOLIDATED 2020 $'000
REVENUE AND OTHER INCOME						
Revenue from contracts with customers	929,747	126,507	61,709	98,353	-	1,216,316
Other revenue and income	49,250	6	14,594	296	(31,500)	32,646
Total revenue and other income	**978,997**	**126,513**	**76,303**	**98,649**	**(31,500)**	**1,248,962**
Segment non-current assets	1,420,303	33,522	17,767	47,281	37,386	1,556,259
Capital expenditure	15,633	2,221	1,139	31	-	19,024

	AUSTRALIA 2019 $'000	NEW ZEALAND 2019 $'000	ASIA 2019 $'000	EUROPE 2019 $'000	ELIMINATION 2019 $'000	CONSOLIDATED 2019 $'000
REVENUE AND OTHER INCOME						
Revenue from contracts with customers	938,052	130,402	78,562	123,942	-	1,270,958
Other revenue and income	4,377	10	166	42	-	4,595
Total revenue and other income	**942,429**	**130,412**	**78,728**	**123,984**	**-**	**1,275,553**
Segment non-current assets	1,276,270	10,828	9,738	29,455	37,194	1,363,485
Capital expenditure	14,250	3,424	387	7,396	-	25,457

4 REVENUE AND OTHER INCOME

	CONSOLIDATED 2020 $'000	2019 $'000
REVENUE		
Revenue from contracts with customers	1,216,316	1,270,958
(Disaggregated revenue from contracts with customers is presented in Note 3B, *Operating Segments)*		
OTHER REVENUE		
Membership program fees	144	179
Sundry revenue	30	43
Interest received	2,290	3,886
TOTAL OTHER REVENUE	2,464	4,108
TOTAL REVENUE	**1,218,780**	**1,275,066**
OTHER INCOME		
Net gain from settlement of cash flow hedges	13,207	-
Gain on investment in associate resulting from equity raising	15,886	-
Other	1,089	487
TOTAL OTHER INCOME	30,182	487
TOTAL REVENUE AND OTHER INCOME	**1,248,962**	**1,275,553**

REVENUE RECOGNITION ACCOUNTING POLICY

Revenue recognition occurs at the point in time when control of the goods is transferred to the customer, generally at the point of sale or on delivery of the goods.

The Group estimates the value of expected customer returns that will arise as a result of the Group's returns policy, which entitles the customer to a refund of returned unused products within the specified timeframe for the respective brands. At the same time, the Group recognises a right of return asset, being the former carrying amount of the inventory, less any expected costs to recover the goods the Group expects to be returned by customers as a result of the returns policy.

The Group operates certain loyalty programmes, which allow customers to accumulate points when products are purchased, and which can be redeemed for free or discounted product once a minimum number of points have been accumulated. Loyalty points give rise to a separate performance obligation providing a material right to the customer, therefore a portion of the transaction price is allocated to the loyalty programme based on the relative stand-alone selling prices.

The Group recognises a contract liability upon the sale of gift cards and subsequently derecognises the liability when gift card breakage occurs. Gift card breakage is estimated and recognised as revenue in proportion to the pattern of rights exercised by customers. On expiry of the gift card, any unused funds are recognised in full as breakage.

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.

GROUP PERFORMANCE

	NOTES	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000
5 EXPENSES			
LEASE RENTAL EXPENSES			
Variable lease expenses		12,011	19,935
Other lease expenses		5,521	204,458
NET LEASE RENTAL EXPENSES		**17,532**	**224,393**
DEPRECIATION, AMORTISATION AND IMPAIRMENT OF NON-CURRENT ASSETS			
Depreciation of property, plant and equipment	17	43,682	51,935
Depreciation of right-of-use assets	12	172,681	-
Impairment of right-of-use asset	12	2,420	-
Impairment of property, plant and equipment	17	31,254	355
Amortisation of leasehold premiums	18	23	25
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT OF NON-CURRENT ASSETS		**250,060**	**52,315**
FINANCE COSTS			
Interest on lease liabilities		11,080	-
Interest on bank loans and overdraft		5,636	7,687
TOTAL FINANCE COSTS		**16,716**	**7,687**
OTHER EXPENSES INCLUDE:			
Net loss on disposal of property, plant and equipment		982	728
United Kingdom – other expenses associated with review of lease break options	17	-	4,837

EMPLOYEE EXPENSES

The Group's absolute priority during this time has been the safety and wellbeing of its team members and the broader community. With this in mind, the Group made the very difficult decision to temporarily shut down its global operations on 26 March 2020 and stand down over 9,000 employees. At that time, there was no certainty of when global stores would be able to reopen, and no wage subsidy scheme was in existence in Australia. The financial impact of COVID-19 was most severe for the period 11 March 2020 to 15 May 2020, when global sales were down $131.1 million on the prior year comparable period, with retail store sales down 78.4%.

Due to the devastating impact on Group sales resulting from the COVID-19 health crisis, the Group became eligible for $68.7 million of global wage subsidies across seven countries (of which $49 million was received as at 25 July 2020). Of the total amount, $35.5 million was passed directly through to eligible employees unable to work. In addition, in Australia, many of the Group's casual and part time work force received subsidy payments in excess of their normal working arrangements in accordance with the rules of the government scheme. The funds received were used to support standing up the Group's employees as stores gradually re-opened under COVID-19 safe plans. This ensured that the Group was able to fulfill the government's objectives of keeping people in jobs and connected to their employees in the midst of a global pandemic.

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. The Government wage subsidies are recorded as a reduction in employee expenses in the statement of comprehensive income.

	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000

6 INCOME TAX

The major components of income tax expense are:

(a) INCOME TAX RECOGNISED IN PROFIT OR LOSS

	2020 $'000	2019 $'000
CURRENT INCOME TAX		
Current income tax charge	68,047	47,530
Adjustment in respect of current income tax of previous years	(479)	1,065
DEFERRED INCOME TAX		
Relating to origination and reversal of temporary differences	(10,122)	(3,660)
INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	**57,446**	**44,935**

(b) STATEMENT OF CHANGES IN EQUITY

	2020 $'000	2019 $'000
Deferred income tax related to items credited directly to equity:		
Net deferred income tax on movements on cash-flow hedges	(2,964)	(2,381)
Net deferred income tax on unrealised gain (loss) on listed equity investment at fair value	(8,623)	1,857
INCOME TAX BENEFIT REPORTED IN EQUITY	**(11,587)**	**(524)**

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

	2020 $'000	2019 $'000
Accounting profit before income tax	195,199	151,742
At the Parent Entity's statutory income tax rate of 30% (2019: 30%)	58,560	45,523
Adjustment in respect of current income tax of previous years	(479)	1,065
Expenditure not allowable for income tax purposes	544	2,700
Effect of different rates of tax on overseas income	2,203	(574)
Effect of tax losses not recognised	693	-
Income not assessable for tax purposes	(4,175)	(3,717)
Other	100	(62)
AGGREGATE INCOME TAX EXPENSE	**57,446**	**44,935**

6 INCOME TAX (CONTINUED)

(d) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000
DEFERRED TAX RELATES TO THE FOLLOWING:		
Foreign currency balances	1,162	634
Potential capital gains tax on financial investments	(30,654)	(35,087)
Deferred gains and losses on financial instruments	1,910	(1,083)
Inventory provisions	878	498
Lease arrangements	11,001	-
Deferred income and deferred rent	-	11,113
Employee provisions	7,519	6,707
Other receivables and prepayments	(1,679)	(2,831)
Property, plant and equipment	(3,195)	(4,935)
Impairment of store plant and equipment	6,822	-
Other provisions	3,461	-
Other	4,272	1,489
NET DEFERRED TAX ASSETS (LIABILITIES)	**1,497**	**(23,495)**
REFLECTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS:		
Deferred tax assets	66,924	40,380
Deferred tax liabilities	(65,427)	(63,875)
NET DEFERRED TAX ASSETS (LIABILITIES)	**1,497**	**(23,495)**

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.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

GROUP PERFORMANCE

6 INCOME TAX (CONTINUED)

KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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 together with future tax planning strategies.

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	
	2020 $'000	2019 $'000
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	137,753	106,807

	NUMBER OF SHARES '000	NUMBER OF SHARES '000
Weighted average number of ordinary shares used in calculating:		
- basic earnings per share	158,540	158,209
- diluted earnings per share	159,134	158,969

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.

	CONSOLIDATED	
	2020 $'000	2019 $'000
8 A) DIVIDENDS		
DIVIDENDS APPROVED AND/ OR PAID		
Approved during the year:		
Interim franked dividends:		
2020 Approved: 34 cents per share	53,966	-
2019 Approved and paid: 33 cents per share	-	52,282
Paid during the year:		
Final franked dividends for 2019:		
37 cents per share (2018: 33 cents)	58,636	52,201
TOTAL APPROVED AND/ OR PAID DURING THE YEAR	**112,602**	**104,483**
DIVIDENDS APPROVED AND NOT RECOGNISED AS A LIABILITY:		
Final franked dividend for 2020:		
36 cents per share (2019: 37 cents)	57,141	58,636

The Directors of Premier Investments Limited approved a final dividend in respect of the 2020 financial year. The total amount of the dividend is $57,141,000 (2019: $58,636,000) which represents a fully franked dividend of 36 cents per share (2019: 37 cents per share).

The 2020 interim dividend is payable on 30 September 2020.

	CONSOLIDATED	
	2020 $'000	2019 $'000
B) 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% (2019: 30%)	196,701	208,467
franking credits that will arise from the payment of income tax payable as at the end of the financial year	17,761	6,965
franking debits that will arise from the payment of dividends as at the end of the financial year	(47,630)	(25,122)
TOTAL FRANKING CREDIT BALANCE	**166,832**	**190,310**

The tax rate at which paid dividends have been franked is 30% (2019: 30%). Dividends proposed will be franked at the rate of 30% (2019: 30%).

OPERATING ASSETS AND LIABILITIES

	CONSOLIDATED	
	2020 $'000	2019 $'000
9 TRADE AND OTHER RECEIVABLES (CURRENT)		
Sundry debtors	30,320	23,011
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	**30,320**	**23,011**

(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 material allowance for credit losses has been recognised by the Group during the financial year ended 25 July 2020 (2019: $nil). During the year, no bad debt expense (2019: $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 their transaction value. After initial measurement, these assets are measured at amortised cost, less any allowance for any expected credit losses.

	CONSOLIDATED	
	2020 $'000	2019 $'000
10 INVENTORIES		
Finished goods	156,590	171,165
TOTAL INVENTORIES AT COST	**156,590**	**171,165**

INVENTORIES ACCOUNTING POLICY

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

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

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

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

OPERATING ASSETS AND LIABILITIES

	CONSOLIDATED	
	2020 $'000	**2019 $'000**
11 OTHER ASSETS (CURRENT)		
Deposits and prepayments	10,531	14,688
TOTAL OTHER CURRENT ASSETS	**10,531**	**14,688**
12 RIGHT-OF-USE ASSETS		
Recognition of right-of-use asset on initial application of AASB 16	364,643	-
Additions	43,700	-
Depreciation expense	(172,681)	-
Impairment expense	(2,420)	-
Exchange differences	(1,452)	-
TOTAL RIGHT-OF-USE ASSETS	**231,790**	**-**

RIGHT-OF-USE ASSETS ACCOUNTING POLICY

As summarised in note 2, the Group has adopted AASB 16 *Leases* as of 28 July 2019 using the modified retrospective approach. The new accounting policies under AASB 16 have been summarised in note 2.

KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment of right-of-use assets

The carrying values of the right-of-use assets 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.

The recoverable amount was estimated on an individual store basis, as this has been identified as the CGU of the Group's retail segment.

An impairment loss of $2,420,000 was recognised in relation to the Group's right-of-use assets during the current financial year. The impairment loss relates to the closure of certain retail stores ahead of their contracted lease end dates, therefore writing down the associated right-of-use assets to their recoverable amount.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

OPERATING ASSETS AND LIABILITIES

	CONSOLIDATED	
	2020 $'000	2019 $'000
13 TRADE AND OTHER PAYABLES (CURRENT)		
Trade creditors	69,637	35,281
Interim dividend payable	53,966	-
Other creditors and accruals	85,376	46,657
TOTAL CURRENT TRADE AND OTHER PAYABLES	**208,979**	**81,938**

(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.

The interim dividend is payable on 30 September 2020.

	CONSOLIDATED	
	2020 $'000	2019 $'000
14 LEASE LIABILITIES		
Recognition of lease liability on initial application of AASB 16	410,193	-
Additions	50,315	-
Interest expense	11,080	-
Payments	(150,958)	-
COVID-19 related rent concessions	(15,013)	-
Exchange rate differences	(1,728)	-
TOTAL LEASE LIABILITIES	**303,889**	**-**
COMPRISING OF:		
Current lease liability	189,221	-
Non-current lease liability	114,668	-
TOTAL LEASE LIABILITIES	**303,889**	**-**

LEASE LIABILITIES ACCOUNTING POLICY

As summarised in note 2, the Group has adopted AASB 16 *Leases* as of 28 July 2019 using the modified retrospective approach. The new accounting policies under AASB 16 have been summarised in note 2.

COVID-19 RELATED RENT CONCESSIONS

The Group has adopted the practical expedient issued by the Australian Accounting Standards Board whereby it has not accounted for rent concessions which are a direct consequence of the COVID-19 pandemic as lease modifications. Instead, the Group recognised these concessions in the statement of comprehensive income for the year ended 25 July 2020 as a variable amount as and when incurred.

The practical expedient may be applied where the following conditions apply:

- The changed lease payments were substantially the same or less than the payments prior to the rent concession;
- The reductions only affect payments which fall due before 30 June 2021; and
- There has been no substantive change in the terms and conditions of the lease.

	CONSOLIDATED 2020 $'000	2019 $'000
15 PROVISIONS		
CURRENT		
Employee entitlements – Annual Leave	12,591	12,518
Employee entitlements – Long Service Leave	9,297	8,159
Provision for make-good in relation to leased premises	13,091	695
Refund liability	2,088	2,088
Other provisions	1,230	421
TOTAL CURRENT PROVISIONS	**38,297**	**23,881**
NON-CURRENT		
Employee entitlements – Long Service Leave	2,061	2,285
Provision for make-good in relation to leased premises	4,764	5,392
Other provisions	3,778	3,788
TOTAL NON-CURRENT PROVISIONS	**10,603**	**11,465**
MOVEMENT IN PROVISIONS		
Provision for make-good in relation to leased premises		
Opening balance	6,087	-
Charged to profit or loss	11,988	6,087
Utilised during the period	(220)	-
CLOSING BALANCE (CURRENT AND NON-CURRENT)	**17,855**	**6,087**

OPERATING ASSETS AND LIABILITIES

15 PROVISIONS (CONTINUED)

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.

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.

PROVISION FOR MAKE-GOOD IN RELATION TO STORE PLANT AND EQUIPMENT ACCOUNTING POLICY

A provision has been recognised in relation to make-good costs arising from contractual obligations in lease agreements, in regions where the Group has such a present obligation. The provision recognised represents the present value of the estimated expenditure required to remove these store plant and equipment.

16 OTHER LIABILITIES

	CONSOLIDATED	
	2020 $'000	2019 $'000
CURRENT		
Deferred income	8,588	26,529
TOTAL CURRENT	**8,588**	**26,529**
NON-CURRENT		
Deferred income	146	29,137
TOTAL NON-CURRENT	**146**	**29,137**

DEFERRED INCOME ACCOUNTING POLICY

Unredeemed gift cards are expected to be redeemed within a year.

Deferred lease incentives and deferred rent included in prior comparative amounts

The prior year comparative amounts include lease incentives and deferred rent in relation to operating lease expenses. Upon the adoption of AASB 16, the Group adjusted the right-of-use asset by the amount of accrued lease payments, lease incentives and deferred rent recognised in the statement of financial position immediately prior to the date of initial application.

Prior to the adoption of AASB 16, lease incentives have been capitalised in the financial statements when received and was credited to rent expense over the term of the store lease to which they related. Operating lease expenses were recognised on a straight-line basis over the lease term, which included the impact of annual fixed rate percentage increases.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

CAPITAL INVESTED

17 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 25 JULY 2020						
Cost	21,953	54,720	500,069	343	11,460	588,545
Accumulated depreciation and impairment	-	(5,865)	(427,203)	(343)	-	(433,411)
NET CARRYING AMOUNT	**21,953**	**48,855**	**72,866**	**-**	**11,460**	**155,134**
RECONCILIATIONS:						
Carrying amount at beginning of the financial year	21,953	50,223	128,702	-	9,977	210,855
Additions	-	-	15,696	-	3,328	19,024
Transfers between classes	-	-	1,845	-	(1,845)	-
Depreciation	-	(1,368)	(42,314)	-	-	(43,682)
Disposals	-	-	(982)	-	-	(982)
Impairment	-	-	(31,254)	-	-	(31,254)
Exchange differences	-	-	1,173	-	-	1,173
Carrying amount at end of the financial year	**21,953**	**48,855**	**72,866**	**-**	**11,460**	**155,134**
AT 27 JULY 2019						
Cost	21,953	54,720	482,337	343	9,977	569,330
Accumulated depreciation and impairment	-	(4,497)	(353,635)	(343)	-	(358,475)
NET CARRYING AMOUNT	**21,953**	**50,223**	**128,702**	**-**	**9,977**	**210,855**
RECONCILIATIONS:						
Carrying amount at beginning of the financial year	21,953	51,591	152,553	-	12,070	238,167
Additions	-	-	23,612	-	1,845	25,457
Transfers between classes	-	-	3,938	-	(3,938)	-
Depreciation	-	(1,368)	(29,546)	-	-	(30,914)
United Kingdom accelerated depreciation	-	-	(21,021)	-	-	(21,021)
Disposals	-	-	(1,631)	-	-	(1,631)
Impairment	-	-	(355)	-	-	(355)
Exchange differences	-	-	1,152	-	-	1,152
Carrying amount at end of the financial year	**21,953**	**50,223**	**128,702**	**-**	**9,977**	**210,855**

LAND AND BUILDINGS

The land and buildings with a combined carrying amount of $70,808,000 have been pledged to secure certain interest-bearing borrowings of the Group (refer to note 22).

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 systematic basis over the estimated useful life of the asset as follows:

-	Buildings	40 years
-	Store plant and equipment	3 to 10 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 useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary and are accounted for as a change in accounting estimate, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. Depreciation methods used reflect the pattern in which the asset's future economic benefits are expected to be consumed and are reviewed at least at each financial year-end. Adjustments to depreciation methods are made when considered necessary and are accounted for as a change in accounting estimate, in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In the prior year, as a result of the economic and political uncertainty in the United Kingdom, and the impact of these uncertainties on the landlord and retail markets in particular, the Group reviewed its depreciation methods for its United Kingdom store plant and equipment. The changed method resulted in an accelerated depreciation charge in the previous financial year of $21.0 million. Other expenses associated with the Group's review of its United Kingdom lease break options amounted to $4.8 million and have been disclosed as "other expenses" in the prior year (refer note 5).

Impairment testing of Property, Plant and Equipment and key 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 estimated 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.

A total impairment loss of $31,254,000 was recognised during the current financial year (2019: $355,000).

The COVID-19 health crisis has accelerated the retail industry restructure already underway. The temporary global closures of stores and ongoing government implementation of social distancing measures due to COVID-19 has significantly impacted customer shopping behaviour. Customers are increasingly choosing to shop online in this highly uncertain macro-environment.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

CAPITAL INVESTED

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment testing of Property, Plant and Equipment and key accounting estimates and assumptions (continued)

Given these changed consumer behaviours, the Group reviewed each retail store's future estimated cash flows, using financial estimates covering a period of up to five years, discounted using a post-tax discount rate of 10.5% (2019: 10.5%). These estimated cash flows consider the possibility of a continued adverse impact on future estimated cash flows as a result of the COVID-19 pandemic. Furthermore, consideration was given to the fact that the Group has maximum flexibility within its current retail store portfolio, given that over 70% of its Australian and New Zealand store leases are currently in holdover, or are due to expire within 2020. As a result of the uncertain future trading environment of traditional bricks-and-mortar stores due to COVID-19, together with the accelerating growth of the online channel the Group has recognised an impairment loss on store plant and equipment during the second half of the year of $26,229,000.

18 INTANGIBLES

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

	CONSOLIDATED				
	GOODWILL $'000	BRAND NAMES $'000	TRADEMARKS $'000	LEASEHOLD PREMIUMS $'000	TOTAL $'000
YEAR ENDED 25 JULY 2020					
As at 28 July 2019 net of accumulated amortisation and impairment	477,085	346,179	3,351	24	826,639
Trademark registrations	-	-	273	-	273
Amortisation	-	-	-	(23)	(23)
Exchange differences	-	-	-	(1)	(1)
As at 25 July 2020 net of accumulated amortisation and impairment	**477,085**	**346,179**	**3,624**	**-**	**826,888**
AS AT 25 JULY 2020					
Cost (gross carrying amount)	477,085	376,179	3,624	979	857,867
Accumulated amortisation and impairment	-	(30,000)	-	(979)	(30,979)
NET CARRYING AMOUNT	**477,085**	**346,179**	**3,624**	**-**	**826,888**
YEAR ENDED 27 JULY 2019					
As at 29 July 2018 net of accumulated amortisation and impairment	477,085	346,179	2,638	47	825,949
Trademark registrations	-	-	713	-	713
Amortisation	-	-	-	(25)	(25)
Exchange differences	-	-	-	2	2
As at 27 July 2019 net of accumulated amortisation and impairment	**477,085**	**346,179**	**3,351**	**24**	**826,639**
AS AT 27 JULY 2019					
Cost (gross carrying amount)	477,085	376,179	3,351	979	857,594
Accumulated amortisation and impairment	-	(30,000)	-	(955)	(30,955)
NET CARRYING AMOUNT	**477,085**	**346,179**	**3,351**	**24**	**826,639**

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.

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 or more frequently if there are indicators of impairment	Amortisation method reviewed at each financial year end; reviewed annually for indicators of impairment	Annually or more frequently if there are 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.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

CAPITAL INVESTED

18 INTANGIBLES (CONTINUED)

SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

IMPAIRMENT TESTING OF GOODWILL

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

The COVID-19 pandemic has had a significant impact on the recent trading performance of the Group. The extent of the impact of the pandemic on future trading performance is unclear, and an assessment of the impacts as they relate to estimated future cash flow projections entail a significant degree of estimation uncertainty. In response to these estimation uncertainties, the recoverable amount of the CGU has been determined based upon a range of value-in-use calculations, using estimated cash flow scenarios for a period of five years plus a terminal value.

The value-in-use calculations have been determined based on scenarios of cash flows using financial estimates for the 2021 financial year (FY21) and are projected for a further four years (FY22 – FY25) based on estimated growth rates. As part of the annual impairment test for goodwill, management assesses the reasonableness of profit margin assumptions by reviewing historical cash flow projections as well as future growth objectives.

The financial estimates for FY21 include a COVID-19 overlay, whereby the cash flow estimates have been adjusted to reflect the possibility of a continued adverse impact in FY21 on the Group's Sales and Earnings Before Interest, Tax and Amortisation (EBITA). These financial estimates are projected for a further four years based on average annual estimated growth rates for FY22 to FY25 ranging between 0.6% to 1.6% (2019: 2.5%). Cash flow estimates beyond the five year period have been extrapolated using a growth rate ranging from 2% to 2.5% (2019: 2.8%), which reflects the long-term growth expectations beyond the five year period.

The post-tax discount rate applied to these cash flow projections is 9.5% (2019: 9.7%). 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.

In determining the possible scenarios of cash flows, management considered the reasonably possible changes in estimated sales growth, estimated EBITA and discount rates applied to the CGU to which goodwill relates. These reasonably possible adverse change in 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 - $158,975
- 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 value-in-use calculations. The value-in-use calculations have been determined based upon the relief from royalty method using cash flow estimates for a period of five years plus a terminal value

The COVID-19 pandemic has had a significant impact on the recent trading performance of the Group as a whole, as well as on an individual brand level. The extent of the impact of the pandemic on future trading performance is unclear, and an assessment of the impacts as they relate to estimated future cash flow projections entail a significant degree of estimation uncertainty. In response to these estimation uncertainties, the recoverable amount of brand names has been determined based upon a range of value-in-use calculations, using estimated cash flow scenarios for a period of five years plus a terminal value.

The value-in-use calculations have been determined based on scenarios of cash flows using financial estimates for the 2021 financial year (FY21) and are projected for a further four years (FY22 – FY25) based on estimated growth rates.

The financial estimates for FY21 include a COVID-19 overlay, whereby the cash flow estimates have been adjusted to reflect the possibility of a continued adverse impact in FY21 in relation to sales. These financial estimates are projected for a further four years based on average annual estimated growth rates for FY22 to FY25. These extrapolated growth rate ranges at which cash flows have been estimated for the individual brands within each of the CGU groups have been summarised below.

CGU	***RANGE OF AVERAGE GROWTH RATES APPLIED TO ESTIMATED CASH FLOW SCENARIOS (FY22 – FY25)***
Casual wear	0.6% - 2.5%
Women’s wear	0.6% - 6.1%
Non Apparel	0.6% - 3%

The range of growth rates are a function of the COVID-19 overlay included in FY21 financial estimates. The higher end of the above growth rate ranges reflects the impact of COVID-19 on FY20 performance, widespread store closures experienced during FY20, and economic conditions. These growth rates incorporate a cautious estimated return to pre-COVID-19 average sales levels for individual brands within each CGU by FY23.

Cash flow estimates beyond the five year period have been extrapolated using a growth rate ranging from 2% to 2.5% (2019: 2.8%), which reflects the long-term growth expectations beyond the five year period.

The post-tax discount rate applied to the cash flow projections for each of the three CGU groups is 8.5% (2019: 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% (2019: 3.5% and 8%).

CAPITAL INVESTED

18 INTANGIBLES (CONTINUED)

IMPAIRMENT TESTING OF BRAND NAMES (CONTINUED)

In addition to the range of cash flow scenarios, 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 estimate sales growth, net royalty rates and discount rates applied.

A brand within the Casual Wear CGU group with a carrying value of $82.2 million, indicated sensitivity to possible adverse changes to the post-tax discount rate applied to the cash flow estimates, as well as indicating sensitivity to a possible adverse change in long-term growth expectations. The sensitivities included reducing the long-term growth expectation to 2% and increasing the post-tax discount rate applied to cash flow estimates to 8.7%. These reasonably possible adverse changes could result in a potential impairment of up to $5 million. The potential impairment loss as a result of the reasonably possible adverse change to these key assumptions are not considered material to the overall recoverable amount of the CGU to which the brand relates.

In addition, a brand within the Women's Wear CGU group with a carrying value of $31.7 million, indicated sensitivity to possible adverse changes to the post-tax discount rate applied to the cash flow estimates, as well as indicating sensitivity to a possible adverse change in long-term growth expectations. The sensitivities included reducing the long-term growth expectation to 2% and increasing the post-tax discount rate applied to cash flow estimates to 8.7%. These reasonably possible adverse changes could result in a potential impairment of up to $2 million. The potential impairment loss as a result of the reasonably possible adverse change to these key assumptions are not considered material to the overall recoverable amount of the CGU to which the brand relates.

	CONSOLIDATED	
	2020 $'000	**2019 $'000**
19 LISTED EQUITY INVESTMENT AT FAIR VALUE		
INVESTMENT		
Investment in listed securities at fair value	18,132	46,879
TOTAL INVESTMENTS	**18,132**	**46,879**

FAIR VALUE LISTED EQUITY INVESTMENT ACCOUNTING POLICY

The listed equity investment comprises a non-derivative equity instrument not held for trading and relates to an equity investment in Myer Holdings Limited. 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.

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.

CAPITAL INVESTED

	CONSOLIDATED 2020 $'000	2019 $'000
20 INVESTMENT IN ASSOCIATE		
Movements in carrying amounts		
Carrying amount at the beginning of the financial year	238,732	223,184
Acquisition of shares in associate	-	7,872
Share of profit after income tax	17,696	18,906
Gain resulting from associate equity raising	15,886	-
Share of other comprehensive income	(688)	1,424
Dividends received	(14,235)	(12,654)
TOTAL INVESTMENT IN ASSOCIATE	**257,391**	**238,732**

As at 25 July 2020, Premier Investments Limited holds 26.73% (2019: 28.06%) of Breville Group Limited ("BRG"), a company incorporated in Australia whose shares are quoted on the Australian Securities Exchange. The principal activities of BRG involves the innovation, development, marketing and distribution of small electrical appliances.

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 $17,695,527 (2019: $18,905,536). As at 25 July 2020, the fair value of the Group's interest in BRG as determined based on the quoted market price was $947,893,002 (2019: $691,666,245).

The financial year end date of BRG is 30 June. For the purpose of applying the equity method of accounting, the financial statements of BRG for the year ended 30 June 2020 have been used. The accounting policies applied by BRG 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 BRG:

EXTRACT OF BRG'S STATEMENT OF FINANCIAL POSITION	30 JUNE 2020 $'000	30 JUNE 2019 $'000
Current assets	443,328	367,988
Non-current assets	200,836	141,779
Total assets	644,164	509,767
Current liabilities	(181,517)	(143,400)
Non-current liabilities	(36,247)	(56,032)
Total liabilities	(217,764)	(199,432)
NET ASSETS	426,400	310,335
Group's share of BRG net assets	**113,977**	**87,080**

EXTRACT OF BRG'S STATEMENT OF COMPREHENSIVE INCOME	30 JUNE 2020 $'000	30 JUNE 2019 $'000
Revenue	952,244	759,967
Profit after income tax	66,201	67,385
Other comprehensive income	62	6,839
Group's share of BRG profit after income tax	**17,696**	**18,906**

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

CAPITAL INVESTED

20 INVESTMENT IN ASSOCIATE (CONTINUED)

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.

	CONSOLIDATED 2020 $'000	2019 $'000
21 NOTES TO THE STATEMENT OF CASH FLOWS		
(a) RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	305,960	59,426
Short-term deposits	142,872	130,829
TOTAL CASH AND CASH EQUIVALENTS	**448,832**	**190,255**
(b) RECONCILIATION OF NET PROFIT AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATIONS		
Net profit for the period	137,753	106,807
Adjustments for:		
Amortisation	23	25
Depreciation	216,363	51,935
Impairment of non-current assets	33,674	355
Share of profit of associate	(17,696)	(18,906)
Gain on investment in associate resulting from equity raising	(15,886)	-
Borrowing costs	166	(191)
Net loss on disposal of property, plant and equipment	982	728
Share-based payments expense	1,613	2,012
Gross movement in cash flow hedge reserve	(6,922)	(5,556)
Net exchange differences	188	2,078
Changes in assets and liabilities:		
Increase in trade and other receivables	(7,309)	(733)
Decrease in other current assets	4,157	635
Decrease (increase) in inventories	14,575	(11,852)
Decrease in other financial assets	6,119	5,854
Increase in deferred tax assets	(16,626)	(4,262)
Increase in provisions	1,786	5,897
Increase (decrease) in deferred tax liabilities	1,552	(58)
Increase (decrease) in trade and other payables	73,075	(2,620)
Increase in other financial liabilities	3,776	2,123
(Decrease) increase in deferred income	(1,382)	1,919
Increase in income tax payable	53,601	2,624
NET CASH FLOWS FROM OPERATING ACTIVITIES	**483,582**	**138,814**

CAPITAL STRUCTURE AND RISK MANAGEMENT

	CONSOLIDATED	
	2020 $'000	2019 $'000
21 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)		
(c) FINANCE FACILITIES		
Working capital and bank overdraft facility		
Used	-	-
Unused	9,800	11,800
	9,800	11,800
Finance facility		
Used	147,000	168,000
Unused	82,000	61,000
	229,000	229,000
Bank guarantee facility		
Used	-	-
Unused	200	200
	200	200
Interchangeable facility		
Used	6,169	7,588
Unused	6,831	5,412
	13,000	13,000
Total facilities		
Used	153,169	175,588
Unused	98,831	78,412
TOTAL	**252,000**	**254,000**

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 2020 $'000	CONSOLIDATED 2019 $'000
22 INTEREST-BEARING LIABILITIES		
NON-CURRENT		
Bank loans* unsecured	77,659	98,493
Bank loans ** secured	69,000	69,000
TOTAL INTEREST-BEARING LIABILITIES	**146,659**	**167,493**

* 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, and is repayable in full in January 2022. 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, and is repayable in full in 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 27 JULY 2019 $'000	CASH FLOWS $'000	OTHER $'000	25 JULY 2020 $'000
Non-current interest-bearing liabilities	167,493	(21,000)	166	146,659
TOTAL INTEREST-BEARING LIABILITIES	**167,493**	**(21,000)**	**166**	**146,659**

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

INTEREST-BEARING LIABILITIES ACCOUNTING POLICY

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

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

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

CAPITAL STRUCTURE AND RISK MANAGEMENT

23 CONTRIBUTED EQUITY

	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000
Ordinary share capital	608,615	608,615

(a) MOVEMENTS IN SHARES ON ISSUE

	NO. ('000)	$'000
Ordinary shares on issue 28 July 2019	158,430	608,615
Ordinary shares issued during the year (i)	294	-
Ordinary shares on issue at 25 July 2020	**158,724**	**608,615**
Ordinary shares on issue 29 July 2018	158,099	608,615
Ordinary shares issued during the year (i)	331	-
Ordinary shares on issue at 27 July 2019	**158,430**	**608,615**

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

(i) A total of 294,579 ordinary shares (2019: 330,112) 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 Group.

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 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 2020 $'000	CONSOLIDATED 2019 $'000
24 RESERVES		
RESERVES COMPRISE:		
Capital profits reserve	464	464
Foreign currency translation reserve (a)	5,781	7,337
Cash flow hedge reserve (b)	(4,419)	2,503
Performance rights reserve (c)	19,359	17,746
Fair value reserve (d)	(59,032)	(38,908)
TOTAL RESERVES	**(37,847)**	**(10,858)**

(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*

	2020 $'000	2019 $'000
Opening balance	7,337	2,977
Foreign currency translation of overseas subsidiaries	(868)	2,936
Net movement in associate entity's reserves	(688)	1,424
CLOSING BALANCE	**5,781**	**7,337**

(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*

	2020 $'000	2019 $'000
Opening balance	2,503	8,059
Net loss on cash flow hedges	(3,387)	(18,024)
Transferred to statement of financial position/ profit or loss	(6,499)	10,087
Deferred income tax movement on cash flow hedges	2,964	2,381
CLOSING BALANCE	**(4,419)**	**2,503**

CAPITAL STRUCTURE AND RISK MANAGEMENT

	CONSOLIDATED	
	2020 $'000	2019 $'000
24 RESERVES (CONTINUED)		
(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	17,746	15,734
Performance rights expense for the year	1,613	2,012
CLOSING BALANCE	**19,359**	**17,746**
(d) FAIR VALUE RESERVE		
Nature and purpose of reserve		
Reserve is used to record unrealised gains and losses on fair value revaluation of listed equity investment at fair value.		
- *Movements in the reserve*		
Opening balance	(38,908)	(43,243)
Unrealised (loss) gain on revaluation of listed investment at fair value	(28,747)	6,192
Net deferred income tax movement on listed equity investment at fair value	8,623	(1,857)
CLOSING BALANCE	**(59,032)**	**(38,908)**

	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000
25 OTHER FINANCIAL INSTRUMENTS		
CURRENT ASSETS		
Derivatives designated as hedging instruments		
Forward currency contracts – cash flow hedges	-	6,119
TOTAL CURRENT ASSETS	**-**	**6,119**
CURRENT LIABILITIES		
Derivatives designated as hedging instruments		
Forward currency contracts – cash flow hedges	4,008	-
TOTAL CURRENT LIABILITIES	**4,008**	**-**
NON –CURRENT LIABILITIES		
Derivatives designated as hedging instruments		
Interest rate swaps – cash flow hedges	2,316	2,548
TOTAL NON-CURRENT LIABILITIES	**2,316**	**2,548**

(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 25 July 2020 and the profit or loss within cost of sales will be affected over the next couple of years as the inventory is sold.

(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.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

CAPITAL STRUCTURE AND RISK MANAGEMENT

25 OTHER FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	CONSOLIDATED			
	2020 $'000	2019 $'000	2020	2019
Buy USD / Sell AUD	NOTIONAL AMOUNTS $AUD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	128,198	114,426	0.6938	0.7292
Maturity 6 – 12 months	114,909	-	0.7049	-
Buy USD / Sell NZD	NOTIONAL AMOUNTS $NZD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	21,876	19,892	0.6479	0.6863
Maturity 6 – 12 months	21,149	10,585	0.6573	0.6707
Buy USD / Sell GBP	NOTIONAL AMOUNTS £GBP		AVERAGE EXCHANGE RATE	
Maturity < 6 months	-	7,762	-	1.2509
Maturity 6 – 12 months	-	-	-	-
Buy AUD / Sell NZD	NOTIONAL AMOUNTS $NZD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	4,602	4,465	1.0365	1.0455
Buy USD / Sell SGD	NOTIONAL AMOUNTS $SGD		AVERAGE EXCHANGE RATE	
Maturity < 6 months	-	6,352	-	0.7415
Maturity 6 – 12 months	-	-	-	-

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 due to counterparty credit risk 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.

26 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.

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.

CAPITAL STRUCTURE AND RISK MANAGEMENT

26 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

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 25 July 2020, the maximum exposure to credit risk of the Group is the amount guaranteed as disclosed in note 34.

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	2020 $'000	2019 $'000
Financial Assets			
Cash and cash equivalents	21	448,832	190,255
		448,832	190,255
Financial Liabilities			
Bank loans AUD	22	146,659	167,493
		146,659	167,493
NET FINANCIAL ASSETS		**302,173**	**22,762**

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.

i) 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 (2019:100) 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.

	POST-TAX PROFIT TO INCREASE (DECREASE) BY:	
Impacts of reasonably possible movements:	**2020 $000**	**2019 $000**
CONSOLIDATED		
+1.0% (100 basis points)	1,934	55
-1.0% (100 basis points)	(2,552)	(159)

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.

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. Over 80% 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.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

CAPITAL STRUCTURE AND RISK MANAGEMENT

26 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

FOREIGN CURRENCY TRANSACTIONS (CONTINUED)

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):

2020	**USD**	**NZD**	**SGD**	**GBP**	**HKD**	**MYR**	**EUR**
CONSOLIDATED	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL ASSETS							
Cash and cash equivalents	14,076	27,477	14,787	12,669	1,802	5,124	904
Trade and other receivables	755	-	48	-	-	-	-
Derivative financial assets	-	-	-	-	-	-	-
	14,831	27,477	14,835	12,669	1,802	5,124	904
FINANCIAL LIABILITIES							
Trade and other payables	44,954	5,876	191	3,297	257	-	-
Derivative financial liabilities	4,008	-	-	-	-	-	-
	48,962	5,876	191	3,297	257	-	-
NET EXPOSURE	**(34,131)**	**21,601**	**14,644**	**9,372**	**1,545**	**5,124**	**904**

2019	**USD**	**NZD**	**SGD**	**GBP**	**HKD**	**MYR**	**EUR**
CONSOLIDATED	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL ASSETS							
Cash and cash equivalents	1,130	3,312	3,160	10,387	906	14,734	1,129
Trade and other receivables	4,617	-	-	-	-	-	-
Derivative financial assets	6,119	-	-	-	-	-	-
	11,866	3,312	3,160	10,387	906	14,734	1,129
FINANCIAL LIABILITIES							
Trade and other payables	21,518	3,135	565	286	134	-	-
Derivative financial liabilities	-	-	-	-	-	-	-
	21,518	3,135	565	286	134	-	-
NET EXPOSURE	**(9,652)**	**177**	**2,595**	**10,101**	**772**	**14,734**	**1,129**

FOREIGN CURRENCY RISK

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

CONSOLIDATED	**POST-TAX PROFIT HIGHER/(LOWER)**		**OTHER COMPREHENSIVE INCOME HIGHER/(LOWER)**	
Impacts of reasonably possible movements:	**2020 $000**	**2019 $000**	**2020 $000**	**2019 $000**
CONSOLIDATED				
AUD/USD + 2.5%	685	376	(5,015)	(862)
AUD/USD – 10.0%	(3,129)	(1,596)	21,836)	15,620
AUD/NZD + 2.5%	(527)	2	-	-
AUD/NZD – 10.0%	3,285	(162)	-	-
AUD/SGD + 2.5%	(357)	(63)	-	-
AUD/SGD –10.0%	1,627	288	-	-
AUD/GBP + 2.5%	(229)	(224)	-	-
AUD/GBP –10.0%	1,041	1,020	-	-
AUD/HKD + 2.5%	(50)	(26)	-	-
AUD/HKD –10.0%	229	116	-	-
AUD/MYR + 2.5%	(125)	(1,021)	-	-
AUD/MYR –10.0%	569	883	-	-
AUD/EUR + 2.5%	(22)	(28)	-	-
AUD/EUR –10.0%	100	121	-	-

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.

CAPITAL STRUCTURE AND RISK MANAGEMENT

26 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (CONTINUED)

LIQUIDITY RISK (CONTINUED)

The Group has, at reporting date, $306.0 million (2019: $59.4 million) cash held in deposit with 11am at call and the remaining $142.8 million (2019: $130.8 million) cash held in deposit with maturity terms ranging from 30 to 90 days (2019: 30 to 180 days). Hence management believe there is no significant exposure to liquidity risk at 25 July 2020 and 27 July 2019.

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:

2020 **CONSOLIDATED**	**MATURITY 0 - 12 MONTHS** **$'000**	**MATURITY > 12 MONTHS** **$'000**
FINANCIAL LIABILITIES		
Trade and other payables	208,979	-
Bank loans	-	146,659
Lease liabilities	189,221	114,668
Forward currency contracts	283,742	-
	681,942	261,327

2019 **CONSOLIDATED**	**MATURITY 0 - 12 MONTHS** **$'000**	**MATURITY > 12 MONTHS** **$'000**
FINANCIAL LIABILITIES		
Trade and other payables	81,938	-
Bank loans	-	167,493
Forward currency contracts	175,163	-
	257,101	167,493

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 25 JULY 2020			FINANCIAL YEAR ENDED 27 JULY 2019		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
	$'000	$'000	$'000	$'000	$'000	$'000
FINANCIAL ASSETS						
Listed equity investment at fair value	18,132	-	-	46,879	-	-
Foreign Exchange Contracts	-	-	-	-	6,119	-
	18,132	-	-	46,879	6,119	-
FINANCIAL LIABILITIES						
Interest Rate Swaps	-	2,316	-	-	2,548	-
Foreign Exchange Contracts	-	4,008	-	-	-	-
	-	6,324	-	-	2,548	-

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

At 25 July 2020 and 27 July 2019, 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 25 July 2020 and 27 July 2019 (continued)

GROUP STRUCTURE

27 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	2020 INTEREST	2019 INTEREST
Kimtara Investments Pty Ltd	Australia	100%	100%
Premfin Pty Ltd	Australia	100%	100%
Springdeep Investments Pty Ltd	Australia	100%	100%
Prempref Pty Ltd	Australia	100%	100%
Metalgrove Pty Ltd	Australia	100%	100%
Just Group Limited	Australia	100%	100%
Just Jeans Group Pty Limited	Australia	100%	100%
Just Jeans Pty Limited	Australia	100%	100%
Jay Jays Trademark Pty Limited	Australia	100%	100%
Just-Shop Pty Limited	Australia	100%	100%
Peter Alexander Sleepwear Pty Limited	Australia	100%	100%
Old Blues Pty Limited	Australia	100%	100%
Kimbyr Investments Limited	New Zealand	100%	100%
Jacqui E Pty Limited	Australia	100%	100%
Jacqueline-Eve Fashions Pty Limited *	Australia	100%	100%
Jacqueline-Eve (Hobart) Pty Limited *	Australia	100%	100%
Jacqueline-Eve (Retail) Pty Limited *	Australia	100%	100%
Jacqueline-Eve (Leases) Pty Limited *	Australia	100%	100%
Sydleigh Pty Limited *	Australia	100%	100%
Old Favourites Blues Pty Limited *	Australia	100%	100%
Urban Brands Retail Pty Ltd *	Australia	100%	100%
Portmans Pty Limited	Australia	100%	100%
Dotti Pty Ltd	Australia	100%	100%
Smiggle Pty Limited	Australia	100%	100%
Just Group International Pty Limited *	Australia	100%	100%
Smiggle Group Holdings Pty Limited *	Australia	100%	100%
Smiggle International Pty Limited *	Australia	100%	100%
Smiggle Singapore Pte Ltd	Singapore	100%	100%
Just Group International HK Limited*	Hong Kong	100%	100%
Smiggle HK Limited	Hong Kong	100%	100%
Just Group USA Inc.*	USA	100%	100%
Peter Alexander USA Inc.*	USA	100%	100%
Smiggle USA Inc.*	USA	100%	100%
Just UK International Limited*	UK	100%	100%
Smiggle UK Limited	UK	100%	100%
Peter Alexander UK Limited*	UK	100%	100%
Smiggle Ireland Limited	Ireland	100%	100%
Smiggle Netherlands B.V.*	Netherlands	100%	100%
ETI Holdings Limited*	New Zealand	100%	100%
Roskill Hill Limited*	New Zealand	100%	100%
RSCA Pty Limited*	Australia	100%	100%
RSCB Pty Limited*	Australia	100%	100%
Just Group Singapore Private Ltd *	Singapore	100%	100%
Peter Alexander Singapore Private Ltd *	Singapore	100%	100%
Smiggle Stores Malaysia SDN BHD	Malaysia	100%	100%

GROUP STRUCTURE

28 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.

	2020 $'000	2019 $'000
(a) Summary financial information		
Statement of financial position		
Current assets	225,111	164,212
Total assets	**1,461,108**	**1,383,336**
Current liabilities	114,731	7,780
Total liabilities	**190,029**	**78,958**
Shareholders' equity		
Issued capital	608,615	608,615
Reserves:		
- Foreign currency translation reserve	4,442	5,129
- Performance rights reserve	19,359	17,746
- Cash flow hedge reserve	(449)	(508)
Retained earnings	639,112	673,395
Net profit for the period	78,319	113,008
Total comprehensive (loss) income for the period, net of tax	(628)	1,002

(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 (2019: $nil).

The parent entity has also given no unsecured guarantees in respect of finance leases of subsidiaries or bank overdrafts of subsidiaries (2019: $nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 25 July 2020 (2019: $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 25 July 2020 or 27 July 2019.

Notes to the Financial Statements

for the 52 weeks ended 25 July 2020 and 27 July 2019 (continued)

GROUP STRUCTURE

29 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.

30 RELATED PARTY TRANSACTIONS

(a) PARENT ENTITY AND SUBSIDIARIES

The ultimate parent entity is Premier Investments Limited. Details of subsidiaries are provided in note 28.

(b) KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	2020 $	2019 $
COMPENSATION FOR KEY MANAGEMENT PERSONNEL		
Short-term employee benefits	6,828,408	6,743,844
Post-employment benefits	113,168	129,875
Share-based payments	504,722	1,185,719
TOTAL	**7,446,298**	**8,059,438**

(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 $2,396,209 (2019: $1,797,386), including Mr. Lanzer's Director fees, GST and disbursements were invoiced by Arnold Bloch Leibler to the Group, with $713,866 (2019: $30,445) 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 $223,293 (2019: $330,000) 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 $17,273,036 (2019: $22,842,474) including GST have been made by Group companies from Voyager Distributing Co. Pty Ltd, Playcorp Pty Ltd and Sky Chain Trading Limited, with $4,058,067 (2019: $1,882,897) 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 $512,600 (2019: $518,650) costs including GST incurred by Century Plaza Trading Pty Ltd.

OTHER DISCLOSURES

	CONSOLIDATED	
	2020 $	2019 $
31 AUDITOR'S REMUNERATION		
The auditor of Premier Investments Limited is Ernst & Young (Australia). Amounts received, or due and receivable, by Ernst & Young (Australia) for:		
Audit or review of the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	804,262	608,982
Other assurance services or agreed-upon-procedures under other legislation or contractual arrangements not required to be performed by the auditor	38,696	100,432
Other non-audit services	29,144	40,695
SUB-TOTAL	872,102	750,109
Amounts received, or due and receivable, by overseas member firms of Ernst & Young (Australia) for:		
Audit of the financial report of any controlled entities	225,209	201,407
TOTAL AUDITOR'S REMUNERATION	**1,097,311**	**951,516**

32 SHARE-BASED PAYMENT PLANS

(a) RECOGNISED SHARE-BASED PAYMENT EXPENSE

	CONSOLIDATED	
	2020 $'000	2019 $'000
TOTAL EXPENSE ARISING FROM EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS	**1,613**	**2,012**

(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.

OTHER DISCLOSURES

32 SHARE-BASED PAYMENT PLANS (CONTINUED)

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

Performance rights (continued)

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 the Monte-Carlo simulation pricing model 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.

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
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
12/04/2019	124,472	$18.18	2.5 years	3.4%	30%	1.44%	$6.81
01/05/2020	544,809	$13.21	2.5 – 4 years	3.5%	36%	0.40%	$8.33

(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:

	2020 No.	2020 WAEP	2019 No.	2019 WAEP
Balance at beginning of the year	615,637	-	862,271	-
Granted during the year (i)	544,809	-	124,472	-
Forfeited during the year	-	-	(15,878)	-
Exercised during the year (ii)	(294,579)	-	(330,112)	-
Expired during the year	(52,457)	-	(25,116)	-
Balance at the end of the year	**813,410**	**-**	**615,637**	**-**

(i) The 544,809 performance rights granted in relation to the grant date 1 May 2020 were issued since the end of the financial year, but before the date of this report. No other performance rights were granted since the end of the financial year but up to the date of this report.

(ii) The weighted average share price at the date of exercise of rights exercised during the year was $15.86 (2019: $16.78).

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 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 $8.33 (2019: $6.81).

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: the grant date fair value of the award, the extent to which the vesting period has expired, and 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.

33 EVENTS AFTER THE REPORTING DATE

The Directors of Premier Investments Limited approved a final dividend in respect of the 2020 financial year. The total amount of the dividend is $57,141,000 (2019: $58,636,000) which represents a fully franked dividend of 36 cents per share (2019: 37 cents per share).

The Group temporarily closed all of its 165 Melbourne metropolitan stores to customers from 8 July 2020, in direct response to the Victorian Government's COVID-19 directive whereby Stage 3 "stay at home" restrictions were reinstated. As of 5 August 2020, the Victorian Government introduced Stage 4 restrictions across metropolitan Melbourne for a period of at least 6 weeks. As a result, these Melbourne metropolitan stores remain temporarily closed. In response to the Victorian Government directives, all 47 regional Victorian stores were temporarily closed from 4 August 2020 and reopened on 14 September 2020.

34 CONTINGENT LIABILITIES

The Group has bank guarantees and outstanding letters of credit totalling $6,168,632 (2019: $7,587,926).

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 25 July 2020 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 25 July 2020 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 25 July 2020.

On behalf of the Board

Solomon Lew
Chairman

1 October 2020

Independent Auditor's Report

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working world

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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 25 July 2020, 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 25 July 2020 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 Ethics for Professional Accountants (including Independence Standards)* (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 judgement, 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.

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.

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1. **Carrying value of intangible assets**

Why significant	How our audit addressed the key audit matter
As at 25 July 2020 the Group held $826.6 million (or 37.8% of total assets) in goodwill and indefinite-life brand names recognised from historical business combinations. As outlined in Note 18 of the financial report, the goodwill and brand names are tested by the Group for impairment annually. The recoverable amount of these assets was 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 judgements 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. At 25 July 2020 the Group's performance and the economy as a whole, were impacted by the restrictions and economic uncertainty resulting from the COVID-19 pandemic. Significant assumptions used in the impairment testing referred to above are inherently subjective and in times of economic uncertainty the degree of subjectivity is higher than it might otherwise be. Changes in certain assumptions can lead to significant changes in the recoverable amount of these assets. Accordingly, given the significant judgements and estimates involved in assessing impairment of intangible assets we considered this a key audit matter. For the same reasons we consider it important that attention is drawn to the information in Note 18.	Our audit procedures included the following: ▸ Assessed the application of the valuation methodologies applied. ▸ Evaluated whether the determination of CGUs was in accordance with Australian Accounting Standards. ▸ Agreed the cashflows within the impairment model to forecast cashflows. ▸ Considered the impact of COVID-19 on the cash flow assumptions used in the impairment model. ▸ Considered the historical accuracy of the Group's cash flow forecasting process. ▸ Compared the forecast cash flows used in the value in use model to the actual current year financial performance of the underlying CGUs for reasonability. ▸ Assessed key inputs being discount rates, relief from royalty rates and sales growth rates adopted in the value in use model including comparison to available market data for comparable businesses. ▸ Performed sensitivity analysis on key inputs and assumptions included in the forecast cashflows and impairment models including the discount rates, to assess the risk of the CGU carrying value exceeding the recoverable amount. ▸ Compared earnings multiples derived from the Group's value in use model to those observable from external market data of comparable listed entities. ▸ 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.

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2. Existence and valuation of inventory

Why significant	How our audit addressed the key audit matter
As at 25 July 2020 the Group held $156.6 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 is determined using a standard cost approach and 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 judgement with regard to changing consumer demands and fashion trends. Such judgements 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.	Our audit procedures included the following: ▸ Assessed the application of valuation methodologies applied for compliance with Australian Accounting Standards. ▸ Assessed the effectiveness of relevant controls over the determination of standard costs ▸ Selected a sample of inventory lines and recalculated standard costs based on supporting supplier invoices and assessed the allocation of costs absorbed from the purchasing department, freight and warehouse costs. ▸ Attended store and distribution centre inventory counts on a sample basis and assessed the stock counting process which addressed inventory quantity and condition. ▸ 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 during the year and subsequent to year end, and comparing sale prices against the value of inventories at balance date.

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3. Investment in associate – Breville Group Limited

Why significant	How our audit addressed the key audit matter
At 25 July 2020 the Group held a 26.73% stake in the ASX-listed entity Breville Group Limited ("Breville"). The Group did not participate in the equity raising conducted by Breville during the year, which resulted in the dilution of its interest to this level. As detailed in Note 20 of the financial report, this investment was equity-accounted in accordance with Australian Accounting Standards. At balance date the Group's investment in Breville was carried at $257.4 million. The Group's results included an equity accounted profit of $17.7 million and a gain of $15.9 million on the dilution in shareholding in the overall profit after tax of the Group. The Group's accounting for the investment in Breville was considered a key audit matter due to the significance of the contribution to the Group's result.	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 2020 audit prepared in forming their audit opinion over the Breville financial report. ▸ Considered whether the accounting policies of Breville were materially consistent with those of the Group. ▸ Recalculated the Group's share of profit and dividends for the year equity accounted in accordance with Australian Accounting Standards. ▸ Recalculated the gain recognised on dilution in shareholding. ▸ Agreed the Group's shareholding to supporting evidence.

4. Adoption of new accounting standard for leases

Why significant	How our audit addressed the key audit matter
The 25 July 2020 financial year was the first year of adoption of Australian Accounting Standard AASB 16 - Leases ("AASB 16"). The Group holds a significant volume of leases by number and value over retail sites as lessee. Note 2 describes the accounting for the transition and describes the accounting policy for leases on an ongoing basis. Upon transition a lease liability of $410.2 million and right of use asset of $364.6 million were recognised on the statement of financial position. The volume of leases and the quantitative impact of the transition adjustments	Our audit procedures included the following: ▸ Considered whether the Group's new accounting policies as set out in Note 2, satisfied the requirements of AASB 16 including the adoption of any of the available practical expedients selected by the Group as part of the transition process. ▸ Assessed the mathematical accuracy of the Group's AASB 16 lease calculation model. ▸ For a sample of leases, agreed the Group's inputs in the AASB 16 lease calculation model in relation to those leases, such as, key dates, fixed and variable rent payments, renewal options and

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make the impact of this new standard significant to the financial statements of the Group.

In addition, the complexity in the modelling of the accounting for the leases including the calculation of the incremental borrowing rate and the judgement involved in the treatment of the option to extend and the lease term under holdover is significant.

Given the financial significance to the Group of its leasing arrangements, the complexity and judgements involved in the application of AASB 16, and the transition requirements of the standard, this was considered to be a key audit matter.

incentives, to the relevant terms of the underlying signed lease agreements

- Considered the Group's assumptions in relation to the treatment of the option to extend and lease term under holdover.
- Assessed whether the Group had included all of its leases taking into consideration the modified retrospective transition approach and practical expedients adopted by the Group.
- Assessed the rates used to discount future lease payments to present value.
- Assessed the adequacy of the disclosures included in the financial report.

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 2020 Annual Report other than 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 and will 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.

Independent Auditor's Report continued

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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 judgement 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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, actions taken to eliminate threats or safeguards applied.

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 25 July 2020.

In our opinion, the Remuneration Report of Premier Investments Limited for the year ended 25 July 2020, 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

Ernst & Young

Glenn Carmody
Partner
Melbourne
1 October 2020

ASX Additional Information

as at 25 September 2020

TWENTY LARGEST SHAREHOLDERS

NAME	TOTAL	% IC	RANK
CENTURY PLAZA INVESTMENTS PTY LTD	51,569,400	32.49%	1
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,328,341	15.96%	2
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	22,651,331	14.27%	3
CITICORP NOMINEES PTY LIMITED	10,357,723	6.53%	4
METREPARK PTY LTD	8,235,331	5.19%	5
SL SUPERANNUATION NO 1 PTY LTD <SL SUPER FUND NO 1 A/C>	4,437,699	2.80%	6
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,946,310	2.49%	7
NATIONAL NOMINEES LIMITED	3,275,126	2.06%	8
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,120,452	1.97%	9
LINFOX SHARE INVESTMENT PTY LTD	2,577,014	1.62%	10
BNP PARIBAS NOMS PTY LTD <DRP>	1,525,192	0.96%	11
ARGO INVESTMENTS LIMITED	1,250,000	0.79%	12
MARK MCINNES	982,100	0.62%	13
UBS NOMINEES PTY LTD	868,175	0.55%	14
MILTON CORPORATION LIMITED	590,321	0.37%	15
MR CON ZEMPILAS	470,000	0.30%	16
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	353,334	0.22%	17
AMP LIFE LIMITED	282,229	0.18%	18
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	259,815	0.16%	19
GEOMAR SUPERANNUATION PTY LTD <CHAPMAN SUPER FUND A/C>	250,000	0.16%	20
TOTAL FOR TOP 20:	**142,329,893**	**89.67%**	

SUBSTANTIAL SHAREHOLDERS

NAME	TOTAL UNITS	% IC
CENTURY PLAZA INVESTMENTS PTY LTD AND ASSOCIATES	58,552,420	42.43%
PERPETUAL LIMITED AND ITS SUBSIDIARIES	15,817,595	9.97%
AIRLIE FUNDS MANAGEMENT PTY LTD ON ITS OWN BEHALF AND ON BEHALF OF MAGELLAN FINANCIAL GROUP LIMITED AND RELATED BODIES CORPORATE	12,381,525	7.80%

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	5,952	2,439	298	206	29	8,924
Ordinary Fully Paid Shares	2,181,615	5,405,536	2,166,435	4,982,790	143,988,059	158,724,435

The number of investors holding less than a marketable parcel of 27 securities ($19.00 on 25 September 2020) is 240 and they hold 1,135 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
Ms. Sally Herman
Mr. Henry D. Lanzer AM
Mr. Terrence L. McCartney
Mr. Mark McInnes
Mr. Michael R.I. McLeod

COMPANY SECRETARY
Ms. Marinda Meyer

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Levi's
Just Jeans