



# PREMIER INVESTMENTS LIMITED

ABN 64 006 727 966

## Appendix 4E – Preliminary Final Report

The information is given under ASX Listing Rule 4.3A

### Reporting periods

Current Reporting Period: 28 July 2019 to 25 July 2020 (52 weeks)

Previous Corresponding Period: 29 July 2018 to 27 July 2019 (52 weeks)

### Results for announcement to the market

	2020 \$'000	2019 \$'000	% change
Revenue from Ordinary Activities	1,248,962	1,275,553	-2.08%
Profit from ordinary activities after tax attributable to members	137,753	106,807	+28.97%
Net profit for the period attributable to members	137,753	106,807	+28.97%
<b>Dividends</b>		<b>Amount per security</b>	<b>Franked amount per security</b>
Final Dividend		36.0 cents	36.0 cents
Interim Dividend		34.0 cents	34.0 cents
Record date for determining entitlements to the final dividend:		7 January 2021	
Brief explanation of the figures reported above to enable the figures to be understood:			
The information presented above is based upon the accompanying consolidated financial statements for the 52 weeks ended 25 July 2020. Refer to the attached consolidated financial statements and accompanying investor presentation for further information.			
The Group has adopted AASB 16 <i>Leases</i> for the 52 weeks ended 25 July 2020. As allowed under the Accounting Standard, prior comparative amounts have not been restated. Refer to Note 2 of the accompanying financial statement for further information on the impact of the adoption of AASB 16.			

## Dividends

Date the final dividend is payable	28 January 2021
Record date to determine entitlements to the final dividend	7 January 2021

### a) 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 period	36.0 cents	36.0 cents	Nil
Previous corresponding period	37.0 cents	37.0 cents	Nil

	Current Reporting Period	Previous Corresponding Period
<b>Total Dividend (interim plus final)</b>		
Ordinary securities	70.0 cents	70.0 cents

### b) Final dividend on all securities

	Current Reporting Period \$'000	Previous Corresponding Period \$'000
Ordinary securities	57,141	58,636
Preference securities	-	-
<b>Total</b>	<b>57,141</b>	<b>58,636</b>

### c) Dividend reinvestment plans in operation

The last date(s) for receipt of election notices for the dividend plans	Not Applicable
<b>Any other disclosures in relation to dividends:</b>	
The dividend reinvestment plan does not apply to the final dividend.	

## Net tangible assets

	Current Reporting Period	Previous Corresponding Period
Net tangible assets per ordinary security	\$3.28 <sup>1</sup>	\$3.30

## Associates and joint venture entities

Name of Associate Entity	Current Reporting Period		Previous Corresponding Period	
	Ownership Interest in Associate (%)	Share of Net Profit After Tax \$'000	Ownership Interest in Associate (%)	Share of Net Profit After Tax \$'000
Breville Group Limited <i>(Company incorporated in Australia)</i>	26.73%	\$17,696	28.06%	\$18,906

## Other Information

### Foreign Entities – accounting standards:

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

### Commentary:

This report should be read in conjunction with the attached financial statements for the 52 weeks ended 25 July 2020. The attached financial statements do not contain a full set of disclosures as required by IFRS.

The attached financial statements are in the process of being audited.



.....  
**MARINDA MEYER**  
**COMPANY SECRETARY**  
**25 September 2020**

<sup>1</sup> Calculated as net assets, less intangible assets as per the accompanying balance sheet, divided by ordinary securities on issue at the end of the period. Includes right-of-use assets and lease liabilities resulting from the transition to AASB 16, as disclosed in the accompanying consolidated financial statements.

For personal use only

# PREMIER INVESTMENTS LIMITED

A.C.N. 006 727 966

## APPENDIX 4 E

### FINANCIAL STATEMENTS

FOR THE PERIOD 28 JULY 2019 TO 25 JULY 2020

## CONTENTS

STATEMENT OF COMPREHENSIVE INCOME	2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF CASH FLOWS	4
STATEMENT OF CHANGES IN EQUITY	5
NOTES TO THE FINANCIAL STATEMENTS	6

For personal use only

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019

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

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

# STATEMENT OF FINANCIAL POSITION

AS AT 25 JULY 2020 AND 27 JULY 2019

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

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

For personal use only

# STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019

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

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

For personal use only

# STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019

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

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019

### 1 GENERAL INFORMATION

The financial report contains the consolidated financial statements of the consolidated entity, comprising Premier Investments Limited (the 'parent entity') and its wholly owned subsidiaries ('the Group') for the 52 weeks ended 25 July 2020.

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

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

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

### 2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES

The consolidated financial report is prepared for the 52 weeks from 28 July 2019 to 25 July 2020.

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

#### (a) BASIS OF FINANCIAL REPORT PREPARATION

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## 2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

### *(b) BASIS OF CONSOLIDATION*

The consolidated financial statements are those of the consolidated entity, comprising Premier Investments Limited and its wholly owned subsidiaries as at the end of each financial year. A list of the Group's subsidiaries is included in note 25.

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

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

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

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

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

### *(c) COMPARATIVE AMOUNTS*

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

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

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

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## 2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

### *(e) OFFSETTING OF FINANCIAL INSTRUMENTS*

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

### *(f) CURRENT VERSUS NON-CURRENT CLASSIFICATION*

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

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

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

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

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

### *(g) FOREIGN CURRENCY TRANSLATION*

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

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

As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of the parent entity at the rate of exchange ruling at the reporting date and the statements of comprehensive income are translated at the weighted average exchange rates for the period. Exchange variations resulting from the translations are recognised in the foreign currency translation reserve in equity.

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

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

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## 2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

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

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

### (j) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

#### *Changes in accounting policies, disclosures, standards and interpretations*

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

#### **AASB Interpretation 23 Uncertainty over Income Tax Treatments**

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Group has adopted the Interpretation from 28 July 2019, with no material impact on the consolidated financial statements of the Group.

#### **AASB 16 Leases**

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

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

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

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

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

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

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

For personal use only

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

### 2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

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

##### **AASB 16 Leases (continued)**

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## 2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

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

#### **AASB 16 Leases (continued)**

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

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

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

##### *(ii) Summary of new accounting policies*

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

#### **Right-of-use assets**

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

#### **Lease liabilities**

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

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

#### **Leases of low-value assets**

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## 2 OTHER SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

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

#### **AASB 16 Leases (continued)**

##### *(ii) Summary of new accounting policies (continued)*

#### **Significant judgement in determining the lease term**

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

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

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

#### **Significant judgement in determining the incremental borrowing rate**

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

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

Recently issued or amended Australian Accounting Standards and Interpretations that have been identified as those which may be relevant to the Group in future reporting periods, but are not yet effective, have not been early adopted by the Group for the reporting period ended 25 July 2020. The Group does not anticipate that the below amended standards and interpretations will have a material impact on the Group:

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

### 3 OPERATING SEGMENTS

#### Identification of operating segments

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

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

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

#### Reportable Segments

##### *Retail*

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

##### *Investment*

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

#### Accounting policies

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

##### *Income tax expense*

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

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

##### *Segment capital expenditure*

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

The table on the following page presents revenue and profit information for operating segments for the periods ended 25 July 2020 and 27 July 2019.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

### 3 OPERATING SEGMENTS (CONTINUED)

#### (A) OPERATING SEGMENTS

	RETAIL		INVESTMENT		ELIMINATION		CONSOLIDATED	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>REVENUE AND OTHER INCOME</i>								
Revenue from contracts with customers	1,216,316	1,270,958	-	-	-	-	1,216,316	1,270,958
Interest revenue	159	270	2,131	3,616	-	-	2,290	3,886
Other revenue	147	184	53,027	98,038	(53,000)	(98,000)	174	222
Other income	14,296	487	15,886	-	-	-	30,182	487
<b>Total revenue and other income</b>	<b>1,230,918</b>	<b>1,271,899</b>	<b>71,044</b>	<b>101,654</b>	<b>(53,000)</b>	<b>(98,000)</b>	<b>1,248,962</b>	<b>1,275,553</b>
<b>Total revenue per the statement of comprehensive income</b>							<b>1,248,962</b>	<b>1,275,553</b>

#### RESULTS

Depreciation and amortisation	42,337	50,592	1,368	1,368	-	-	43,705	51,960
Impairment - property plant and equipment	31,254	355	-	-	-	-	31,254	355
Depreciation - right-of-use asset	175,932	-	-	-	(3,251)	-	172,681	-
Impairment - right-of-use asset	2,420	-	-	-	-	-	2,420	-
Interest expense	14,057	4,808	2,879	2,879	(220)	-	16,716	7,687
Share of profit of associate	-	-	17,696	18,906	-	-	17,696	18,906
<b>Profit before income tax expense</b>	<b>165,776</b>	<b>136,667</b>	<b>82,343</b>	<b>113,322</b>	<b>(52,920)</b>	<b>(98,247)</b>	<b>195,199</b>	<b>151,742</b>
Income tax expense							(57,446)	(44,935)
<b>Net profit after tax per the statement of comprehensive income</b>							<b>137,753</b>	<b>106,807</b>

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

### 3 OPERATING SEGMENTS (CONTINUED)

#### (B) GEOGRAPHIC AREAS OF OPERATION

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

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

### *REVENUE RECOGNITION ACCOUNTING POLICY*

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

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

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

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

	NOTES	CONSOLIDATED	
		2020 \$'000	2019 \$'000
<b>5 EXPENSES</b>			
<i>LEASE RENTAL EXPENSES</i>			
Variable lease expenses		12,011	19,935
Other lease expenses		5,521	204,458
<b>TOTAL LEASE RENTAL EXPENSES</b>		<b>17,532</b>	<b>224,393</b>
<i>DEPRECIATION, AMORTISATION AND IMPAIRMENT</i>			
Depreciation of property, plant and equipment	17	43,682	51,935
Depreciation of right-of-use assets	12	172,681	-
Impairment of right-of-use assets	12	2,420	-
Impairment of property, plant and equipment	17	31,254	355
Amortisation of leasehold premiums	18	23	25
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT OF NON-CURRENT ASSETS</b>		<b>250,060</b>	<b>52,315</b>
<i>FINANCE COSTS</i>			
Interest on lease liabilities	14	11,080	-
Interest on bank loans and overdraft		5,636	7,687
<b>TOTAL FINANCE COSTS</b>		<b>16,716</b>	<b>7,687</b>
<i>OTHER EXPENSES INCLUDE:</i>			
Net loss on disposal of property, plant and equipment		982	728
UK –costs associated with review of lease break options	17	-	4,837

### EMPLOYEE EXPENSES

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

### 5 EXPENSES (CONTINUED)

#### EMPLOYEE EXPENSES (CONTINUED)

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

CONSOLIDATED	
2020 \$'000	2019 \$'000

### 6 INCOME TAX

The major components of income tax expense are:

#### (a) INCOME TAX RECOGNISED IN PROFIT OR LOSS

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

#### (b) STATEMENT OF CHANGES IN EQUITY

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

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

CONSOLIDATED	
2020 \$'000	2019 \$'000

### 6 INCOME TAX (CONTINUED)

#### (d) RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

*DEFERRED TAX RELATES TO THE FOLLOWING:*

Foreign currency balances	1,162	634
Potential capital gains tax on financial investments	(30,654)	(35,087)
Deferred gains and losses on financial instruments	1,910	(1,083)
Inventory provisions	878	498
Lease arrangements	11,001	-
Deferred income	-	11,113
Employee provisions	7,519	6,707
Other receivables and prepayments	(1,679)	(2,831)
Property, plant and equipment	(3,195)	(4,935)
Impairment of store plant and equipment	6,822	-
Other provisions	3,461	-
Other	4,272	1,489
<b>NET DEFERRED TAX ASSETS (LIABILITIES)</b>	<b>1,497</b>	<b>(23,495)</b>

REFLECTED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS:

Deferred tax assets	66,924	40,380
Deferred tax liabilities	(65,427)	(63,875)
<b>NET DEFERRED TAX ASSETS (LIABILITIES)</b>	<b>1,497</b>	<b>(23,495)</b>

#### *INCOME TAX ACCOUNTING POLICY*

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

##### *Current income tax*

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

##### *Deferred income tax*

Deferred income tax is recognised on taxable temporary differences at the reporting date between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes based on the expected manner of recovery of the carrying value of an asset or liability.

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

### 6 INCOME TAX (CONTINUED)

#### *INCOME TAX ACCOUNTING POLICY (CONTINUED)*

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

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

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

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

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

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

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

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

#### *Tax consolidation*

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

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

#### *KEY ACCOUNTING ESTIMATES AND JUDGEMENTS*

Deferred tax assets are recognised for taxable temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

### 6 INCOME TAX (CONTINUED)

#### KEY ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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

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

CONSOLIDATED	
2020 \$'000	2019 \$'000

### 7 EARNINGS PER SHARE

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

Net profit for the period	137,753	106,807
---------------------------	---------	---------

NUMBER OF SHARES '000	NUMBER OF SHARES '000
-----------------------------	-----------------------------

Weighted average number of ordinary shares used in calculating:

- basic earnings per share	158,540	158,209
- diluted earnings per share	159,134	158,969

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

#### EARNINGS PER SHARE ACCOUNTING POLICY

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP PERFORMANCE

CONSOLIDATED	
2020 \$'000	2019 \$'000

### 8 A) DIVIDENDS

#### *DIVIDENDS APPROVED OR PAID*

Approved during the year:

*Interim franked dividends:*

2020 Approved: 34 cents per share	53,966	-
2019 Approved and paid: 33 cents per share	-	52,282

Paid during the year:

*Final franked dividends for 2019:*

37 cents per share (2018: 33 cents)	58,636	52,201
-------------------------------------	--------	--------

<b>TOTAL APPROVED AND/OR PAID DURING THE YEAR</b>	<b>112,602</b>	<b>104,483</b>
---	----------------	----------------

#### *DIVIDENDS APPROVED AND NOT RECOGNISED AS A LIABILITY:*

Final franked dividend for 2020:

36 cents per share (2019: 37 cents)	57,141	58,636
-------------------------------------	--------	--------

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

The 2020 interim dividend is payable on 30 September 2020.

CONSOLIDATED	
2020 \$'000	2019 \$'000

### B) FRANKING CREDIT BALANCE

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

franking account balance as at the end of the financial year at 30% (2019: 30%)	196,701	208,467
franking credits that will arise from the payment of income tax payable as at the end of the financial year	17,761	6,965
franking debits that will arise from the payment of dividends as at the end of the financial year	(47,630)	(25,122)

<b>TOTAL FRANKING CREDIT BALANCE</b>	<b>166,832</b>	<b>190,310</b>
--------------------------------------	----------------	----------------

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

### OPERATING ASSETS AND LIABILITIES

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
<b>9 TRADE AND OTHER RECEIVABLES (CURRENT)</b>		
Sundry debtors	30,320	23,011
<b>TOTAL CURRENT TRADE AND OTHER RECEIVABLES</b>	<b>30,320</b>	<b>23,011</b>

*(a) Impairment losses*

Receivables are non-interest-bearing and are generally on 30 to 60 day terms. An allowance for credit losses is recognised based on the expected credit loss from the time the financial asset is initially recognised. Bad debts are written off when identified. No material allowance for credit losses has been recognised by the Group during the financial year ended 25 July 2020 (2019: \$nil). During the year, no bad debt expense (2019: \$nil) was recognised. It is expected that sundry debtor balances will be received when due.

*(b) Fair value*

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

#### *TRADE AND OTHER RECEIVABLES ACCOUNTING POLICY*

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

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
<b>10 INVENTORIES</b>		
Finished goods	156,590	171,165
<b>TOTAL INVENTORIES AT COST</b>	<b>156,590</b>	<b>171,165</b>

#### *INVENTORIES ACCOUNTING POLICY*

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

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

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## OPERATING ASSETS AND LIABILITIES

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

### *RIGHT-OF-USE ASSETS ACCOUNTING POLICY*

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

### *KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS*

#### *Impairment of right-of-use assets*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## OPERATING ASSETS AND LIABILITIES

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

(a) *Fair values*

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

### TRADE AND OTHER PAYABLES ACCOUNTING POLICY

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

The interim dividend is payable on 30 September 2020.

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
<b>14 LEASE LIABILITIES</b>		
Recognition of lease liability on initial application of AASB 16	410,193	-
Additions	50,315	-
Interest expense	11,080	-
Payments	(150,958)	-
COVID-19 related rent concessions	(15,013)	-
Exchange rate differences	(1,728)	-
<b>TOTAL LEASE LIABILITIES</b>	<b>303,889</b>	<b>-</b>

COMPRISING OF:

Current lease liability	189,221	-
Non-current lease liability	114,668	-
<b>TOTAL LEASE LIABILITIES</b>	<b>303,889</b>	<b>-</b>

### LEASE LIABILITIES ACCOUNTING POLICY

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

### COVID-19 RELATED RENT CONCESSIONS

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## OPERATING ASSETS AND LIABILITIES

### 14 LEASE LIABILITIES (CONTINUED)

#### COVID-19 RELATED RENT CONCESSIONS (continued)

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

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

CONSOLIDATED	
2020 \$'000	2019 \$'000

### 15 PROVISIONS

#### CURRENT

Employee entitlements – Annual Leave	12,591	12,518
Employee entitlements – Long Service Leave	9,297	8,159
Provision for make-good in relation to leased premises	13,091	695
Refund liability	2,088	2,088
Other provisions	1,230	421
<b>TOTAL CURRENT PROVISIONS</b>	<b>38,297</b>	<b>23,881</b>

#### NON-CURRENT

Employee entitlements – Long Service Leave	2,061	2,285
Provision for make-good in relation to leased premises	4,764	5,392
Other provisions	3,778	3,788
<b>TOTAL NON-CURRENT PROVISIONS</b>	<b>10,603</b>	<b>11,465</b>

#### PROVISIONS ACCOUNTING POLICIES

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## OPERATING ASSETS AND LIABILITIES

### 15 PROVISIONS (CONTINUED)

#### *EMPLOYEE ENTITLEMENTS ACCOUNTING POLICIES*

##### *Current annual leave*

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

##### *Long service leave and non-current annual leave*

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

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

##### *Retirement benefit obligations*

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

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

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

For personal use only

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

### OPERATING ASSETS AND LIABILITIES

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
<b>16 OTHER LIABILITIES</b>		
<i>CURRENT</i>		
Deferred income	8,588	26,529
<b>TOTAL CURRENT</b>	<b>8,588</b>	<b>26,529</b>
<i>NON-CURRENT</i>		
Deferred income	146	29,137
<b>TOTAL NON-CURRENT</b>	<b>146</b>	<b>29,137</b>

#### *DEFERRED INCOME ACCOUNTING POLICY*

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

#### *Deferred lease incentives and deferred rent included in prior comparative amounts*

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

### 17 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED					
	LAND \$'000	BUILDINGS \$'000	PLANT AND EQUIPMENT \$'000	LEASED PLANT AND EQUIPMENT \$'000	CAPITAL WORKS IN PROGRESS \$'000	TOTAL \$'000
<b>AT 25 JULY 2020</b>						
Cost	21,953	54,720	500,069	343	11,460	588,545
Accumulated depreciation and impairment	-	(5,865)	(427,203)	(343)	-	(433,411)
<b>NET CARRYING AMOUNT</b>	<b>21,953</b>	<b>48,855</b>	<b>72,866</b>	<b>-</b>	<b>11,460</b>	<b>155,134</b>
<i>RECONCILIATIONS:</i>						
Carrying amount at beginning of the financial year	21,953	50,223	128,702	-	9,977	210,855
Additions	-	-	15,696	-	3,328	19,024
Transfers between classes	-	-	1,845	-	(1,845)	-
Depreciation	-	(1,368)	(42,314)	-	-	(43,682)
Disposals	-	-	(982)	-	-	(982)
Impairment	-	-	(31,254)	-	-	(31,254)
Exchange differences	-	-	1,173	-	-	1,173
<b>Carrying amount at end of the financial year</b>	<b>21,953</b>	<b>48,855</b>	<b>72,866</b>	<b>-</b>	<b>11,460</b>	<b>155,134</b>
<b>AT 27 JULY 2019</b>						
Cost	21,953	54,720	482,337	343	9,977	569,330
Accumulated depreciation and impairment	-	(4,497)	(353,635)	(343)	-	(358,475)
<b>NET CARRYING AMOUNT</b>	<b>21,953</b>	<b>50,223</b>	<b>128,702</b>	<b>-</b>	<b>9,977</b>	<b>210,855</b>
<i>RECONCILIATIONS:</i>						
Carrying amount at beginning of the financial year	21,953	51,591	152,553	-	12,070	238,167
Additions	-	-	23,612	-	1,845	25,457
Transfers between classes	-	-	3,938	-	(3,938)	-
Depreciation	-	(1,368)	(29,546)	-	-	(30,914)
United Kingdom accelerated depreciation	-	-	(21,021)	-	-	(21,021)
Disposals	-	-	(1,631)	-	-	(1,631)
Impairment	-	-	(355)	-	-	(355)
Exchange differences	-	-	1,152	-	-	1,152
<b>Carrying amount at end of the financial year</b>	<b>21,953</b>	<b>50,223</b>	<b>128,702</b>	<b>-</b>	<b>9,977</b>	<b>210,855</b>

#### LAND AND BUILDINGS

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

For personal use only



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

### 17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### *PROPERTY, PLANT AND EQUIPMENT ACCOUNTING POLICY*

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

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

Freehold land is not depreciated.

#### *KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS*

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

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

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

##### *Impairment testing of Property, Plant and Equipment and key accounting estimates and assumptions*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

### 17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

### 18 INTANGIBLES

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

### 18 INTANGIBLES (CONTINUED)

#### *GOODWILL ACCOUNTING POLICY*

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

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

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

#### *OTHER INTANGIBLE ASSETS (excluding goodwill) ACCOUNTING POLICY*

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

### 18 INTANGIBLES (CONTINUED)

#### *SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS*

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

#### *IMPAIRMENT TESTING OF GOODWILL*

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

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

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

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

The post-tax discount rate applied to these cash flow projections is 9.5% (2019: 9.7%). The discount rate has been determined using the weighted average cost of capital which incorporates both the cost of debt and the cost of capital specific to the asset and adjusted for risks specific to the CGU.

In determining the possible scenarios of cash flows, management considered the reasonably possible changes in estimated sales growth, estimated EBITA and discount rates applied to the CGU to which goodwill relates. These reasonably possible adverse change in key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

#### *IMPAIRMENT TESTING OF BRAND NAMES*

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

- Casual wear - \$158,975
- Women's wear - \$137,744
- Non Apparel - \$49,460

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

### 18 INTANGIBLES (CONTINUED)

#### *IMPAIRMENT TESTING OF BRAND NAMES (CONTINUED)*

The recoverable amounts of brand names acquired in a business combination have been determined on an individual brand basis based upon value-in-use calculations. The value-in-use calculations have been determined based upon the relief from royalty method using cash flow estimates for a period of five years plus a terminal value

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

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

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

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

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

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

The post-tax discount rate applied to the cash flow projections for each of the three CGU groups is 8.5% (2019: 8.7%). The discount rate has been determined using the weighted average cost of capital which incorporates both the cost of debt and cost of capital specific to the asset and adjusted for risks specific to the CGU.

Royalty rates have been determined for each brand within the CGU groups by considering the brand's history and future expected performance. Factors such as the profitability of the brand, market share, brand recognition and general conditions in the industry have also been considered in determining an appropriate royalty rate for each brand. Consideration is also given to the industry norms relating to royalty rates by analysing market derived data for comparable brands and by considering the notional royalty payments as a percentage of the divisional earnings before interest and taxation generated by the division in which the brand names are used. Net royalty rates applied across the three CGU groups range between 3.5% and 8% (2019: 3.5% and 8%).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

### 18 INTANGIBLES (CONTINUED)

#### *IMPAIRMENT TESTING OF BRAND NAMES (CONTINUED)*

In addition to the range of cash flow scenarios, management has considered reasonably possible adverse changes in key assumptions applied to brands within the relevant CGU groups, each of which have been subjected to sensitivities. Key assumptions relate to estimate sales growth, net royalty rates and discount rates applied.

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

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

CONSOLIDATED	
2020 \$'000	2019 \$'000

### 19 LISTED EQUITY INVESTMENT AT FAIR VALUE

#### *INVESTMENT*

Investment in listed securities at fair value	18,132	46,879
<b>TOTAL INVESTMENTS</b>	<b>18,132</b>	<b>46,879</b>

#### *FAIR VALUE LISTED EQUITY INVESTMENT ACCOUNTING POLICY*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

CONSOLIDATED	
2020 \$'000	2019 \$'000

### 20 INVESTMENT IN ASSOCIATE

#### *Movements in carrying amounts*

Carrying amount at the beginning of the financial year	238,732	223,184
Acquisition of shares in associate	-	7,872
Share of profit after income tax	17,696	18,906
Gain resulting from associate equity raising	15,886	-
Share of other comprehensive income	(688)	1,424
Dividends received	(14,235)	(12,654)
<b>TOTAL INVESTMENT IN ASSOCIATE</b>	<b>257,391</b>	<b>238,732</b>

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

There were no impairment losses relating to the investment in associate and no capital commitments or other commitments relating to the associate. The Group's share of the profit after tax in its investment in associate for the year was \$17,695,527 (2019: \$18,905,536). As at 25 July 2020, the fair value of the Group's interest in BRG as determined based on the quoted market price was \$947,893,002 (2019: \$691,666,245).

The financial year end date of BRG is 30 June. For the purpose of applying the equity method of accounting, the financial statements of BRG for the year ended 30 June 2020 have been used. The accounting policies applied by BRG in their financial statements materially conform to those used by the Group for like transactions and events in similar circumstances.

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

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL INVESTED

### 20 INVESTMENT IN ASSOCIATE (CONTINUED)

#### *INVESTMENT IN ASSOCIATE ACCOUNTING POLICY*

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

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

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

For personal use only



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL STRUCTURE AND RISK MANAGEMENT

CONSOLIDATED	
2020 \$'000	2019 \$'000

### 21 NOTES TO THE STATEMENT OF CASH FLOWS

#### (a) RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash at bank and in hand	305,960	59,426
Short-term deposits	142,872	130,829
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>448,832</b>	<b>190,255</b>

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

Net profit for the period	137,753	106,807
<i>Adjustments for:</i>		
Amortisation	23	25
Depreciation of non-current assets	216,363	51,935
Impairment of non-current assets	33,674	355
Share of profit of associate	(17,696)	(18,906)
Gain on investment in associate resulting from equity raising	(15,886)	-
Borrowing costs	166	(191)
Net loss on disposal of property, plant and equipment	982	728
Share-based payments expense	1,613	2,012
Gross movement in cash flow hedge reserve	(6,922)	(5,556)
Net exchange differences	188	2,078
<i>Changes in assets and liabilities:</i>		
Increase in trade and other receivables	(7,309)	(733)
Decrease in other current assets	4,157	635
Decrease (increase) in inventories	14,575	(11,852)
Decrease in other financial assets	6,119	5,854
Increase in deferred tax assets	(16,626)	(4,262)
Increase in provisions	1,786	5,897
Increase (decrease) in deferred tax liabilities	1,552	(58)
Increase (decrease) in trade and other payables	73,075	(2,620)
Increase in other financial liabilities	3,776	2,123
(Decrease) increase in deferred income	(1,382)	1,919
Increase in income tax payable	53,601	2,624
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>483,582</b>	<b>138,814</b>

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL STRUCTURE AND RISK MANAGEMENT

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

### *CASH AND CASH EQUIVALENTS ACCOUNTING POLICY*

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

### CAPITAL STRUCTURE AND RISK MANAGEMENT

CONSOLIDATED	
2020 \$'000	2019 \$'000

#### 22 INTEREST-BEARING LIABILITIES

##### NON-CURRENT

Bank loans* unsecured	77,659	98,493
Bank loans ** secured	69,000	69,000
<b>TOTAL INTEREST-BEARING LIABILITIES</b>	<b>146,659</b>	<b>167,493</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.

\*\* Premier Investments Limited obtained bank borrowings amounting to \$69 million. A \$19 million borrowing is secured by a mortgage over Land and Buildings, representing the National Distribution Centre in Truganina, Victoria, and is repayable in full in January 2022. Premier Investments Limited obtained a further \$50 million borrowing which is secured by a mortgage over Land and Buildings, representing an office building in Melbourne, Victoria, and is repayable in full in December 2021.

(a) Fair values

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

(b) Defaults and breaches

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

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

	CONSOLIDATED			
	27 JULY 2019 \$'000	CASH FLOWS \$'000	OTHER \$'000	25 JULY 2020 \$'000
Non-current interest-bearing liabilities	167,493	(21,000)	166	146,659
<b>TOTAL INTEREST-BEARING LIABILITIES</b>	<b>167,493</b>	<b>(21,000)</b>	<b>166</b>	<b>146,659</b>

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

#### INTEREST-BEARING LIABILITIES ACCOUNTING POLICY

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

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL STRUCTURE AND RISK MANAGEMENT

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
<b>23 CONTRIBUTED EQUITY</b>		
Ordinary share capital	608,615	608,615

	NO. ('000)	\$'000
<b>(a) MOVEMENTS IN SHARES ON ISSUE</b>		
Ordinary shares on issue 28 July 2019	158,430	608,615
Ordinary shares issued during the year (i)	294	-
<b>Ordinary shares on issue at 25 July 2020</b>	<b>158,724</b>	<b>608,615</b>
Ordinary shares on issue 29 July 2018	158,099	608,615
Ordinary shares issued during the year (i)	331	-
<b>Ordinary shares on issue at 27 July 2019</b>	<b>158,430</b>	<b>608,615</b>

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

(i) A total of 294,579 ordinary shares (2019: 330,112) were issued in relation to the performance rights plan.

### (b) CAPITAL MANAGEMENT

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

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

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

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

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

### (c) EXTERNALLY IMPOSED CAPITAL REQUIREMENTS

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## CAPITAL STRUCTURE AND RISK MANAGEMENT

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
<b>24 RESERVES</b>		
RESERVES COMPRISE:		
Capital profits reserve	464	464
Foreign currency translation reserve (a)	5,781	7,337
Cash flow hedge reserve (b)	(4,419)	2,503
Performance rights reserve (c)	19,359	17,746
Fair value reserve (d)	(59,032)	(38,908)
<b>TOTAL RESERVES</b>	<b>(37,847)</b>	<b>(10,858)</b>
<b>(a) FOREIGN CURRENCY TRANSLATION RESERVE</b>		
<i>Nature and purpose of reserve</i>		
Reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.		
- <i>Movements in the reserve</i>		
Opening balance	7,337	2,977
Foreign currency translation of overseas subsidiaries	(868)	2,936
Net movement in associate entity's reserves	(688)	1,424
<b>CLOSING BALANCE</b>	<b>5,781</b>	<b>7,337</b>
<b>(b) CASH FLOW HEDGE RESERVE</b>		
<i>Nature and purpose of reserve</i>		
Reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.		
- <i>Movements in the reserve</i>		
Opening balance	2,503	8,059
Net loss on cash flow hedges	(3,387)	(18,024)
Transferred to statement of financial position/ profit or loss	(6,499)	10,087
Deferred income tax movement on cash flow hedges	2,964	2,381
<b>CLOSING BALANCE</b>	<b>(4,419)</b>	<b>2,503</b>

For personal use only

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

### CAPITAL STRUCTURE AND RISK MANAGEMENT

CONSOLIDATED	
2020 \$'000	2019 \$'000

#### 24 RESERVES (CONTINUED)

##### (c) PERFORMANCE RIGHTS RESERVE

###### *Nature and purpose of reserve*

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

###### - *Movements in the reserve*

Opening balance	17,746	15,734
Performance rights expense for the year	1,613	2,012

<b>CLOSING BALANCE</b>	<b>19,359</b>	<b>17,746</b>
------------------------	---------------	---------------

##### (d) FAIR VALUE RESERVE

###### *Nature and purpose of reserve*

Reserve is used to record unrealised gains and losses on fair value revaluation of listed equity investment at fair value.

###### - *Movements in the reserve*

Opening balance	(38,908)	(43,243)
Unrealised (loss) gain on revaluation of listed investment at fair value	(28,747)	6,192
Net deferred income tax movement on listed equity investment at fair value	8,623	(1,857)

<b>CLOSING BALANCE</b>	<b>(59,032)</b>	<b>(38,908)</b>
------------------------	-----------------	-----------------

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## GROUP STRUCTURE

### 25 SUBSIDIARIES

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

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

For personal use only

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 25 JULY 2020 AND 27 JULY 2019 (CONTINUED)

## OTHER DISCLOSURES

### 26 EVENTS AFTER THE REPORTING DATE

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

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

### 27 CONTINGENT LIABILITIES

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

For personal use only