



21 September 2012

**Premier profit increases 68%**  
**Premier Retail underlying FY12 EBIT up 23%**  
**Premier Retail underlying 2H EBIT up 130%**  
**Final dividend 18 cents per share**

**HIGHLIGHTS**

- Successful implementation of strategic review initiatives is delivering exceptional profit results despite tough retail environment
- Premier consolidated net profit after tax (NPAT) of \$68.2 million, up 68 percent on previous year
- Premier Retail (The Just Group) underlying EBIT \$80.4 million, up 23 percent and 2H12 EBIT up 130 percent
- Strong contributions from online and Peter Alexander and Smiggle
- Smiggle expansion into Asia enormously successful, expansion into Malaysia and Japan announced
- Cost-out program has delivered \$27.8 million in cost reductions\*
- Fully franked final dividend of 18 cents per share, total FY12 of 36 cents per share in line with the prior year
- Strong balance sheet maintained with \$294.2 million cash on hand
- Premier Retail sees momentum changing with Q4 FY12 improving and first 7 weeks of FY13 with positive LFL growth
- Mark McInnes to be appointed to Premier Investments Limited Board of Directors

Premier Investments Limited (“Premier”) today reported a profit before tax of \$92.8 million and a net profit after tax of \$68.2 million NPAT for the year ended 28 July 2012, up 68 percent on the previous year. Premier Retail (The Just Group) EBIT increased 23 percent to \$80.4 million and 2H12 EBIT increased by 130% to \$29.3 million despite the difficult macro environment. In addition, Premier’s investment revenues increased by 26 percent to \$27.2 million.

Premier’s Chairman, Mr Solomon Lew said: *“The retail environment in Australia continues to be challenging. In this context, we are pleased to be able to report a comparatively strong result to our shareholders.”*

\* Excluding rent, depreciation and borrowing costs

*“Premier’s results demonstrate its unique position with solid earnings growth, significant organic growth opportunities from existing businesses and a strong balance sheet. Together, this provides Premier with the financial strength to take advantage of new growth opportunities while continuing to seek to maximise returns from existing businesses.”*

## **PROGRESS OF PREMIER RETAIL TRANSFORMATION**

Premier Retail’s implementation of the six key EBIT performance initiatives identified in July 2011 continues to progress well and is delivering early results:

- **Rejuvenation of core apparel brands:** The reinvigoration of Premier Retail’s core apparel brands has been accelerated by the decision to set up individual brand leaders and teams as part of the strategic review. In addition, Premier Retail has also appointed Colette Garnsey as Core Brand Director, to continue the rejuvenation of our key assets. The brand teams are focussed on improving assortments, better inventory management and sourcing, to achieve improved margins.
- **Organisation-wide cost efficiency program:** The cost-out program was accelerated in response to the difficult trading conditions and formed a key part of Premier’s FY12 profit result. Cost reductions amounting to \$27.8 million\* were achieved across the business in FY12 and Cost of Doing Business as a percentage of sales decreased by 156 bps. Savings will continue in FY13 and FY14 as on-going efficiencies are implemented and the benefits continue to flow from FY12. Premier Retail will continue its program of store rationalisation, with loss making stores to close upon lease expiry.
- **Gross margin expansion program:** Premier Retail’s gross margin improved 99 bps in FY12. The focus on improving sourcing, managing inventory, improving markdown management, and improving margin mix from the rollout of Peter Alexander and Smiggle, all contributed to the result. Premier Retail expects further margin gains from all of these core strategies in FY13 and FY14.
- **Internet business expanded through increased investment:** Premier Retail’s brands and SKUs are all online and internet sales increased 67 percent across the year as the business continued to focus on growing this channel. The upgraded, internationally competitive Dotti website has delivered exceptional results, with traffic, conversion and sales well up. Premier Retail will continue to materially invest in growing the online presence of all brands in FY13 and beyond.
- **Continued investment in Peter Alexander and Smiggle growth:** The accelerated store roll-out of Peter Alexander and Smiggle stores has delivered strong results with nine new Peter Alexander stores and 20 Smiggle stores opened in Australia and New Zealand. All new stores have met or exceeded initial expectations for sales and profitability. The accelerated roll-out will continue, with the potential for a further 20-30 new Peter Alexander and Smiggle stores each year over the next three years.

Premier Retail CEO Mark McInnes commented: *“With conditions for retail continuing to be difficult, it is pleasing to present a strong financial result to the market today. Once we had identified the challenges the business was facing, we moved quickly to put in place specific strategies to address each issue and opportunity. The upswing in profit achieved in FY12 demonstrates the effectiveness of our strategic review initiatives and ensures Premier is well placed for the future.”*

\* Excluding rent, depreciation and borrowing costs

*“While it is pleasing to see these initiatives show results, we still see a great deal of unrealised potential in Premier’s portfolio of brands. Therefore we have also focused on investing in future growth from both our core brands and our growth brands. The team will continue to work hard over the coming year as we continue to transform the business. The new season has started well, with both total sales and LFL sales up on last year.”*

## **ASIA EXPANSION HIGHLY SUCCESSFUL**

Expansion into Asia for the Smiggle and Peter Alexander brands represents a major and unique growth opportunity for Premier Retail.

Premier Retail now operates 13 Smiggle stores in Singapore, with plans to open 5-10 additional stores in Singapore over the next 12-24 months. Premier is pleased to note Smiggle Singapore is already a very profitable business.

Premier Retail has also identified Malaysia and Japan as the next markets to target as part of the next phase of expansion into the region. The plans to expand Smiggle into Malaysia and Japan are well-advanced, with new Smiggle stores expected to open in Malaysia and Japan in late 2013. Premier sees potential for over 30 stores in Malaysia and 15-30 stores in Japan over the next 3-5 years.

The online launch of Peter Alexander into the Singapore market has likewise been well received, with the opening of a Peter Alexander flagship store in Singapore currently being evaluated.

## **TRADING UPDATE**

Trading for the first seven weeks of the new financial year has seen a positive change in momentum, with both total sales and LFL sales up on the same period last year. While this is encouraging, Q2 represents the most important quarter of the year for the Premier Retail business and as such it is too early to determine whether the macro-economic environment will continue to support the very positive start to the new year.

Premier Retail remains focused on continuing to implement the strategic initiatives in order to continue to improve profitability and returns to shareholders. The growth opportunities in both Australia, New Zealand and Asia are unique to Premier Retail and the business will begin to realise this potential in FY13.

## **PREMIER’S INVESTMENT INCOME AND CASH ON HAND**

Premier’s investment income increased by 26 percent on the prior year, including strong dividend income from Breville Group Limited, interest and income from other investments.

Premier maintained its strong balance sheet with \$294 million cash on hand and reduced Just Group’s debt by \$11 million.

As a result, Premier remains well placed to invest in growth opportunities.

## **APPOINTMENT TO PREMIER BOARD**

The Directors of Premier have invited Mark McInnes to join the Board effective from 1 December 2012.

Premier Chairman, Solomon Lew, said *“Mark has done an outstanding job in his time with the company in developing and implementing a detailed operating and growth strategy for our retail assets and also putting in place an unrivalled retail management team. As we go forward with our plans to grow the business it is appropriate for Mark to contribute at the Board level.*

*Mark will therefore become an Executive Director of Premier Investments and retain his existing role as Chief Executive Officer, Premier Retail.”*

## **FINAL DIVIDEND**

The Premier Board has declared a final fully franked dividend of 18 cents per share which brings the full year dividend to 36 cents per share, in line with the prior year. This represents a return to shareholders of 82 percent of earnings, above the minimum set out in the company’s dividend policy.

The dividend declared demonstrates the Board’s continued confidence in Premier’s future growth potential and commitment to providing strong returns to shareholders.

The final dividend will be payable on 21 November 2012. The dividend will be 100 percent franked. The record date will be 10 October 2012.

ENDS

*For enquiries:*

**Premier Investments Limited**  
Mark Middeldorf  
Tel: +61 3 9650 6500

**Media Contact – FTI Consulting**  
Lauren Thompson  
Tel: +61 2 8298 6100  
Mob: +61 438 954 729

Ilse Schache  
Tel: +21 2 8298 6100  
Mob: +61 416 041 768

# Appendix 4E

## Preliminary final report

Current Reporting Period: 52 weeks ending 28 July 2012

Previous Corresponding Period: 52 weeks ending 30 July 2011

Name of entity

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

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

### 1. Reporting periods

Financial year ended ("Current period")	Financial year ended ("Previous corresponding period")
<b>28 July 2012</b>	<b>30 July 2011</b>

### 2. Results for announcement to the market

2.1 Revenues from ordinary activities	down	3.8%	to \$870,986,000
2.2 Profit from ordinary activities after tax attributable to members	up	68.4%	to \$68,248,000
2.3 Net profit for the period attributable to members	up	68.4%	to \$68,248,000

### 2.4 Dividends (distributions)

			Amount per security	Franked amount per security
Final dividend	Record Date	10 October 2012	18.0 cents	18.0 cents
Interim dividend	Paid	18 May 2012	18.0 cents	18.0 cents

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

10 October 2012

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

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

**3. Income Statement**

Please refer to the attached financial statements for the period ended 28 July 2012.

**4. Balance Sheet**

Please refer to the attached financial statements for the period ended 28 July 2012.

**5. Cash Flow Statement**

Please refer to the attached financial statements for the period ended 28 July 2012.

**6. Dividends**

Date the dividend is payable

21 November 2012
------------------

Record date to determine entitlements to the dividend (distribution) (ie, on the basis of registrable transfers received by 5.00 pm if +securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)

10 October 2012
-----------------

**Amount per security**

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

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

	Current year	Previous year
Ordinary securities	36.0 cents	36.0 cents
Preference +securities	Nil	Nil

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

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities	27,947	27,914
Preference +securities	-	-
<b>Total</b>	<b>27,947</b>	<b>27,914</b>

### 7. Dividend reinvestment plans

The <sup>+</sup>dividend plans shown below are in operation.

Dividend Reinvestment plan does not apply to the final dividend

The last date(s) for receipt of election notices for the  
<sup>+</sup>dividend plans

N/A

### 8. Statement of Changes in Equity

Please refer to the attached financial statements for the period ended 28 July 2012.

### 9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per <sup>+</sup> ordinary security	\$2.54	\$2.19

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

Name of entity (or group of entities) N/A

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

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

Name of entity (or group of entities) N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$
Date to which the profit (loss) in item 14.2 has been calculated	
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
Contribution to consolidated profit (loss) from ordinary activities and extr Entity Net Profit/(Loss After Tax) 2010ordinary items from sale of interest leading to loss of control	\$

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

Name of Subsidiary/Joint Venture entity	Ownership Interest	Entity Net Profit(Loss) After Tax 2012	Entity Net Profit(Loss) After Tax 2011
Just Kor Fashion Group (Pty Ltd)	50%	\$(101,000)	\$1,178,000

**12. Other significant information**

Not applicable

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

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

**14. Commentary**

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

**15. Compliance statement**

This report should be read in conjunction with the attached financial statements for the period ended 28 July 2012. The attached financial statements are in the process of being audited.



Sign here: ..... Date 21 September 2012  
Company Secretary

Print name: KIM DAVIS

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011

CONSOLIDATED			
	NOTES	2012 \$'000	2011 \$'000
<b>Continuing operations</b>			
Revenue from sale of goods	3	837,195	875,610
Other revenue	3	23,779	22,592
<b>Total revenue</b>		<b>860,974</b>	<b>898,202</b>
Other income	3	10,012	7,813
<b>Total income</b>		<b>870,986</b>	<b>906,015</b>
Changes in inventories of finished goods and work in progress and raw materials used		(330,115)	(354,508)
Employee expenses		(198,154)	(205,722)
Operating lease rental expense	4	(176,949)	(177,529)
Depreciation, impairment and amortisation	4	(17,328)	(21,733)
Advertising and direct marketing		(9,879)	(13,462)
Finance costs	4	(10,194)	(9,614)
Strategic review costs	4	-	(15,771)
Other expenses		(35,499)	(51,278)
<b>Total expenses</b>		<b>(778,118)</b>	<b>(849,617)</b>
Share of profit (loss) of an associate	9	(101)	1,178
Profit from continuing operations before income tax		92,767	57,576
Income tax expense	5	(24,519)	(17,059)
<b>Net profit for the period attributable to owners</b>		<b>68,248</b>	<b>40,517</b>
<b>Other comprehensive income</b>			
Net fair value gains on available for sale financial assets		47,838	31,780
Cash flow hedges		13,454	(15,181)
Foreign currency translation		58	(214)
Income tax on items of other comprehensive income	5	(18,324)	(4,928)
<b>Other comprehensive income for the period, net of tax</b>		<b>43,026</b>	<b>11,457</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS</b>		<b>111,274</b>	<b>51,974</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:</b>			
- basic for profit for the year (cents per share)		43.97	26.13
- diluted for profit for the year (cents per share)		43.52	25.92
- basic for profit from continuing operations (cents per share)		43.97	26.13
- diluted for profit from continuing operations (cents per share)		43.52	25.92

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

# STATEMENT OF FINANCIAL POSITION

AS AT 28 JULY 2012 AND 30 JULY 2011

		CONSOLIDATED	
	NOTES	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and cash equivalents	12	294,168	307,808
Trade and other receivables		6,615	6,066
Inventories		71,092	73,399
Other financial instruments		17,150	-
Income tax receivable		3,413	3,829
Other current assets		4,292	3,140
<b>Total current assets</b>		<b>396,730</b>	<b>394,242</b>
<i>Non-current assets</i>			
Trade and other receivables		2,023	2,360
Available-for-sale financial assets		152,345	104,547
Plant and equipment	7	80,326	84,777
Intangible assets	8	854,490	854,480
Deferred tax assets	5	12,158	19,808
Investment in an associate	9	1,484	1,754
<b>Total non-current assets</b>		<b>1,102,826</b>	<b>1,067,726</b>
<b>TOTAL ASSETS</b>		<b>1,499,556</b>	<b>1,461,968</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Trade and other payables		45,947	46,306
Interest-bearing liabilities	10	136	133,784
Other financial instruments		2,301	14,829
Provisions		20,005	25,613
Other current liabilities		5,059	6,293
<b>Total current liabilities</b>		<b>73,448</b>	<b>226,825</b>
<i>Non-current liabilities</i>			
Interest-bearing liabilities	10	122,855	6
Deferred tax liabilities	5	43,944	28,516
Provisions		1,402	1,187
Other financial instruments		-	636
Other		8,101	11,060
<b>Total non-current liabilities</b>		<b>176,302</b>	<b>41,405</b>
<b>TOTAL LIABILITIES</b>		<b>249,750</b>	<b>268,230</b>
<b>NET ASSETS</b>		<b>1,249,806</b>	<b>1,193,738</b>
<b>EQUITY</b>			
Contributed equity		608,615	608,615
Reserves		83,256	39,578
Retained earnings		557,935	545,545
<b>TOTAL EQUITY</b>		<b>1,249,806</b>	<b>1,193,738</b>

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

## STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011

	NOTES	CONSOLIDATED	
		2012 \$'000	2011 \$'000
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>			
Receipts from customers (inclusive of GST)		928,834	975,030
Payments to suppliers and employees (inclusive of GST)		(844,502)	(900,568)
Dividends received		6,538	4,853
Interest received		16,517	16,679
Borrowing costs paid		(9,651)	(8,805)
Income taxes paid		(19,022)	(16,150)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>12(b)</b>	<b>78,714</b>	<b>71,039</b>
<i>CASH FLOWS FROM INVESTING ACTIVITIES</i>			
Proceeds from sale of available-for-sale investments		15	-
Payment for financial instruments		(21,495)	-
Proceeds from sale of financial instruments		9,115	-
Payment for settlement of Smiggle deferred payment		-	(18,398)
Payment for trademarks		(83)	(237)
Proceeds from sale of plant and equipment		42	19
Payment for property, equipment and leasehold premiums		(13,258)	(22,768)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(25,664)</b>	<b>(41,384)</b>
<i>CASH FLOWS FROM FINANCING ACTIVITIES</i>			
Equity dividends paid		(55,858)	(71,319)
Proceeds from borrowings		38,000	70,500
Repayment of borrowings		(48,000)	(37,500)
Payment of debt establishment fees		(747)	-
Payment of finance lease liabilities		(85)	(172)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(66,690)</b>	<b>(38,491)</b>
<b>NET DECREASE IN CASH HELD</b>		<b>(13,640)</b>	<b>(8,836)</b>
Cash at the beginning of the financial period		307,808	316,644
<b>CASH AT THE END OF THE FINANCIAL PERIOD</b>	<b>12(a)</b>	<b>294,168</b>	<b>307,808</b>

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

**STATEMENT OF CHANGES IN EQUITY**  
FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011

CONSOLIDATED								
	CONTRIBUTED EQUITY \$'000	CAPITAL PROFITS RESERVE \$'000	PERFORMANCE RIGHTS RESERVE \$'000	CASH FLOW HEDGE RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	FAIR VALUE RESERVE \$'000	RETAINED PROFITS \$'000	TOTAL \$'000
<i>At 31 July 2011</i>	608,615	464	799	(10,767)	14	49,068	545,545	1,193,738
Net Profit for the period	-	-	-	-	-	-	68,248	68,248
Other comprehensive income	-	-	-	9,418	58	33,550	-	43,026
<b>Total comprehensive income for the period</b>	-	-	-	9,418	58	33,550	68,248	111,274
<b>Transactions with owners in their capacity as owners:</b>								
Performance rights issued	-	-	652	-	-	-	-	652
Dividends Paid	-	-	-	-	-	-	(55,858)	(55,858)
<i>Balance as at 28 July 2012</i>	608,615	464	1,451	(1,349)	72	82,618	557,935	1,249,806
<i>At 1 August 2010</i>	608,615	464	211	(139)	228	26,769	576,347	1,212,495
Net Profit for the period	-	-	-	-	-	-	40,517	40,517
Other comprehensive income	-	-	-	(10,628)	(214)	22,299	-	11,457
<b>Total comprehensive income for the period</b>	-	-	-	(10,628)	(214)	22,299	40,517	51,974
<b>Transactions with owners in their capacity as owners:</b>								
Performance rights issued	-	-	588	-	-	-	-	588
Dividends Paid	-	-	-	-	-	-	(71,319)	(71,319)
<i>Balance as at 30 July 2011</i>	608,615	464	799	(10,767)	14	49,068	545,545	1,193,738

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 1 CORPORATE INFORMATION

The financial report of Premier Investments Limited for the 52 weeks ended 28 July 2012.

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

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

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial report is prepared for the 52 weeks beginning 31 July 2011 to 28 July 2012.

#### (a) BASIS OF PREPARATION

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

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

#### (b) STATEMENT OF COMPLIANCE

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

#### (c) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

##### *Changes in accounting policies and disclosures*

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

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of the beginning of the financial year, being 31 July 2011.

- (i) *AASB 124 Related Party Disclosures*: The amendments simplify and clarify the intended meaning of the definition of a related party and provide partial exemption from disclosure requirements for government related entities. The adoption of the amendments did not have any impact on the financial position or performance of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- (ii) *AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project:* The standard sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flows to profit and loss. The adoption of the standard did not have an impact on the financial position or performance of the Group.
- (iii) *AASB 2010-4 Further improvements to the Australian Accounting Standards arising from the Annual Improvements Project:* Key amendments include the clarification of content of the statement of changes in equity (AASB 101), emphasising the interaction between quantitative and qualitative financial instrument disclosures (AASB 7) and the nature and extent of risks associated with financial instruments, and illustration on how to apply disclosure principles in interim reports for significant events and transactions (AASB 134).
- (iv) *AASB 2009-12 Amendments to Australian Accounting Standards and AASB 2010-5 Amendments to Australian Accounting Standards:* The amendments make numerous editorial amendments to a range of Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.

Application of these Standards has not had any material effect on the amounts reported in the financial statements, but may affect the accounting for future transactions or arrangements.

#### *Accounting Standards and Interpretations issued but not yet effective*

The following standards, amendments to standards and interpretations have been identified as those which may impact the group in the period of initial application. They have been issued and are available for early adoption at 28 July 2012, but have not been applied in preparing this financial report.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 119	Employee Benefits	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Other changes introduced to this standard relates to the accounting for defined benefit plans.	1 January 2013	The Group has not yet determined the potential effects of the standard.	28 July 2013

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
Annual Improvements 2009-2011 Cycle	Annual Improvements to IFRS's 2009-2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS's) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the Australian Accounting Standards Board.	1 January 2013	The Group has not yet determined the potential effects of the standard.	28 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income	This amendment requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	The Group has not yet determined the potential effects of the amendment.	29 July 2012
AASB 9	Financial Instruments (December 2010), AASB 2009-11 Amendments to Australian Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9	A revised version of AASB 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over of the existing derecognition requirements from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . New requirements apply where an entity chooses to measure a liability at fair value through profit or loss. In these cases, the gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	1 January 2015	The Group has not yet determined the potential effects of the standard. Retrospective application is generally required.	26 July 2015

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation-Special Purpose Entities. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee. Consequential amendments are also made to other standards via AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement standards.	1 January 2013	The Group has not yet performed a detailed analysis of the potential impact, if any, of these Standards and hence have not yet quantified the extent of the potential impact.	28 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non monetary contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Consequential amendments are also made to other standards via AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement standards.	1 January 2013	The Group has not yet performed a detailed analysis of the potential impact, if any, of these Standards and hence have not yet quantified the extent of the potential impact.	28 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	In general, the disclosure requirements in AASB 12 are more extensive than those in the current standard. The Group has not yet determined the potential effects of the standard.	28 July 2013

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The Group has not yet determined the potential effects of the standard. The standard and disclosure requirements shall be applied prospectively from the application date for the Group.	28 July 2013

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

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

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

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

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

#### (i) Significant accounting judgements

##### *Recovery of deferred tax assets*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

#### *Classification of assets and liabilities as held for sale*

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

#### *Taxation*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### (ii) Significant accounting estimates and assumptions

##### *Estimated impairment of goodwill and intangibles with indefinite useful lives*

The Group tests whether goodwill has suffered any impairment annually, in accordance with the accounting policy stated in note 2(l). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 8 for details of these assumptions and the potential impact of changes to the assumptions.

##### *Share-based payment transactions*

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

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

##### *Estimation of useful lives of assets*

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

Depreciation charges are included in note 4.

##### *Valuation of Investments*

The Group has decided to classify investments in listed and unlisted securities as available for sale investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published quotations in an active market. The fair values of unlisted securities not traded in an active market are determined by an appropriately qualified independent valuer by projecting future cash flows from expected future dividends and subsequent disposal of the securities. These cash flows are then discounted back to their present values using a pre-tax risk adjusted discount rate.

##### *Estimated gift card redemption rates*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

#### *Restructuring provisions*

In 2011, the Group's Strategic review resulted in restructuring provisions in which significant judgement was made. The Group follows the guidance of AASB 137: Provisions, Contingent Liabilities and Contingent Assets to determine whether a provision is required.

#### (i) Redundancy provisions

A redundancy provision is recognised when the Group has developed a detailed formal plan and has raised a valid expectation in those affected that it will carry out the plan by implementation or announcing its main features to those affected by it.

#### (ii) Onerous lease provisions

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

### (e) *BASIS OF CONSOLIDATION*

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

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) *BASIS OF CONSOLIDATION (CONTINUED)*

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

### (f) *OPERATING SEGMENTS*

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

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

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

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

### (g) *FOREIGN CURRENCY TRANSLATION*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) CASH AND CASH EQUIVALENTS

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

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

### (i) TRADE AND OTHER RECEIVABLES

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

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

### (j) INVENTORIES

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

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

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

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

### (k) PLANT AND EQUIPMENT

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) *PLANT AND EQUIPMENT (CONTINUED)*

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

### (l) *GOODWILL*

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

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

### (m) *INTANGIBLE ASSETS (excluding goodwill)*

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

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

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

It is determined for an individual asset, unless the asset's value-in-use cannot be estimated to be close to its fair value, less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

### 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) *INTANGIBLE ASSETS (excluding goodwill) (CONTINUED)*

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

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

(n) *OTHER FINANCIAL ASSETS*

(i) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities, which are designated as available-for-sale or are not classified as held for trading nor designated at fair value through profit or loss. All available-for-sale investments are initially recognised at cost, being fair value of the consideration given and includes acquisition charges associated with the investment.

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

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

(ii) Non-derivative financial assets

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (n) *OTHER FINANCIAL ASSETS (CONTINUED)*

#### (iii) Financial assets at fair value through profit or loss

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

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

### (o) *INVESTMENT IN ASSOCIATE*

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

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

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

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

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

### (p) *TRADE AND OTHER PAYABLES*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) LEASES

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

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

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

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

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

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

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

### (s) PROVISIONS

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

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

### (t) RESTRUCTURING PROVISIONS

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) *ONEROUS LEASE PROVISIONS*

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

### (v) *EMPLOYEE BENEFITS*

#### (i) Wages, salaries and annual leave

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

#### (ii) Long service leave

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

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

#### (iii) Retirement benefit obligations

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

### (w) *DEFERRED INCOME*

#### (i) Lease Incentives

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

#### (ii) Deferred rent

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

### (x) *REVENUE RECOGNITION*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (x) REVENUE RECOGNITION (CONTINUED)

#### (i) Sale of goods

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

#### (ii) Interest revenue

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

#### (iii) Dividends

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

#### (iv) Lay-by sales

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

#### (v) Gift cards

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

### (y) INCOME TAX

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) INCOME TAX (CONTINUED)

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

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

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

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

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

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

#### Tax consolidation

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (z) OTHER TAXES

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

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

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

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

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

### (aa) BUSINESS COMBINATIONS

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating and accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

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

### (bb) CONTRIBUTED EQUITY

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (cc) *DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING*

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

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

#### *Cash flow hedges*

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

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

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

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

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

### (dd) *EARNINGS PER SHARE*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

## 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (ee) *SHARE-BASED REMUNERATION SCHEMES*

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

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

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

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

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

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

### (ff) *COMPARATIVES*

The current reporting period, 31 July 2011 to 28 July 2012, represents 52 weeks and the comparative reporting period is from 1 August 2010 to 30 July 2011 which also represents 52 weeks.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

			CONSOLIDATED	
			2012 \$'000	2011 \$'000
<b>3</b>	<b>REVENUE</b>			
	<i>REVENUE</i>			
	Revenue from sale of goods	829,138	866,045	
	Revenue from sale of goods to associate	8,057	9,565	
	Revenue from sale of goods	837,195	875,610	
	<i>OTHER REVENUE</i>			
	Membership program fees	476	425	
	<i>INTEREST</i>			
	Other persons	16,450	17,084	
	Associate	315	230	
	Total Interest	16,765	17,314	
	<i>DIVIDENDS</i>			
	Other listed companies	6,538	4,853	
	Total Dividends	6,538	4,853	
	TOTAL OTHER REVENUE	23,779	22,592	
	TOTAL REVENUE	860,974	898,202	
	<i>OTHER INCOME</i>			
	Amortisation of deferred income	4,293	5,027	
	Net gain on financial instruments	4,516	-	
	Royalty and licence fees			
	Associate	-	616	
	Other persons	357	313	
	Other	846	1,857	
	TOTAL OTHER INCOME	10,012	7,813	
	TOTAL INCOME	870,986	906,015	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

		CONSOLIDATED		
	NOTES	2012 \$'000	2011 \$'000	
<b>4</b>	<b>EXPENSES AND LOSSES</b>			
	<i>EXPENSES</i>			
	<i>DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS</i>			
	Depreciation of plant and equipment	7	17,209	20,986
	Amortisation of plant and equipment under lease	7	46	133
	Impairment of plant and equipment	7	-	564
	<b>TOTAL DEPRECIATION AND IMPAIRMENT OF NON-CURRENT ASSETS</b>		<b>17,255</b>	<b>21,683</b>
	<i>AMORTISATION OF NON-CURRENT ASSETS</i>			
	Amortisation of leasehold premiums	8	73	50
	<b>TOTAL AMORTISATION OF NON-CURRENT ASSETS</b>		<b>73</b>	<b>50</b>
	<b>TOTAL DEPRECIATION, IMPAIRMENT AND AMORTISATION</b>		<b>17,328</b>	<b>21,733</b>
	<i>FINANCE COSTS</i>			
	Finance charges payable under finance leases		39	48
	Bank loans and overdraft		9,654	9,566
	Provision for discount adjustment on onerous leases		501	-
	<b>TOTAL FINANCE COSTS</b>		<b>10,194</b>	<b>9,614</b>
	<i>OPERATING LEASE RENTAL EXPENSES</i>			
	Minimum lease payments – operating leases		151,812	153,611
	Contingent rentals		25,137	23,918
	<b>TOTAL OPERATING LEASE RENTAL EXPENSES</b>		<b>176,949</b>	<b>177,529</b>
	<i>OTHER EXPENSES INCLUDES</i>			
	Bad debts		3	21
	Share-based payments expense		652	588
	Foreign exchange losses		630	523
	Loss on ineffective cash flow hedges		39	1,031
	Loss on disposal of available-for-sale investments		24	-
	Net loss on disposal of plant and equipment		289	1,120

**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

		CONSOLIDATED	
		2012 \$'000	2011 \$'000
<b>4</b>	<b>EXPENSES AND LOSSES (CONTINUED)</b>		
	<i>STRATEGIC REVIEW COSTS</i>		
	Redundancies	-	2,356
	Onerous leases	-	10,134
	Impairment of plant and equipment	-	2,427
	Asset write off	-	559
	Other Costs	-	295
	<b>TOTAL STRATEGIC REVIEW COSTS</b>	<b>-</b>	<b>15,771</b>

During the year ended 30 July 2011, Premier Retail committed to adopt a strategic review undertaken to implement a six point EBIT improvement plan which includes rejuvenate and reinvigorate five core apparel brands, organisation-wide cost efficiency program, expand and grow the internet business and a gross margin expansion program.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)**

CONSOLIDATED		
	2012 \$'000	2011 \$'000
<b>5</b>	<b>INCOME TAX</b>	
	The major components of income tax expense are:	
(a)	INCOME TAX RECOGNISED IN PROFIT AND LOSS	
	CURRENT INCOME TAX	
	Current income tax charge	19,842
	Adjustment in respect of current income tax of previous years	17,584
	(1,044)	208
	DEFERRED INCOME TAX	
	Effect on deferred tax balances due to change in income tax rate	158
	158	-
	Relating to origination and reversal of temporary differences	5,563
		(733)
	INCOME TAX EXPENSE REPORTED IN THE STATEMENT OF COMPREHENSIVE INCOME	24,519
		17,059
(b)	STATEMENT OF CHANGES IN EQUITY	
	Deferred income tax related to items charged (credited) directly to equity:	
	Net deferred income tax on movements on cash-flow hedges	4,036
	4,036	(4,553)
	Unrealised gain on available-for-sale investments	14,288
		9,481
	INCOME TAX EXPENSE REPORTED IN EQUITY	18,324
		4,928
(c)	NUMERICAL RECONCILIATION BETWEEN AGGREGATE TAX EXPENSE RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME AND TAX EXPENSE CALCULATED PER THE STATUTORY INCOME TAX RATE	
	A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Group's applicable income tax rate is as follows:	
	Accounting profit before income tax	92,767
	92,767	57,576
	At the Parent Entity's statutory income tax rate of 30% (2011: 30%)	27,830
	27,830	17,273
	Adjustment in respect of current income tax of previous years	(1,044)
		208
	Effect on deferred tax balances due to change in income tax rate	158
	158	-
	Items not recognised in deferred tax balances	(615)
		-
	Expenditure not allowable for income tax purposes	151
		151
	Income not assessable for tax purposes	(1,961)
		(573)
	AGGREGATE INCOME TAX EXPENSE	24,519
		17,059

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

CONSOLIDATED		
	2012 \$'000	2011 \$'000
<b>5 INCOME TAX (CONTINUED)</b>		
(d) <i>RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES</i>		
<i>DEFERRED TAX LIABILITIES</i>		
Intangibles	960	972
Foreign currency balances	(58)	(59)
Expenditure deductible for tax purposes over five years	(7)	(6)
Potential capital gains tax on financial investments	35,055	20,767
Employee entitlements	(139)	(64)
Other receivables and prepayments	359	447
Plant and equipment	7,466	6,162
R&D depreciation equipment	235	267
Leased plant and equipment	73	30
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>43,944</b>	<b>28,516</b>
<i>DEFERRED TAX LIABILITIES – STATEMENT OF COMPREHENSIVE INCOME (MOVEMENTS)</i>		
Plant and equipment	1,304	1,181
Potential capital gains on financial investments	14,288	9,481
R&D depreciation equipment	(32)	(66)
Intangibles	(12)	10
Foreign exchange gains and losses	1	(460)
Expenditure deductible for tax purposes over five years	(1)	1
Deferred income	-	(317)
Employee entitlements	(75)	(7)
Other receivables and current assets	(88)	(176)
Leased plant and equipment	43	(55)
	<b>15,428</b>	<b>9,592</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)**

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
<b>5 INCOME TAX (CONTINUED)</b>		
<i>DEFERRED TAX ASSETS – STATEMENT OF FINANCIAL POSITION</i>		
Plant and equipment	346	609
Deferred gains and losses on foreign exchange contracts	614	4,639
Inventory provisions	275	324
Deferred rent gain	1,998	2,287
Deferred lease incentive income	1,963	2,894
Employee provisions	4,878	4,892
Capital expenditure deductible over five years	1	464
Other	2,008	3,668
Lease liability	75	31
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>12,158</b>	<b>19,808</b>
<i>DEFERRED TAX ASSETS – STATEMENT OF COMPREHENSIVE INCOME (MOVEMENTS)</i>		
Plant and equipment	(263)	(65)
Deferred gains and losses on foreign exchange	(4,025)	4,406
Inventory provisions	(49)	(132)
Deferred rent gain	(289)	(3)
Deferred lease incentive income	(931)	(1,288)
Employee provisions	(14)	(123)
Capital expenditure deductible over five years	(463)	(449)
Other provisions	(1,660)	3,111
Lease liability	44	(61)
	<b>(7,650)</b>	<b>5,396</b>

**TAX CONSOLIDATION**

Effective 1 July 2003 for the purposes of income taxation, Premier Investments Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Premier Investments Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax-sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro rata basis. 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

		CONSOLIDATED	
		2012 \$'000	2011 \$'000
<b>6</b>	<b>DIVIDENDS PAID AND PROPOSED</b>		
	<i>RECOGNISED AMOUNTS</i>		
	Declared and paid during the year		
	Interim franked dividends for 2012:		
	18 cents per share (2011: 18 cents)	27,947	27,911
	Final franked dividends for 2011:		
	18 cents per share (2010: 28 cents)	27,911	43,408
	<i>UNRECOGNISED AMOUNTS</i>		
	Final franked dividend for 2012:		
	18 cents per share (2011: 18 cents)	27,947	27,911
	<i>FRANKING CREDIT BALANCE</i>		
	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% (2011: 30%)	227,381	228,977
	- franking credits that will arise from the payment of income tax payable as at the end of the financial year	(4,277)	(2,965)
	- franking debits that will arise from the payment of dividends as at the end of the financial year	(11,977)	(11,962)
		211,127	214,050

The tax rate at which paid dividends have been franked is 30% (2011: 30%). Dividends proposed will be franked at the rate of 30% (2011: 30%).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)**

		CONSOLIDATED	
	NOTE	2012 \$'000	2011 \$'000
<b>7</b>	<b>PLANT AND EQUIPMENT</b>		
	Plant and equipment – at cost	151,133	144,970
	Less: accumulated depreciation and impairment	(71,050)	(60,294)
	<b>Total</b>	<b>80,083</b>	<b>84,676</b>
	Capitalised leased assets – at cost	896	708
	Less: accumulated depreciation and impairment	(653)	(607)
	<b>Total</b>	<b>243</b>	<b>101</b>
	<b>TOTAL PLANT AND EQUIPMENT</b>	<b>80,326</b>	<b>84,777</b>

*RECONCILIATIONS*

Reconciliations of the carrying amounts for each class of  
*Plant and equipment*

At beginning of the financial period		84,676	90,925
Additions		13,986	18,975
Disposals		(331)	(1,139)
Exchange differences		(1,039)	(108)
Impairment	4	-	(2,991)
Depreciation	4	(17,209)	(20,986)
<b>Net carrying amount at end of period</b>		<b>80,083</b>	<b>84,676</b>
<i>Leased plant and equipment</i>			
At beginning of the financial period		101	285
Additions		188	-
Disposals		-	(51)
Amortisation	4	(46)	(133)
<b>Net carrying amount at end of period</b>		<b>243</b>	<b>101</b>
<b>TOTAL</b>		<b>80,326</b>	<b>84,777</b>

*IMPAIRMENT OF PLANT AND EQUIPMENT*

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

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

The post tax discount rate applied to the cash flow projections is 10.5% (2011: 11.5%) and the cash flows beyond the five year period are extrapolated using a growth rate of 3%. The discount rate used reflects management's estimate of the time value of money and risks specific to each unit not already reflected in the cash flow. In determining the appropriate discount rate, regard has been given to the weighted average cost of capital for the retail segment.

When considering the recoverable amount, the net present value of cash flows has been compared to reasonable earnings multiples for comparable companies. An impairment review was conducted based on a store by store review. As a result, no impairment loss was recognised during the financial year (2011: Impairment loss of \$2,991,000 recognised).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

### 8 INTANGIBLES

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

	CONSOLIDATED				
	GOODWILL \$'000	BRAND NAMES \$'000	TRADEMARK \$'000	LEASEHOLD PREMIUMS \$'000	TOTAL \$'000
<b>YEAR ENDED 28 JULY 2012</b>					
<i>As at 31 July 2011 net of accumulated amortisation and impairment</i>	477,085	376,179	997	219	854,480
Trademark registrations	-	-	83	-	83
Amortisation	-	-	-	(73)	(73)
<i>As at 28 July 2012 net of accumulated amortisation and impairment</i>	477,085	376,179	1,080	146	854,490
<b>AS AT 28 JULY 2012</b>					
Cost (gross carrying amount)	477,085	376,179	1,080	723	855,067
Accumulated amortisation and impairment	-	-	-	(577)	(577)
Net carrying amount	477,085	376,179	1,080	146	854,490
<b>YEAR ENDED 30 JULY 2011</b>					
<i>As at 1 August 2010 net of accumulated amortisation and impairment</i>	477,085	376,179	760	149	854,173
Additions	-	-	-	121	121
Trademark registrations	-	-	237	-	237
Amortisation	-	-	-	(50)	(50)
Exchange differences	-	-	-	(1)	(1)
<i>As at 30 July 2011 net of accumulated amortisation and impairment</i>	477,085	376,179	997	219	854,480
<b>AS AT 30 JULY 2011</b>					
Cost (gross carrying amount)	477,085	376,179	997	723	854,984
Accumulated amortisation and impairment	-	-	-	(504)	(504)
Net carrying amount	477,085	376,179	997	219	854,480

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

### 8 INTANGIBLES (CONTINUED)

#### *GOODWILL AND BRAND NAMES*

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

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

#### *IMPAIRMENT TESTING OF GOODWILL*

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

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

The recoverable amount of the CGU has been determined based upon a value in use calculation, using cash flow projections as at July 2012, based on financial estimates approved by the senior management and the Board covering a five year period. The post tax discount rate applied to these cash flow projections is 11.0% (2011: 11.3%). Cash flows beyond the five year period are extrapolated using a growth rate of 3%.

Management has considered the possible change in expected sales volumes and forecast EBITDA applied within the CGU to which goodwill relate, each of which have been subject to sensitivities. A material adverse change in forecast sales volumes or EBITDA could have the potential to give rise to a circumstance where the recoverable amount may be lower than the carrying amount

#### *IMPAIRMENT TESTING OF BRAND NAMES*

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

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

The recoverable amounts of Brand names acquired in a business combination are determined on an individual Brand basis based upon a value in use calculation. The value in use calculation has been determined based upon the relief from royalty method using cash flow projections as at July 2012. The cash flow projections are based on financial estimates approved by senior management and the Board covering a five year period.

When the recoverable amount of a Brand is less than the carrying amount, an impairment loss is recognised.

The post tax discount rate applied to the cash flow projections for each of the three CGU's is 10.1% (2011: 10.2%). The extrapolated growth rates at which cash flows have been discounted for the individual brands within each of the CGU's have been summarised below:

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

### 8 INTANGIBLES (CONTINUED)

<b>CGU</b>	<b>Average growth rates applied to projected cash flows</b>	<b>Terminal Value Growth Rate</b>
Casual wear	3% to 4%	3%
Women's wear	3% to 10%	3%
Non Apparel	2% to 10%	3%

Royalty rates have been determined for each brand within the CGU 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 determining 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's range between 3.5% and 8.5%.

Management has considered the possible change in expected growth rates applied to brands within the CGU's each of which have been subject to sensitivities, including changes in royalty rates. A reasonably possible adverse change in forecast sales volumes for some brands within the CGU's could have the potential to give rise to circumstances where the recoverable amount may be lower than the carrying amount.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
<b>9 INVESTMENT IN ASSOCIATE</b>		
Investment in associate	1,484	1,754

Just Jeans Group Pty Ltd, a subsidiary of Premier Investments Limited, has a 50% interest in a joint venture entity, Just Kor Fashion Group (Pty) Ltd, which is involved in retailing of the Jay Jays concept in South Africa.

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

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

The Group's share of the loss in its investment in the associate for the year was \$101,576 (2011: Profit of \$1,178,435).

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

<i>EXTRACT FROM THE ASSOCIATE'S STATEMENT OF FINANCIAL POSITION</i>	2012 \$'000	2011 \$'000
Current assets	2,981	4,082
Non-current assets	2,030	2,628
<i>Total assets</i>	5,011	6,710
Current liabilities	(1,504)	(2,596)
Non-current liabilities	(2,023)	(2,360)
<i>Total liabilities</i>	(3,527)	(4,956)
<b>NET ASSETS</b>		
Share of associates net assets	1,484	1,754
<i>EXTRACT FROM THE ASSOCIATE'S STATEMENT OF COMPREHENSIVE INCOME</i>	2012 \$'000	2011 \$'000
Revenue	14,291	15,386
Profit before income tax	127	878
Income tax expense (benefit)	228	(300)
Profit (loss) after income tax	(101)	1,178

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

		CONSOLIDATED	
	NOTES	2012 \$'000	2011 \$'000
<b>10</b>	<b>INTEREST-BEARING LIABILITIES</b>		
	<i>CURRENT</i>		
	Lease liability	136	97
	Bank loans* unsecured	-	118,000
	Bank loans* unsecured (NZ\$20.0 million)	-	15,979
		-	133,979
	Less directly attributable borrowing costs	-	(292)
	Net bank loans	-	133,687
	<b>TOTAL CURRENT</b>	<b>136</b>	<b>133,784</b>
	<i>NON-CURRENT</i>		
	Lease liability	114	6
	Bank loans* unsecured	108,000	-
	Bank loans* unsecured (NZ\$20.0 million)	15,357	-
		123,357	-
	Less directly attributable borrowing costs	(616)	-
	Net bank loans	122,741	-
	<b>TOTAL NON-CURRENT</b>	<b>122,855</b>	<b>6</b>

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

(a) *Fair values*

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

(b) *Defaults and breaches*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

		CONSOLIDATED	
		2012 \$'000	2011 \$'000

## 11 OPERATING SEGMENTS

### Identification of reportable segments

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

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

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

### Types of products and services

#### *Retail*

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

#### *Investment*

The investments segment represents investment in securities for both long term and short term gains and dividend income and interest. This includes available for sale financial instruments.

### Accounting policies

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

#### *Income tax expense*

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

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

The following table presents revenue and profit information for reportable segments for the period ended 28 July 2012 and 30 July 2011.

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

**11 OPERATING SEGMENTS (CONTINUED)**

(a) *OPERATING SEGMENTS*

	RETAIL		INVESTMENT		ELIMINATION		TOTAL	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>REVENUE</i>								
Sale of goods	837,195	875,610	-	-	-	-	837,195	875,610
Interest revenue	506	578	16,259	16,736	-	-	16,765	17,314
Other revenue	481	427	43,533	51,819	(37,000)	(46,968)	7,014	5,278
Other income	5,496	7,813	4,516	-	-	-	10,012	7,813
Total Segment revenue	843,678	884,428	64,308	68,555	(37,000)	(46,968)	870,986	906,015
Total revenue per the statement of comprehensive income							870,986	906,015
<i>RESULTS</i>								
Depreciation and amortisation	17,328	21,169	-	-	-	-	17,328	21,169
Impairment	-	564	-	-	-	-	-	564
Interest expense	10,194	9,614	-	-	-	-	10,194	9,614
Share of profit (loss) of associate	(101)	1,178	-	-	-	-	(101)	1,178
Segment result	69,988	39,796	59,779	64,748	(37,000)	(46,968)	92,767	57,576
Income tax expense							(24,519)	(17,059)
Net profit after tax per the statement of comprehensive income							68,248	40,517
<i>ASSETS AND LIABILITIES</i>								
Segment assets	314,476	334,117	1,232,107	1,178,923	(47,027)	(51,072)	1,499,556	1,461,968
Segment liabilities	206,284	248,417	45,952	26,783	(2,486)	(6,970)	249,750	268,230
Capital expenditure	13,986	18,975	-	-	-	-	13,986	18,975

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

### 11 OPERATING SEGMENT (CONTINUED)

#### (b) GEOGRAPHIC SEGMENTS

	AUSTRALIA		NEW ZEALAND		SINGAPORE		TOTAL		ELIMINATIONS		CONSOLIDATED	
	2012 \$'000	2011 \$'000										
<i>REVENUE</i>												
Sale of goods	727,385	766,432	103,284	109,178	6,526	-	837,195	875,610	-	-	837,195	875,610
Other revenue and income	32,355	28,374	1,436	2,031	-	-	33,791	30,405	-	-	33,791	30,405
Segment income	759,740	794,806	104,720	111,209	6,526	-	870,986	906,015	-	-	870,986	906,015
Segment non-current assets	1,174,145	1,078,511	10,743	11,009	2,721	-	1,187,609	1,089,520	(84,783)	(21,794)	1,102,826	1,067,726
Capital expenditure	11,522	17,922	753	1,053	1,711	-	13,986	18,975	-	-	13,986	18,975

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

		CONSOLIDATED	
	NOTES	2012 \$'000	2011 \$'000
<b>12</b>	<b>NOTES TO THE STATEMENT OF CASH FLOWS</b>		
(a)	<i>RECONCILIATION OF CASH AND CASH EQUIVALENTS</i>		
	Cash at bank and in hand	70,072	31,802
	Short-term deposits	224,096	276,006
	<b>TOTAL CASH ASSETS AND CASH EQUIVALENTS</b>	<b>294,168</b>	<b>307,808</b>
(b)	<i>RECONCILIATION OF NET CASH FLOWS FROM OPERATIONS TO NET PROFIT AFTER INCOME TAX</i>		
	Net profit	68,248	40,517
	<i>Adjustments for:</i>		
	Net gain on financial instruments	(4,516)	-
	Amortisation	119	183
	Depreciation	17,209	20,986
	Impairment and write-off of non-current assets	-	2,991
	Loss on sale of available-for-sale investments	24	-
	Foreign exchange loss	630	746
	Share of associate's net loss (profit)	101	(1,178)
	Finance charges on capitalised leases	39	48
	Borrowing costs	422	350
	Loss on sale of property, plant and equipment	289	1,120
	Bad debts	3	21
	Performance rights expense	652	588
	Movement in cash flow hedge reserve	13,454	(15,181)
	Net exchange differences	241	(496)
	<i>Changes in assets and liabilities net of the effects from acquisition and disposal of businesses:</i>		
	Decrease in income tax receivable	416	1,218
	(Decrease) increase in provisions	(5,393)	9,974
	Decrease (increase) in deferred tax liabilities	(2,906)	113
	Decrease in trade and other payables	(359)	(4,629)
	(Decrease) increase in other financial liabilities	(13,164)	14,689
	Decrease in deferred income	(4,193)	(2,919)
	(Increase) decrease in trade and other receivables	(1,154)	2,466
	(Increase) decrease in other current assets	(1,152)	410
	Decrease (increase) in inventories	2,307	(1,660)
	(Increase) decrease in other financial assets	(253)	1,525
	Decrease (increase) in deferred tax assets	7,650	(843)
	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>78,714</b>	<b>71,039</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 JULY 2012 AND 30 JULY 2011 (CONTINUED)

### 12 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

		CONSOLIDATED	
		2012 \$'000	2011 \$'000
(c)	<i>FINANCE FACILITIES</i>		
	Working capital and bank overdraft facility		
	Used	-	-
	Unused	12,000	12,000
		12,000	12,000
	Finance facility		
	Used	123,357	133,979
	Unused	16,643	4,021
		140,000	138,000
	Bank guarantee facility		
	Used	1,103	1,186
	Unused	897	3,814
		2,000	5,000
	Interchangeable facility		
	Used	5,504	-
	Unused	2,496	-
		8,000	-
	Leasing facility		
	Used	250	104
	Unused	-	-
		250	104
	Total facilities		
	Used	130,214	135,269
	Unused	32,036	19,835
	<b>TOTAL</b>	<b>162,250</b>	<b>155,104</b>

### 13 EVENTS AFTER THE REPORTING DATE

On 20 September 2012, the directors of Premier Investments Limited declared a final dividend in respect of the 2012 financial year. The total amount of the dividend is \$27,947,000 (2011: \$27,911,000 which represents a fully franked dividend of 18 cents per share (2011: 18 cents per share).

### 14 CONTINGENT LIABILITIES

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

The Group has bank guarantees totalling \$7,176,090 (2011: \$1,348,943).