PREMIER INVESTMENTS LIMITED

A.C.N. 006 727 966

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Chairman's Report

The Directors have pleasure in submitting to shareholders the company's Annual Report for the year ended 30 June 2007.

The 2007 year has been an historic one for the company with the timely sale of its long held substantial shareholding in Coles Group Limited.

This sale realised a net surplus of $791 million before tax.

Notwithstanding this excellent result, it is nevertheless sad to record the decline and demise of Coles Group since 2002 and the unprecedented situation of a major corporate which has been part of Australian life for nearly 100 years, forced to offer itself for sale to escape the ravages of disastrous Board and management decisions.

Premier Investments' remaining assets are cash, final settlement of the Coles sales and a 21.5% shareholding in Housewares International Limited, which although much smaller than Coles, is a valuable stake in a sound and well established trading business.

The Directors have resolved that the final dividend be maintained at 9 cents per share (2006: 9 cents per share).

This results in a total dividend for 2007 of 18 cents per share (2006: 14.5 cents per share), a 24 % increase in the full year dividend.

Premier Investments Limited is clearly in a very strong position. The Board is giving consideration to all options in relation to the future of the company and will communicate its views to shareholders in due course.

Ron Brierley
Chairman

Directors' Report

The Board of Directors of Premier Investments Limited (A.C.N. 006 727 966) has pleasure in submitting its report in respect of the financial year ended 30 June 2007.

Directors

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

Sir Ron Brierley *Chairman and Non-Executive Director*

Sir Ron Brierley founded Brierley Investments Ltd in 1961 and as chairman implemented his investment approach successfully over the next 30 years, retiring as a director of that company on 30 March 2001. He is Chairman of Guinness Peat Group plc. On the 9th of October 2006, Sir Ron Brierley resigned as director of Alinta LGA limited (formerly known as The Australian Gas Light Company). During the past three years, Sir Ron Brierley has also served as a director of the following other listed companies:

- Alinta LGA limited
- Tooth & Co Ltd*

*Denotes current directorship

Lindsay E. Fox A.O. *Non-Executive Director*

Mr Fox has extensive experience in all aspects of the transport, distribution and warehousing industry. He is the founder of the Linfox Group of Companies. He is a previous Chairman of NETTFORCE.

Frank W. Jones *FCA, CPA, ACIS, Non-Executive Director*

Mr Jones is a Chartered Accountant who has had extensive experience as a tax, financial and general advisor to some of Australia's leading manufacturing, retailing and shopping centre development companies. He is Chairman of the Audit Committee, and served as Chairman of the company from 30 June 1999 until 29 August 2002.

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

Mr. McLeod is an advisor to the Century Plaza Group of Companies, and a Director of related entities including Century Plaza Trading Pty Ltd, Australian Retail Investments Pty Ltd and International Brand Management Pty Ltd. Between 1996 and 2002 he was Non-Executive Director of Zurich Scudder (formerly Scudder, Stevens and Clark Australia Limited), a fund manager with $8 billion of funds under management. He has extensive experience as an advisor to a range of companies and government. He holds a Bachelor of Arts (First Class Honours and University Medal) from UNSW.

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

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

- Canberra Investment Corporation Limited*
- Capral Aluminium Limited*
- Ariadne Australia Limited*
- Tower Limited*
- Australian Wealth Management Limited
- Tag Pacific Limited*
- Westfield Holdings Limited*
- Tower Australia Group Limited*

*Denotes current directorship

Company Secretary

Kim F. Davis *B. Com, C.A.*

Mr. Davis has been the Company Secretary and Financial Controller of Premier Investments Limited for 13 years. Prior to holding this position, Mr Davis had 14 years experience within the accounting industry as a tax and financial advisor.

Principal Activities

The principal activities of the consolidated entity during the financial year comprised of investments in listed securities and money market deposits.

At the date of this Report, the consolidated entity holds:

(i) 26.9 million (21.5%) shares in Housewares International Limited.

Group Results

The consolidated profit of the consolidated entity for the financial year was $646,091,000 (2006: $13,452,000) after income tax.

Dividends

	Cents	$'000
Final dividend recommended	9.0	8,116
Dividends paid in the year		
Interim for the year	9.0	8,116
Final for 2006 shown as recommended in the 2006 report	9.0	8,116

Review and Results of Operations

The consolidated entity has experienced record earnings for the financial year with a profit from ordinary activities after income tax of $646,091,000 (2006: $13,452,000). This significant increase was mainly due to the disposal of our entire investment holdings in Coles Group Limited. The 69.5 million shares were sold for $16.47 per share. As a result, the earnings per share increased from 14.92 cents to 716.39 cents.

In addition, Shareholders return on equity increased due to further capital appreciation of $30,574,000 after tax in the net value of the company's remaining investment portfolio.

The directors have declared a final fully franked dividend for the financial year of 9 cents per share, which results in a total fully franked dividend for the financial year of 18 cents per share.

Shareholder Return:
The consolidated entity is pleased to report that return to shareholders, both through dividends and capital growth, reflects the initiatives put in place by management.

	2007	2006	2005	2004
Basic earning per share (cents)	716.39	14.92	10.64	5.60
Dividends paid per share (cents)	18	14.5	10.5	5.5
Return on equity (%)	78.41	2.51	2.05	1.16
Net debt/equity ratio (%)	54.23	60.88	53.38	57.70

Significant Changes in the State of Affairs

In April 2007, the consolidated entity disposed of its investment in the Coles Group Limited. Proceeds from the sale amounted to $1,144,665,000. These proceeds have been placed on deposit and the consolidated entity continues to hold 21.5% investment in Housewares International Limited.

Significant Events After The Balance Date

On the 31st July, the consolidated entity repaid their commercial bills facility of $250 million that was originally due for repayment in July 2009. The liability has been disclosed as a current liability in the financial report.

Likely Developments and Expected Results

Disclosure of information as to likely developments in operations of the consolidated entity and expected results of those operations, other than those discussed in the Chairman's Report, would be prejudicial to the interests of the consolidated entity. Accordingly, such information has not been included in this Report.

Environmental Regulation and Performance

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

Share Options

No company in the consolidated entity has granted any options to have shares issued to any person in any company in the consolidated entity during the financial year or to the date of this Report.

Remuneration Report

This report outlines the remuneration arrangements in place for directors and executives of Premier Investments Limited.

Remuneration philosophy

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

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 19 November 1999 when shareholders approved an aggregate remuneration of $200,000 per year.

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

Senior Manager and Executive Director remuneration

Objective

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

Presently, the senior manager's remuneration consists of fixed remuneration.

Details of the nature and amount of each element of emolument for each director of the company and the executive officer of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

	Base Fee	*Superannuation*	*Cash Bonus*	*Total*
Directors				
R. Brierley	25,000	-		25,000
L. E. Fox	10,000	900		10,900
F. W. Jones	10,000	-		10,000
M.R.I McLeod	10,000	900		10,900
Dr. G. H. Weiss	10,000	900		10,900
Executive				
K. Davis	218,611	12,686	500,000	731,297

Indemnification and Insurance of Directors and Officers

The directors and officers of the Company are indemnified by the Company against losses or liabilities which that they may sustain or incur as an officer of the Company, in the proper performance of their duties.

The total amount of insurance premium paid was $33,960.

Directors' Interests

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

L.E. Fox	5,434,000 ordinary shares
F.W. Jones	155,000 ordinary shares

Directors' Meetings

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

Director	Directors' Meetings	
	Attended	Maximum Possible Attended
Sir Ron Brierley	3	3
Mr. L.E. Fox	3	3
Mr. F.W. Jones	3	3
Mr M.R.I. McLeod	3	3
Dr. G.H. Weiss	3	3

Audit Committee

Premier Investments Limited has an audit committee of which F. W. Jones, Dr G. H. Weiss and L. E. Fox are members. The committee met twice during the financial year, and all members attended the meeting.

Rounding

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

Auditor Independence and Non-Audit Services

The directors received the following declaration from the auditor of Premier Investments Limited.

Signed in accordance with a resolution of the directors.

Ron Brierley
Chairman
Sydney, 26th September 2007

ERNST & YOUNG

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

In relation to our audit of the financial report of Premier Investments Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

J Lonergan

Joanne D. Lonergan
Partner
26 September 2007

PREMIER INVESTMENTS LIMITED

A.C.N. 006 727 966

Financial Statements

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Continuing operations					
Dividends		**30,132**	28,865	**30,132**	28,865
Finance revenue	3(a)	**20,456**	1,453	**16,651**	806
Net gain on disposal of investments		**791,061**	-	**791,061**	-
Other income	3(a)	**3,047**	-	**-**	-
Revenue		**844,696**	30,318	**837,844**	29,671
Finance costs	3(b)	**(16,630)**	(15,979)	**(9,778)**	(15,332)
Other expenses		**(1,999)**	(887)	**(1,999)**	(887)
Profit before income tax		**826,067**	13,452	**826,067**	13,452
Income tax expense	4	**(179,976)**	-	**(179,976)**	-
Profit from continuing operations after income tax		**646,091**	13,452	**646,091**	13,452
Net profit for the period		**646,091**	13,452	**646,091**	13,452
Profit attributable to members of the parent		**646,091**	13,452	**646,091**	13,452
Earnings per share (cents per share)	25				
-basic for profit for the year		**716.39**	14.92		
-basic for profit from continuing operations		**716.39**	14.92		

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

BALANCE SHEET AS AT 30 JUNE 2007

	Note	Consolidated		Parent	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	20(a)	**1,174,951**	31,588	**915,126**	13,707
Trade and other receivables	6	**13,103**	165	**10,348**	81
Prepayments		**1,837**	1,733	**45**	20
Derivatives		**-**	2,824	**-**	-
Total Current Assets		**1,189,891**	36,310	**925,519**	13,808
Non-Current Assets					
Investments	7	**80,898**	826,864	**143,867**	889,833
Property, plant and equipment	8	**-**	-	**-**	-
Total Non-Current Assets		**80,898**	826,864	**143,867**	889,833
TOTAL ASSETS		**1,270,789**	863,174	**1,069,386**	903,641
LIABILITIES					
Current Liabilities					
Trade and other payables	9	**541**	28	**1,368**	28
Interest–bearing loans and borrowings	10	**250,000**	10	**-**	10
Income tax payable		**176,241**	-	**176,241**	-
Provisions	11	**97**	48	**97**	48
Total Current Liabilities		**426,879**	86	**177,706**	86
Non-Current Liabilities					
Interest-bearing loans and borrowings	12	**-**	250,000	**48,597**	293,291
Deferred tax liabilities	4	**19,959**	76,550	**19,132**	76,550
Total Non-Current Liabilities		**19,959**	326,550	**67,729**	369,841
TOTAL LIABILITIES		**446,838**	326,636	**245,435**	369,927
NET ASSETS		**823,951**	536,538	**823,951**	533,714
EQUITY					
Contributed equity	13	**205,149**	205,149	**205,149**	205,149
Reserves	14	**38,762**	381,208	**38,298**	377,920
Retained earnings (Accumulated losses)	15	**580,040**	(49,819)	**580,504**	(49,355)
TOTAL EQUITY		**823,951**	536,538	**823,951**	533,714

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

CONSOLIDATED	Contibuted equity $'000	Reserves $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2005	**205,149**	**275,401**	**(51,547)**	**429,003**
Net gains on investments	-	140,099	-	140,099
Net deferred income tax on investments	-	(37,116)	-	(37,116)
Net gains on cash flow hedges	-	2,824	-	2,824
Total income and expense recognised directly in equity	205,149	381,208	(51,547)	534,810
Profit for the period	-	-	13,452	13,452
Total income/expense	205,149	381,208	(38,095)	548,262
Equity dividends	-	-	(11,724)	(11,724)
At 30 June 2006	**205,149**	**381,208**	**(49,819)**	**536,538**
At 1 July 2006	**205,149**	**381,208**	**(49,819)**	**536,538**
Net gains on investments	-	43,553	-	43,553
Net deferred income tax on investments	-	(12,979)	-	(12,979)
Transferred to income statement upon sale of investments (net of income tax)	-	(373,020)	-	(373,020)
Total income and expense recognised directly in equity	205,149	38,762	(49,819)	194,092
Profit for the period	-	-	646,091	646,091
Total income/expense	205,149	38,762	596,272	840,183
Equity dividends	-	-	(16,232)	(16,232)
At 30 June 2007	**205,149**	**38,762**	**580,040**	**823,951**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2007

PARENT	Contibuted equity $'000	Reserves $'000	Retained earnings $'000	Total Equity $'000
At 1 July 2005	**205,149**	**274,937**	**(51,083)**	**429,003**
Net gains on investments	-	140,099	-	140,099
Net deferred income tax on investments	-	(37,116)	-	(37,116)
Total income and expense recognised directly in equity	205,149	377,920	(51,083)	531,986
Profit for the period	-	-	13,452	13,452
Total income/expense	205,149	377,920	(37,631)	545,438
Equity dividends	-	-	(11,724)	(11,724)
At 30 June 2006	**205,149**	**377,920**	**(49,355)**	**533,714**
At 1 July 2006	**205,149**	**377,920**	**(49,355)**	**533,714**
Net gains on investments	-	43,553	-	43,553
Net deferred income tax on investments	-	(12,979)	-	(12,979)
Transferred to income statement upon sale of investments (net of income tax)	-	(370,196)	-	(370,196)
Total income and expense recognised directly in equity	205,149	38,298	(49,355)	194,092
Profit for the period	-	-	646,091	646,091
Total income/expense	205,149	38,298	596,736	840,183
Equity dividends	-	-	(16,232)	(16,232)
At 30 June 2007	**205,149**	**38,298**	**580,504**	**823,951**

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

	Note	Consolidated		Parent	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Cash flows from operating activities					
Receipts from customers		**-**	-	**-**	-
Payments to suppliers and employees		**(2,003)**	(872)	**(2,003)**	(872)
Dividends received		**30,132**	28,865	**30,132**	28,865
Interest received		**8,058**	1,424	**6,925**	792
Interest paid		**(16,709)**	(16,318)	**(9,778)**	(15,332)
Net cash flows from operating activities	20(c)	**19,478**	13,099	**25,276**	13,453
Cash flows from investing activities					
Proceeds from the disposal of investments		**1,137,080**	-	**1,137,080**	-
Proceeds from the termination of derivatives		3,047	-	-	-
Net cash flows from investing activities		**1,140,127**	-	**1,137,080**	-
Cash flows from financing activities					
Equity dividends paid		**(16,232)**	(11,724)	**(16,232)**	(11,724)
Repayment of borrowings		**-**	-	**(244,695)**	(2,912)
Net cash flow used in financing activities		**(16,232)**	(11,724)	**(260,927)**	(14,636)
Net increase (decrease) in cash and cash equivalents		**1,143,373**	1,375	**901,429**	(1,183)
Cash and cash equivalents at beginning of period		**31,578**	30,203	**13,697**	14,880
Cash and cash equivalents at end of period	20(a)	**1,174,951**	31,578	**915,126**	13,697

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

1. Corporate Information

The financial report of Premier Investments Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 26 September 2007.

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

The nature of the operations and principal activities of the Group are described in note 19.

2. Statement of Significant Accounting Policies

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, and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale investments, which have been measured at fair value. The financial report is reported in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) under the option available to the company under class order ASIC class order 98/0100.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial report, comprising the consolidated financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

Except for the amendments to AASB 101 Presentation of Financial Statements and AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments, which the Group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007. These are outlined in the table below.

Reference	Title	Summary	Impact	Application date of standard*	Application date for Group*
AASB 2005-10 7	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038] AASB 7 *Financial Instruments: Disclosures*	Amending standard issued as a consequence of AASB 7 *Financial Instruments: Disclosures*. AASB 7 is new standard replacing disclosure requirements of AASB 130 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions* and AASB 132 *Financial Instruments: Disclosure and Presentation.*	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 January 2007	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 AASB 2 *Group and Treasury Share Transactions.*	This is consistent with the Group's existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group's report	1 March 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

2. Statement of Significant Accounting Policies (continued)

Statement of Compliance (continued)

Reference	Title	Summary	Impact	Application date of standard*	Application date for Group*
AASB 2007-3 8	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 117, AASB 134, AASB 136, AASB 1023 & AASB 1038] AASB 8 *Operating Segments*	Amending standard issued as a consequence of AASB 8 *Operating Segments*. AASB 8 is a new standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting.	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments may have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 *Segment Reporting*.	1 January 2009	1 July 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRS should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 July 2007	1 July 2007
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs*	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 January 2009	1 July 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors discrepancies and inconsistencies.	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 July 2007	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

2. Statement of Significant Accounting Policies (continued)

Basis of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Premier Investments Limited (the parent entity) and all entities that Premier Investments Limited controlled from time to time during the year and at reporting date.

All inter-company balances and transactions have been eliminated in full. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

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

Derivative Asset

During the financial year Premier Investments Limited disposed of its investment in Coles Group Limited. The profit on disposal of this investment before income tax was $791,061,000. Under the terms of the share sale agreement Premier has been granted a call option to repurchase the Coles shares under certain circumstances. The Directors have considered the accounting treatment of this option and determined that in accordance with AASB 139 Financial Instruments: Recognition and Measurement it is required to be recognised as a derivative asset. However after considering various valuation methodologies including the use of external valuation experts, the Directors have determined that the value of the option to the financial results at 30 June 2007 is not material.

Investments/Other Financial Assets

All investments are initially recognised at cost, being fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition investments, are measured at fair value using the last bid price at balance date.

Gains or losses on investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Property, Plant and Equipment

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

Plant and equipment are depreciated over their economic lives over 3 to 5 years on a straight line basis. Additions and disposals are depreciated for the period held in the year of acquisition or disposal.

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 substantively enacted by the balance sheet date.

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

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

- except where 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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where 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.

2. Statement of Significant Accounting Policies (continued)

Income Tax (Continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset and liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit not taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statements.

Trade and Other Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at 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.

Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings 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.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue Recognition

Revenue is recognised to the extent that 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:

Interest

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

Dividends

The right to receive the dividend payment when the dividend has been paid by the investee.

2. Statement of Significant Accounting Policies (continued)

Derivative Financial Instruments
Premier Investments Limited enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges, which meet the conditions for special hedge accounting, any gain and loss from remeasuring the hedging instrument at fair value is recognised immediately in the income statement.

In relation to cash flow hedges to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement.

When the hedged firm commitment results in the recognition of an asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

For all other cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same year in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

For derivatives that do not qualify for the hedge accounting, any gains and losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs.

If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Employee and Retirement Benefits
Charges have been made against profits for amounts expected to be paid to employees for accrued annual leave and long service leave. Amounts accrued which represent vested entitlements are shown as current liabilities. The non current portion of the long service leave provision is measured at the present value of estimated future cash flows discounted at an appropriate rate.

Employee contribution superannuation funds exist to provide benefits for the economic entity's employees and their dependents on retirement, disability or death. The contributions made to these funds are charged against profits.

Cash and Cash Equivalents
Cash and short-term deposits in the balance sheet comprise cash on hand and in banks and money market investments readily convertible to cash within two working days.

Earnings per Share
Basic earnings per share is calculated as net profit attributable to members of the parent divided by the weighed average number of ordinary shares, adjusted for any bonus element.

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
3. Revenues and expenses				
(a) Revenue				
Dividends	**30,132**	28,865	**30,132**	28,865
Finance revenue	**20,456**	1,453	**16,651**	806
Net gain on disposal of investments	**791,061**	-	**791,061**	-
Other income				
Net gain on termination of derivatives	**3,047**	-	-	-
	844,696	30,318	**837,844**	29,671
Breakdown of finance revenue:				
Bank interest revenue	**20,456**	1,453	**16,651**	806
	20,456	1,453	**16,651**	806
(b) Finance costs				
Bank interest expense				
- wholly owned group	-	-	**9,778**	15,332
- other entities	**16,463**	15,787	-	-
Amortisation of loan facility fees	**167**	192	-	-
	16,630	15,979	**9,778**	15,332

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000

4. Income Tax

The major components of income tax expense are:

Income Statement				
Current income tax				
Current income tax charge	**179,976**	-	**179,976**	-
	179,976	-	**179,976**	-
Statement of Changes in Equity				
Deferred income tax related to items charged or credited Directly to Equity				
Unrealised gain on available for sale investments	**12,979**	37,116	**12,979**	37,116
	12,979	37,116	**12,979**	37,116
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before tax from continuing operations	**826,067**	13,452	**826,067**	13,452
Accounting profit before income tax	**826,067**	13,452	**826,067**	13,452
At the Group's statutory income tax rate of 30% (2006: 30%)	**247,820**	4,036	**247,820**	4,036
Adjustments in respect of current income tax				
Rebateable dividends	**(12,914)**	(8,659)	**(12,914)**	(8,659)
Non-assessable items	**(54,930)**	-	**(54,930)**	-
Tax losses offset against potential capital gains tax	-	4,623	-	4,623
Aggregate Income tax expense	**179,976**	-	**179,976**	-
Recognised deferred tax assets and liabilites				
Deferred tax liabilities				
Potential capital gains tax on financial investments	**16,225**	76,550	**16,225**	76,550
Other debtors	**3,734**	-	**2,907**	-
	19,959	76,550	**19,132**	76,550

Tax consolidation

Effective 1 July 2003, for the purposes of income taxation, Premier Investments Limited and its 100% owned Australian resident subsidiaries have 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. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000

5. Dividends Paid and Proposed

a) Dividends paid during the year				
i) Current year interim Franked dividends (9 cents per share) (2006: 5.5 cents)	**8,116**	4,960	**8,116**	4,960
ii) Previous year final Franked dividend (9 cents per share) (2006: 7.5 cents)	**8,116**	6,764	**8,116**	6,764
b) Dividends proposed and not recognised as a liability Franked dividend (9 cents per share) (2006: 9 cents)	**8,116**	8,116	**8,116**	8,116
c) Franking credit balance The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the financial year at 30% (2006:30%)			**67,301**	61,345
- franking debits that will arise from the payment of dividends as at the end of the financial year			**(3,478)**	(3,478)
			63,823	57,867

6. Trade and Other Receivables

Other debtors	**13,103**	165	**10,348**	81
Total trade and other receivables, net	**13,103**	165	**10,348**	81

7. Investments

Shares in companies quoted on prescribed stock exchange at current market selling value	**80,898**	826,864	**80,898**	826,864
Shares in controlled entities - at cost (Note 21)	**-**	-	**62,969**	62,969
Total investments	**80,898**	826,864	**143,867**	889,833

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

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

8. Property, Plant & Equipment

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Plant & equipment - at cost	**4**	4	**4**	4
Accumulated depreciation	**(4)**	(4)	**(4)**	(4)
Total property, plant & equipment, net	-	-	-	-

9. Trade and Other Payables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Trade payables	**541**	28	**1,368**	28
Total trade and other payables	**541**	28	**1,368**	28

Terms and conditions:
Creditors are non-interest bearing and are normally settled on 30 day terms.

10. Interest-bearing loans and borrowings (Current)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Bank Overdraft	-	10	-	10
Secured (a)				
Bills payable	**250,000**	-	-	-
Total current interest-bearing loans and borrowings	**250,000**	10	-	10

a) The bills payable are secured by a charge over 250 million dollars of cash on deposit. The bills payable are on a floating basis. The effective interest rate borrowings is at an average of 6.70%.

11. Provisions

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Employee entitlements	**97**	48	**97**	48
Total current other provisions	**97**	48	**97**	48
Employee entitlements				
The number of full-time equivalents employed as at 30 June are	**1**	1	**1**	1

12. Interest-bearing loans and borrowings (Non-Current)

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Secured				
Bills payable	-	250,000	-	-
Unsecured				
Non trade amounts owing to related parties – Wholly owned group	-	-	**48,597**	293,291
Total non-current interest-bearing loans and borrowings	-	250,000	**48,597**	293,291

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000

13.Contributed Equity

Issued and paid up capital				
Ordinary shares fully paid	**205,149**	205,149	**205,149**	205,149
	No.	No.	**No.**	No.
Movements in issued shares for the year:				
On issue at start	**90,187**	90,187	**90,187**	90,187
Movements for the year	**-**	-	**-**	-
On issue at end	**90,187**	90,187	**90,187**	90,187

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the Parent does not have authorised capital nor par value in respect of its issued shares.

14. Reserves

Reserves comprise:				
Asset revaluation	**38,298**	377,920	**38,298**	377,920
Capital profits	**464**	464	**-**	-
Cash flow hedge	**-**	2,824	**-**	-
Total reserves	**38,762**	381,208	**38,298**	377,920

Capital profit

i) Nature and purpose of reserve
The capital profits reserve is used to accumulate realised capital profits.

Asset revaluation

i) Nature and purpose of reserve
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.

ii) Movements in reserve

Opening balance	**377,920**	274,937	**377,920**	274,937
Increment on revaluation of financial investments	**43,553**	140,099	**43,553**	140,099
Transferred to income statement upon sale of investments	**(370,196)**	-	**(370,196)**	-
Net deferred income tax on investments	**(12,979)**	(37,116)	**(12,979)**	(37,116)
Closing balance	**38,298**	377,920	**38,298**	377,920

Cash flow hedge

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

ii) Movements in reserve

Opening balance	**2,824**	-	**-**	-
Transferred to income statement upon termination of derivatives	**(2,824)**	2,824	**-**	-
Closing balance	**-**	2,824	**-**	-

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
15. Retained Earnings (Accumulated Losses)				
Balance at 1 July	**(49,819)**	(51,547)	**(49,355)**	(51,083)
Net profit for the year	**646,091**	13,452	**646,091**	13,452
Dividends	**(16,232)**	(11,724)	**(16,232)**	(11,724)
Balance at 30 June	**580,040**	(49,819)	**580,504**	(49,355)
16. Remuneration of Auditors	**$**	$	**$**	$
The auditor of Premier Investments Limited is Ernst and Young. Amounts received, or due and receivable, by Ernst and Young for:				
- An Audit or review of the financial report of the entity and any other entity in the consolidated entity	**21,320**	27,800	**21,320**	27,800
- Other services in relation to the entity and any other entity in the consolidated entity.	-	-	-	-

17. Directors and Executive Disclosures

a) Details of Key Management Personnel

i) Directors

Sir R. Brierley	Chairman (non-executive)
L.E. Fox	Director (non-executive)
F.W. Jones	Director (non-executive)
M.R.I. McLeod	Director (non-executive)
Dr. G.H. Weiss	Director (non-executive)

ii) Executive

K.F. Davis	Company Secretary and Chief Financial Officer

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

b) Compensation of Key Management Personnel

Compensation Policy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

Compensation Structure

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

i) Non-executive Director Compensation

Objective

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

Structure

The Constitution and the ASX Listings Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting.

17. Directors and Executive Disclosures (continued)

An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 19 November 1999 when shareholders approved an aggregate compensation of $200,000 per year.

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

The compensation of non-executive directors for the period ending 30 June 2007 is detailed below.

ii) Executive Compensation

Objective

The company aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the company.

Structure

Presently, the senior manager's compensation consists of fixed compensation. In addition, during the financial year a cash bonus was paid. This was related to the successful completion of the sale of shares in Coles Group Limited. Bonuses are payable at the discretion of the Board of Directors.

		Salary/Fee	Superannuation	Cash Bonus	Total
		$	$	$	
Directors					
Sir R. Brierley:	**2007**	**25,000**	**-**	**-**	**25,000**
	2006	25,000	-	-	25,000
L.E. Fox:	**2007**	**10,000**	**900**	**-**	**10,900**
	2006	10,000	900	-	10,900
F.W. Jones:	**2007**	**10,000**	**-**	**-**	**10,000**
	2006	10,000	-	-	10,000
M.R.I. McLeod:	**2007**	**10,000**	**900**	**-**	**10,900**
	2006	10,000	900	-	10,900
Dr. G.H. Weiss:	**2007**	**10,000**	**900**	**-**	**10,900**
	2006	10,000	900	-	10,900
Total Remuneration:	**2007**	65,000	2,700	-	67,700
	2006	65,000	2,700	-	67,700
Executive					
K.F. Davis:	**2007**	**218,611**	**12,686**	**500,000**	**731,297**
	2006	198,415	12,139	-	210,554

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
18. Contingent Liabilities				
Details and estimates of maximum amounts of contingent liabilities are as follows:				
Joint and several guarantees and cross deed of covenant in favour of bankers and financiers to secure loans, advances and other banking accommodation granted to controlled entities.	**-**	-	**250,000**	250,000

19. Segment Information

The consolidated entity derives its revenue from one segment, being the investment in securities for both long term and short term gains and dividend income and interest. The consolidated entity operates within Australia.

20. Notes to the Statement of Cash Flows

a) For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Cash at bank	**282**	-	**282**	-
Short term deposits	**1,174,669**	31,588	**914,844**	13,707
Bank Overdraft	**-**	(10)	**-**	(10)
	1,174,951	31,578	**915,126**	13,697

b) Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the group, and earn interest at the respective short term deposit rates. At year end the average rate was 6.28% (2006: 5.70%).

c) Reconciliation of net cash flow from operations to net profit after income tax:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Net profit after income tax	**646,091**	13,452	**646,091**	13,452
Adjustments for:				
Net profit on disposal of investments	**(791,061)**	-	**(791,061)**	-
Net profit on termination of derivatives	**(3,047)**	-	**-**	-
Changes in assets and liabilities:				
Increase in prepayments	**(104)**	(339)	**(25)**	(1)
Increase in receivables	**(12,938)**	(29)	**(10,266)**	(13)
Increase in creditors	**513**	15	**513**	15
Increase in current tax liability	**176,241**	-	**176,241**	-
Increase in provisions	**49**	-	**49**	-
Increase in deferred tax liability	**3,734**	-	**3,734**	-
Net cash flow from operating activities	**19,478**	13,099	**25,276**	13,453

20. Notes to the Statement of Cash Flows (continued)

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
d) Financing arrangements				
The economic entity has access to the following financing facility which expires in July 2009;				
Total Facility	**250,000**	250,000	-	-
Facilities used at reporting date	**(250,000)**	(250,000)	-	-
Facilities unused at reporting date	**-**	-	-	-
e) Assets pledged as security				
The carrying amounts of assets pledged as security for the current and non current interest bearing liabilities are:				
Current				
Floating charge				
Cash and cash equivalents	**250,000**	-	-	-
Total current assets pledged as security	**250,000**	-	-	-
Non Current				
Floating charge				
Investments	**-**	250,000	-	-
Total non current assets pledged as security	**-**	250,000	-	-
Total assets pledged as security	**250,000**	250,000	-	-

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000

21. Controlled Entities

The consolidated financial statements at 30 June 2007 include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity. All controlled entities are incorporated within Australia.

		2007 % Holding	2006 % Holding
Kimtara Investments Pty. Ltd.	(b)	**100**	100
Premfin Pty. Ltd.	(b)	**100**	100
Springdeep Investments Pty. Ltd.	(b)	**100**	100
Prempref Pty. Ltd.	(b)	**100**	100

a) All entities carry on business in their place of incorporation.

b) Not required to produce audited accounts, as small proprietary companies as defined by Corporations Act 2001.

22. Significant Investments

Premier Investments Limited holds 21.5% of Housewares International Limited. Management have performed a review of this investment, in light of the requirements of AASB 128, concluding that Premier Investments Limited does not hold significant influence over Housewares International Limited. Accordingly the investment in Housewares International Limited has not been equity accounted.

23. Related Party Disclosures

a) Ultimate parent.

Premier Investments Limited is the ultimate parent company.

b) Wholly-owned group transactions.

In addition to those transactions disclosed in Note 3, the parent entity entered into the following transactions during the year with related parties in the wholly owned group:

i) Loan borrowings were made; and

ii) Loan borrowings were repaid.

These transactions were undertaken on normal commercial terms and conditions, with the exception that no interest has been charged on certain borrowings and no fixed date for repayment has been set.

Amounts due to and receivable from related parties in the wholly owned group are appropriately disclosed in the respective notes to the financial statements.

c) Other related party transactions.

Amounts due to and receivable from other related parties are appropriately disclosed in the respective notes to the financial statements.

24. Events After the Balance Sheet Date

On the 31st July, 2007 the Group repaid its interest earning facility of $250,000,000. This repayment was made from cash resources held by the Group.

	Consolidated	
	2007 **$'000**	2006 $'000
25 Earnings Per Share		
The following reflects the income and share data used in the calculation of basic earnings per share:		
Net Profit	**646,091**	13,452
Adjustments	**-**	-
Earnings used in calculating basic earnings per share	**646,091**	13,452
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share. There are no potential ordinary shares outstanding which are considered dilutive.		90,187,462

26. Financial Instruments

a) Objectives for holding derivative financial instruments.

The consolidated entity raises short and long term debt at both fixed and floating rates. The entity has a policy of controlling interest rate fluctuations by the use of interest rate swaps. These swaps are in accordance with the objective of hedging a portion of the interest rate risk in respect of its financing facilities.

b) Interest rate risk exposures.

The economic entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date:

Fixed interest rate maturing in

2007	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 5 years $'000**	**More than 5 years $'000**	**Non Interest bearing $'000**	**Total $'000**	**Average Interest rate Floating**	**Average Interest rate Fixed**
Financial assets								
Cash	1,174,951	-	-	-	-	1,174,951	6.28%	-
Other debtors	-	-	-	-	13,103	13,103	-	-
Investments	-	-	-	-	80,898	80,898	-	-
	1,174,951	-	-	-	94,001	1,268,952		
Financial liabilities								
Trade payables	-	-	-	-	541	541	-	-
Bank loans	250,000	-	-	-	-	250,000	6.70%	-
	250,000	-	-	-	541	250,541		

26. Financial Instruments (continued)

b) Interest rate risk exposures (continued).

The economic entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date:

2006	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000	Average Interest rate Floating	Average Interest rate Fixed
Financial assets								
Cash	31,588	-	-	-	-	31,588	5.70%	-
Other debtors	-	-	-	-	165	165	-	-
Investments	-	-	-	-	826,864	826,864	-	-
	31,588	-	-	-	827,029	858,617		
Financial liabilities								
Trade payables	-	-	-	-	28	28	-	-
Bank loans	250,010	-	-	-	-	250,010	6.26%	-
Interest rate swaps	(200,000)	200,000	-	-	-	-	-	-
	50,010	200,000	-	-	28	250,038		

i) Floating interest rates represent the more recently determined rate applicable to the instrument at balance date.

ii) The effective interest rate on bank loans incorporates the effect of interest rate swaps.

iii) Sundry debtors and other receivables are non interest bearing and have repayment terms between 30 and 90 days.

iv) Trade payables are non- interest bearing and are normally settled on 30 day terms.

c) Credit Risk Exposures.

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

d) Net fair value of financial assets and liabilities.

The carrying amounts and estimated net fair values of financial assets and financial liabilities held at balance date are given below. The net fair value of a financial asset or a financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

	2007		2006	
	Carrying amount $'000	**Net Fair amount $'000**	Carrying amount $'000	Net Fair value $'000
Investments	**80,898**	**80,494**	826,864	822,317

The carrying amounts shown in the table are included in the Balance Sheet under the indicated captions. The net fair values of listed investments are based on quoted market bid prices less estimated disposal costs. The directors have elected not to write these investments down to their fair values as the investments are held for long term purposes and therefore disposal costs are uncertain.

DIRECTORS' DECLARATION

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

a) The financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

   i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

   ii) complying with Accounting Standards and Corporation Regulation 2001.

b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due and payable.

The declaration has been made after receiving the declaration from the company secretary which is required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2007.

On behalf of the board.

Ron Brierley
Chairman

Sydney, 26th September 2007

ERNST & YOUNG

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Australia

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Independent auditor's report to members of Premier Investments Limited

We have audited the accompanying financial report of Premier Investments Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Premier Investments Limited (the company) and the consolidated entity, for the year ended 30 June 2007. The consolidated entity comprises both the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the consolidated/parent financial statements and notes, comply with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

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

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

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

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

Auditor's Opinion
In our opinion:

1. the financial report of Premier Investments Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Premier Investments Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report comprising the financial statements and notes thereto also complies with International Financial Reporting Standards as disclosed in Note 2.

Ernst & Young

Ernst & Young

JLonergan

Joanne D. Lonergan
Partner
Melbourne
26 September 2007

Corporate Governance Statement

The Board of Directors of Premier Investments Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the affairs of Premier Investments Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the ASX Corporate Governance Council's best practice recommendations. In accordance with the Council's recommendations, the Corporate Governance Statement must now contain specific information, and also report on the company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the company, together with the reasons why they have not been adopted. Premier Investments Limited's corporate governance principles and policies are therefore structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

1. Lay solid foundations for management and oversight
2. Structure of the board to add value
3. Promote ethical and responsible decision making
4. Safeguard integrity in financial reporting
5. Make timely and balanced disclosure
6. Respect the rights of shareholders
7. Recognise and manage risk
8. Encourage enhanced performance
9. Remunerate fairly and responsibly
10. Recognise the legitimate interests of shareholders.

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. No Director has submitted any information to the Company in respect of the Council's recommendation on independence.

Premier Investments Limited considers industry experience and specific expertise to be important attributes of its board members. The Board does not believe a majority or minority of independent directors compromises the effective function of the Board as each Director contributes individually in the decision making process.

Nomination Committee

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2007, Premier Investments Limited did not have a separately established nomination committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the board's own charter as being the responsibility of the full board. The board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Premier Investments Limited's corporate governance practices were in place throughout the year ended 30 June 2007. With the exception of the departures from the Corporate Governance Council recommendations, as detailed above, the corporate governance practices of Premier Investments Limited were compliant with the Council's best practice recommendations.

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 14 September 2006.

1. Distribution of Equity securities

Size of Holding			Number of Shareholders
1	to	1,000	99
1,001	to	5,000	119
5,001	to	10,000	36
10,001	to	100,000	50
100,001	and	over	27
Total Shareholders			331
Holders of less than a marketable parcel			1

2. Substantial Shareholders

The names of substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Ordinary Shares
Century Plaza Investments Pty. Ltd. and Associates	47,275,485
Guinness Peat Group Plc and its subsidiaries	14,375,344
Commonwealth Bank of Australia and its subsidiaries	6,251,166

3. Twenty Largest Shareholders

	Ordinary Shares	%
Century Plaza Investments Pty. Limited	46,600,485	51.67
GPG Australia Nominees Limited	14,496,881	16.07
Linfox Share Investment Pty. Limited	5,434,000	6.03
HSBC Custody Nominees (Australia) Limited	4,675,111	5.18
Merrill Lynch (Australia) Nominees Limited	4,200,000	4.66
JP Morgan Nominees Australia Limited	2,746,042	3.04
Congent Nominees Pty. Limited	1,849,998	2.05
Citicorp Nominees Pty. Limited (CFS WSLE 452 Aust Share A/c)	1,327,425	1.47
ANZ Nominees Limited	773,171	0.86
Djerriwarrh Investments Limited	658,590	0.73
Greissen Limited	635,000	0.70
Westfield Capital Corporation Limited	629,800	0.70
Australian Reward Investment Alliance	597,200	0.66
Playcorp Pty. Limited	500,000	0.55
Mr Con Zempilas	500,000	0.55
Quinambo Nominees Pty. Limited	346,900	0.38
National Nominees Limited	295,926	0.33
Briar Corporation Pty Ltd	250,000	0.28
Favermead Pty Ltd	250,000	0.28
UBS Nominees Pty Ltd	227,380	0.25
Total held by twenty largest shareholders	86,993,909	96.44

4. Voting Rights Attaching to the Ordinary Shares

Subject to any rights or restrictions on voting from time to time affecting any class of share every member present in person or by representative, proxy or attorney shall on a show of hands have one vote and on a poll every member present in person or by representative, proxy or attorney shall in respect of each fully paid share held by him and in respect of each partly paid share on which all calls which have become due and payable have been duly paid have one vote for that share, provided that in respect of partly paid shares issued other than on a pro-rata basis to members every member shall on a poll have such number of votes as bears the same proportion to the total of such shares registered in his name as the amount of the issue price thereof paid up bears to the total issue price thereof.

Corporate Directory

Directors
Sir Ronald A. Brierley (Chairman)
Lindsay E. Fox
Frank W. Jones
Dr. Gary H. Weiss
Michael R.I. McLeod

Secretary
Kim F. Davis

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

Accountants
Horwath Melbourne
"Rialto Towers"
Level 29, 525 Collins Street
Melbourne, Victoria

Auditors
Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000

Bankers
Australia and New Zealand
Banking Group Limited

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