Directors' Report

The Board of Directors of Premier Investments Limited (A.C.N. 006 727 966) has pleasure in submitting its report in respect of the financial year ended 30 June 2004.

Directors

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

Sir Ron Brierley *Chairman and Non-Executive Director*

Sir Ron Brierley founded Brierley Investments Ltd in 1961 and as chairman implemented his investment approach successfully over the next 30 years, retiring as a director of that company on 30 March 2001. He is Chairman of Guinness Peat Group plc and his other directorships include The Australian Gas Light Company.

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

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

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

Mr Jones is a Chartered Accountant who has had extensive experience as a tax, financial and general advisor to some of Australia's leading manufacturing, retailing and shopping centre development companies. He is Chairman of the Audit Committee, and served as Chairman of the company from 30 June 1999 until 29 August 2002. He is also Non-Executive Chairman and Director of Housewares International Limited. Mr Jones has announced his intention to retire as a Director at Housewares International Limited in November 2004.

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

Mr. McLeod is a Non-Executive Director of Century Plaza Trading Pty. Ltd. and an advisor to the Century Plaza Group of Companies, a substantial shareholder in Premier Investments Limited. He has extensive experience as an advisor to business and government. He holds a Bachelor of Arts with First Class Honours and University Medal.

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

Dr. Weiss is an Executive Director of Guinness Peat Group (Australia) Pty. Ltd., Chairman of Ariadne Australia Limited, MEM Group Limited, Coats Holdings plc, and a director of a number of other public companies.

Principal Activities

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

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

(i) 69.5 million (5.7%) shares in Coles Myer Limited; and

(ii) 26.9 million (22.9%) shares in Housewares International Limited.

Group Results

The consolidated profit of the consolidated entity for the financial year was $5,047,000 (2003: $5,324,000) after income tax and outside equity interests.

Dividends

	Cents	$'000
Final dividend recommended	4.0	3,607
Dividends paid in the year		
Interim for the year	1.5	1,352
Final for 2003 shown as recommended in the 2003 report	3.0	2,706

Review of Operations

The consolidated entity is pleased to report a significant increase in return to shareholders, both through dividends and capital growth. While there has been a slight decrease in basic earnings per share, the directors have continued to increase the dividend payout ratio. In 2001 the dividend payout ratio was 46%. This has been increased to 98% this financial year.

The net profit has decreased marginally due to a reduction in interest revenue due to lower average cash balances held for investment purposes during the financial year by the consolidated entity compared to the previous year.

Shareholders return on equity has continued to rise. Shareholders have enjoyed a return of 30.2% this financial year. There has also been a continued decrease in net debt to equity ratio. Currently this ratio stands at 51.5% (2003: 70%).

The directors have declared a final fully franked dividend for the financial year of 4.0 cents per share, which results in a total fully franked dividend for the financial year of 5.5 cents per share.

Significant Changes in the State of Affairs

There has been no significant changes in the state of affairs of the consolidated entity that occurred during the financial year that have not been disclosed in this report of the consolidated financial statements.

Significant Events After The Balance Date

There have been no significant events subsequent to year end.

Likely Developments and Future Results

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

Environmental Regulation Performance

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

Share Options

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

Directors' and Officer's Remuneration

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and executives. The board assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant market conditions. Such officers are given the opportunity to receive their base emoluments in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating additional cost for the company. Details of the nature and amount of each element of emolument for each director of the company and the executive officer of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

	Base Fee	*Superannuation*	*Total*
Directors			
R. Brierley	25,000	-	25,000
L. E. Fox	10,000	900	10,900
F. W. Jones	10,000	900	10,900
M.R.I McLeod	10,000	900	10,900
Dr. G. H. Weiss	10,000	900	10,900
Executive			
K. Davis	197,500	11,000	208,500

Directors' Interests

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

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

Directors' Meetings

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

Director	Directors' Meetings	
	Attended	Maximum Possible Attended
Sir Ron Brierley	4	4
Mr. L.E. Fox	4	4
Mr. F.W. Jones	4	4
Mr M.R.I. McLeod	4	4
Dr. G.H. Weiss	4	4

Audit Committee

Premier Investments Limited has an audit committee of which F.W. Jones (Chairman) and Dr G.H. Weiss are members. The committee met once during the financial year, and both members attended the meeting.

Rounding

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

Signed in accordance with a resolution of the directors.

Ron Brierley
Chairman
Sydney, 22nd September 2004

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PREMIER
INVESTMENTS
LIMITED

A.C.N. 006 727 966

Financial Statements

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated		Parent	
		2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Revenues from ordinary activities	2	**22,511**	21,517	**37,192**	20,840
Borrowing costs expense	2	**(16,664)**	(15,539)	**(16,180)**	(14,864)
Other expenses from ordinary activities	2	**(800)**	(654)	**(13,115)**	(652)
Profit from ordinary activities before income tax expense		**5,047**	5,324	**7,897**	5,324
Income tax expense relating to ordinary activities	3	-	-	-	-
Profit from ordinary activities after income tax expense		**5,047**	5,324	**7,897**	5,324
Net profit		**5,047**	5,324	**7,897**	5,324
Net profit attributable to members of the parent entity		**5,047**	5,324	**7,897**	5,324
Net increase in asset revaluation reserve	13	**112,920**	32,378	**112,920**	32,378
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity		**112,920**	32,378	**112,920**	32,378
Total changes in equity other than those resulting from transactions with owners as owners, attributable to members of the parent entity		**117,967**	37,702	**120,817**	37,702
Basic and diluted earnings per share	24	**5.60**	5.90		

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

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2004

	Note	Consolidated		Parent	
		2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Current Assets					
Cash assets	20(a)	**26,667**	26,166	**13,920**	7,299
Receivables	5	**114**	3,890	**59**	28
Other	6	**1,662**	1,174	**19**	19
Total Current Assets		**28,443**	31,230	**13,998**	7,346
Non-Current Assets					
Other financial assets	7	**654,970**	542,050	**717,939**	617,335
Property, plant & equipment	8	-	-	-	-
Total Non-Current Assets		**654,970**	542,050	**717,939**	617,335
Total Assets		**683,413**	573,280	**731,937**	624,681
Current Liabilities					
Payables	9	**12**	29	**12**	29
Provisions	10	**48**	18	**48**	18
Total Current Liabilities		**60**	47	**60**	47
Non-Current Liabilities					
Interest-bearing liabilities	11	**250,000**	250,000	**298,524**	308,040
Total Non-Current Liabilities		**250,000**	250,000	**298,524**	308,040
Total Liabilities		**250,060**	250,047	**298,584**	308,087
Net Assets		**433,353**	323,233	**433,353**	316,594
Equity					
Parent entity interest					
Contributed equity	12	**205,149**	205,149	**205,149**	205,149
Reserves	13	**283,039**	170,119	**282,575**	169,655
Accumulated losses	14	**(54,835)**	(55,824)	**(54,371)**	(58,210)
Total parent entity interests in equity		**433,353**	319,444	**433,353**	316,594
Total outside equity interests	15	-	3,789	-	-
Total Equity		**433,353**	323,233	**433,353**	316,594

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2004

	Note	Consolidated		Parent	
		2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Cash flows from operating activities					
Receipts from customers		-	-	-	-
Payments to suppliers and employees		**(787)**	(635)	**(787)**	(635)
Interest received		**1,121**	1,487	**619**	821
Dividends received		**21,377**	20,132	**21,377**	20,132
Borrowing costs		**(17,152)**	(15,490)	**(16,180)**	(14,864)
Net cash flows from operating activities	20(c)	**4,559**	5,494	**5,029**	5,454
Cash flows from investing activities					
Proceeds from disposal of controlled entity		-	-	**15,165**	-
Purchase of investments		-	(79,836)	-	(79,836)
Advancements repaid		**3,789**	-	-	-
Net cash flows used in investing activities		**3,789**	(79,836)	**15,165**	(79,836)
Cash flows from financing activities					
Proceeds from borrowings		-	50,000	-	-
Payment of dividends on ordinary shares		**(4,058)**	(2,706)	**(4,058)**	(2,706)
Net cash received (paid) to controlled entities		-	-	**(9,515)**	47,425
Payment to outside equity interests		**(3,789)**	-	-	-
Net cash flow from (used in) financing activities		**(7,847)**	47,294	**(13,573)**	44,719
Net increase (decrease) in cash held		**501**	(27,048)	**6,621**	(29,663)
Add opening cash brought forward		**26,166**	53,214	**7,299**	36,962
Closing cash carried forward	20(a)	**26,667**	26,166	**13,920**	7,299

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

1. Statement of Significant Accounting Policies

Basis of Accounting
The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention and does not take into account changes in either the general purchasing power of the dollar or in the prices of specific assets except for other financial assets, which are measured at market value (Note 7).

All non current assets are reviewed at least annually to determine whether they exceed their recoverable amount. The recoverable amounts of all non current assets have been determined using net cash flows which have not been discounted to their present values.

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

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

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

Other Financial Assets
The consolidated entity's interests in entities, other than controlled entities, are shown as other financial assets, and dividend income is taken into account when received. Investments held for resale are stated at the lower of cost and market value. Investments in controlled entities are stated at the lower of cost or recoverable amount.

Long term investments in shares quoted on prescribed stock exchange are stated at market value. The potential capital gains tax is not taken into account in determining the revalued carrying amounts.

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

Income Tax
The financial statements apply the principals of tax effect accounting.

The income tax expense represents the tax on pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation purposes. The provision for deferred income tax liability and the future income tax benefit include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse.

The benefit arising from estimated carry forward tax losses is recorded as a future income tax benefit where realisation of such benefit is considered to be virtually certain.

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

Receivables from related parties are recognised and carried at the normal amount due, less a provision for any non recoverable amounts. An estimate for non recovery is made when collection of the full amount is no longer probable.

1. Statement of Significant Accounting Policies (continued)

Payables

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

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an annual basis.

Interest-bearing Liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Contributed Equity

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

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

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Control of the right to receive the interest payment on a monthly or daily basis in accordance with relevant banking policy.

Dividends

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

Derivative Financial Instruments
Interest Rate Swaps

Premier Investments Limited enters into interest rate swaps agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

Employee and Retirement Benefits

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

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

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and money market investments readily convertible to cash within two working days.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
2. Revenues from Ordinary Activities				
Revenues from ordinary activities comprises:				
Sales revenue	-	-	-	-
Other revenue				
Dividends from: - other entities	**21,377**	20,132	**21,377**	20,132
Interest from: - other entities	**1,134**	1,385	**650**	708
Proceeds from disposal of controlled entities	-	-	**15,165**	-
Total revenues from ordinary activities	**22,511**	21,517	**37,192**	20,840
Profit from ordinary activities is after charging the following expenses:				
a) Borrowing costs expensed:				
Interest expense:				
- related parties				
- wholly owned group	-	-	**16,180**	14,864
- other entities	**16,482**	15,222	-	-
Amortisation of loan facility fees	**182**	317	-	-
Total borrowing costs expensed	**16,664**	15,539	**16,180**	14,864
b) Losses/(gains)				
Net loss (gain) on disposal of financial assets	-	-	**(2,849)**	-

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
3. Income Tax				
a) The prima facie tax on profit differs from the income tax provided in the financial statements as follows:				
Prima facie tax on profit from ordinary activities	**1,514**	1,597	**2,369**	1,597
Tax effect of permanent differences:				
Prima facie tax offsets	**(6,557)**	(6,039)	**(6,557)**	(6,039)
Non assessable items	-	-	**(855)**	-
Non deductible items	**34**	10	**34**	10
Tax losses not tax effected	**5,009**	4,432	**5,009**	4,432
Income tax expense attributable to ordinary activities	-	-	-	-
b) Future income tax benefit arising from tax losses of controlled entities have not been brought to account at balance date as realisation is not virtually certain. The unrecouped tax losses relate to:				
Revenue losses	**37,544**	20,847	**31,471**	14,774
Capital gains tax losses	**74,791**	74,791	-	-

The future income tax benefit will only be obtained if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and

iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax Consolidation
At the reporting date, no election has been made to enter into the tax consolidation regime.

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

4. Dividends Paid or Provided for

	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
a) Dividends paid during the year				
i) Current year interim Franked dividends (1.5 cent per share) (2003: 1 cent)	**1,352**	902	**1,352**	902
ii) Previous year final Franked dividend (3 cents per share) (2003: 2 cents)	**2,706**	1,804	**2,706**	1,804
b) Dividends proposed and not recognised as a liability Franked dividend (4 cents per share) (2003: 3 cents)	**3,607**	2,706	**3,607**	2,706
c) Franking credit balance The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the financial year at 30% (2003:30%)			**45,897**	36,907
- franking debits that will arise from the payment of dividends as at the end of the financial year			**(3,607)**	(1,160)
			42,290	35,747

5. Receivables

	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Non trade amounts owing by related parties				
Wholly-owned group	-	-	**3,984**	3,984
Provision for non recoverability	-	-	**(3,984)**	(3,984)
Other unrelated parties	-	3,789	-	-
	-	3,789	-	-
Other debtors	**114**	101	**59**	28
Total current receivables, net	**114**	3,890	**59**	28

6. Other Assets

	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Prepayments	**1,662**	1,174	**19**	19
Total current other assets	**1,662**	1,174	**19**	19

7. Other Financial Assets

	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Shares in companies quoted on prescribed stock exchange at current market selling value (Note 22)	**654,970**	542,050	**654,970**	542,050
Shares in controlled entities - unlisted (Note 21)	-	-	**62,969**	74,805
Units in controlled entities - unlisted (Note 21)	-	-	-	**480**
Total non-current other financial assets	**654,970**	542,050	**717,939**	617,335

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

8. Property, Plant & Equipment

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Plant & equipment - deemed cost	**4**	4	**4**	4
Accumulated depreciation	**(4)**	(4)	**(4)**	(4)
Total property, plant & equipment, net	-	-	-	-

9. Payables

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Unsecured				
Creditors	**12**	29	**12**	29
Total current payables	**12**	29	**12**	29

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

10. Provisions

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Employee entitlements	**48**	18	**48**	18
Total current other provisions	**48**	18	**48**	18
Employee entitlements				
The number of full-time equivalents employed as at 30 June are	**1**	1	**1**	1

11. Interest-Bearing Liabilities (Non-Current)

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Secured (a)				
Bills payable	**250,000**	250,000	-	-
Unsecured				
Non trade amounts owing to related parties				
Wholly owned group	-	-	**298,524**	292,883
Partly owned controlled entity	-	-	-	15,157
Total non-current interest-bearing liabilities	**250,000**	250,000	**298,524**	308,040

a) The bills payable are secured by a charge over 57 million shares in the capital of Coles Myer Limited. Interest rates are on a fixed and floating basis. The effective interest rate on borrowings is at an average of 6.81%. Repayment date is July 2006.

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

12. Contributed Equity

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

13. Reserves

Reserves comprise:				
Asset revaluation	**282,575**	169,655	**282,575**	169,655
Capital profits	**464**	464	-	-
Total reserves	**283,039**	170,119	**282,575**	169,655

Capital profit

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

Asset revaluation

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

ii) Movements in reserve

Opening balance	**169,655**	137,277	**169,655**	137,277
Increment on revaluation of other financial assets	**112,920**	32,378	**112,920**	32,378
Closing balance	**282,575**	169,655	**282,575**	169,655

14. Accumulated Losses

Accumulated losses at the beginning of the financial year	**(55,824)**	(60,246)	**(58,210)**	(62,632)
Adjustment arising from adaption of revised accounting standard: AASB1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	1,804	-	1,804
Dividends provided for or paid	**(4,058)**	(2,706)	**(4,058)**	(2,706)
Net profit attributable to members of the parent entity	**5,047**	5,324	**7,897**	5,324
Accumulated losses at the end of the financial year	**(54,835)**	(55,824)	**(54,371)**	(58,210)

15. Outside Equity Interest

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Reconciliation of outside equity interest in controlled entities:				
Opening Balance	**3,789**	3,789		
Less dividends on liquidation of controlled entities	**(3,789)**	-		
Closing balance	-	3,789		

16. Remuneration of Auditors

	Consolidated		Parent	
	2004 $	2003 $	**2004 $**	2003 $
Remuneration received, or due and receivable, by the auditors for:				
- An Audit or review of the financial report of the entity and any other entity in the consolidated entity				
Ernst and Young	**18,150**	21,450	**18,150**	15,950
- Other services in relation to the entity and any other entity in the consolidated entity.	-	-	-	-

17. Directors and Executive Disclosures

a) Details of specified Directors and specified Executive

i) Specified Directors

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

ii) Specified Executive

K.F. Davis	Company Secretary

b) Remuneration of specified Directors and specified Executives

i) The Board of Directors is responsible for determining and reviewing compensation arrangements for the executives. The board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions. Such officers are given the opportunity to receive their base enolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating additional cost for the company.

17. Directors and Executive Disclosures (cont.)

		Salary/Fee	Superannuation	Total
		$	$	$
ii) **Specified Directors**				
Sir R. Brierley:	**2004**	**25,000**	-	**25,000**
	2003	20,959	-	20,959
L.E. Fox:	**2004**	**10,000**	**900**	**10,900**
	2003	10,000	900	10,900
F.W. Jones:	**2004**	**10,000**	**900**	**10,900**
	2003	12,424	1,188	13,612
M.R.I. McLeod:	**2004**	**10,000**	**900**	**10,900**
	2003	8,383	754	9,137
Dr. G.H. Weiss:	**2004**	**10,000**	**900**	**10,900**
	2003	10,000	900	10,900
Total Remuneration:	**2004**	**65,000**	**3,600**	**68,600**
	2003	61,766	3,742	65,508
Specified Executives				
K.F. Davis:	**2004**	**197,500**	**11,000**	**208,500**
	2003	180,000	10,520	190,520

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
18. Contingent Liabilities				
Details and estimates of maximum amounts of contingent liabilities are as follows:				
Joint and several guarantees and cross deed of covenant in favour of bankers and financiers to secure loans, advances and other banking accommodation granted to controlled entities.	-	-	**250,000**	250,000
Capital gains tax that would be payable if asset revaluation increment were realised at balance date. No provision has been made for this liability as disposal of the investments is not anticipated.	**45,092**	16,220	-	-

19. Segment Information

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

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

20. Notes to the Statement of Cash Flows

a) For the purposes of the statement of cash flows, cash includes cash on hand and in banks and deposits at call and money market investments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Cash	**26,667**	26,166	**13,920**	7,299
	26,667	26,166	**13,920**	7,299

b) Cash deposits and money market investments with banks are paying interest at current bank deposit rates. At year end the average rate was 5.20% (2003: 4.70%).

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

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Net profit after income tax	**5,047**	5,324	**7,897**	5,324
Non cash items:				
Profit from disposal of investments	-	-	**(2,849)**	-
Adjustments for changes in assets and liabilities:				
Decrease (increase) in prepayments	**(488)**	51	-	-
Decrease (increase) in receivables	**(13)**	102	**(32)**	113
Increase(decrease) in creditors	**(17)**	17	**(17)**	17
Increase in employees entitlements	**30**	-	**30**	-
Net cash flow from operating activities	**4,559**	5,494	**5,029**	5,454

d) Financing arrangements

The economic entity has access to the following financing facility which expires in July 2006;

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Total Facility	**250,000**	250,000	-	-
Facilities used at reporting date	**(250,000)**	(250,000)	-	-
Faculties unused at reporting date	-	-	-	-

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

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

e) Disposal of controlled entity

On the 23 July 2003, Premier Investments Limited disposed of the voting capital of OTG Limited and OHG Unit Trust. Both of these entities were liquidated on the 23 July 2003. Details of the disposal are as follows:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Proceeds on disposal:				
- cash			**15,165**	-
The carrying amount of assets and liabilities disposed of by major class are:				
- investments			**12,316**	-
Profit on disposal			**2,849**	-
Net cash effect				
- cash proceeds			**15,165**	-
- cash balance disposed			-	-
Cash proceeds on disposal of controlled entity as reflected in the consolidated statement of cash flows			**15,165**	-

21. Controlled Entities

The consolidated financial statements at 30 June 2004 include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity. All controlled entities are incorporated within Australia.

		2004 % Holding	2003 % Holding
Kimtara Investments Pty. Ltd.	(b)	**100**	100
Premfin Pty. Ltd.	(b)	**100**	100
Springdeep Investments Pty. Ltd.	(b)	**100**	100
Prempref Pty. Ltd.	(b)	**100**	100
O.H.G. Pty. Ltd. (Liquidated 23 July 2003)		-	80
O.H.G. Unit Trust (Vested 23 July 2003)		-	80
OTG Ltd. (Liquidated 23 July 2003)		-	80

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

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

22. Significant Investments

At 30 June 2004 the consolidated entity has an interest in a material non-controlled public company, Coles Myer Limited, whose principal activities are the operation, ownership and development of retail stores.

At 30 June 2004 5.7% (2003 : 5.8%) of the shares in Coles Myer Limited are held by the consolidated entity at an amount of $597,005,000 (2003: $486,500,000) which is included in non-current other financial assets.

23. Related Party Disclosures

a) Ultimate parent.

Premier Investments Limited is the ultimate parent company.

b) Wholly-owned group transactions.

In addition to those transactions disclosed in Note 2, the parent entity entered into the following transactions during the year with related parties in the wholly owned group:

i) Loan borrowings were made; and

ii) Loan borrowings were repaid.

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

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

c) Other related party transactions.

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

	Consolidated	
	2004 $'000	2003 $'000
24. Earnings Per Share		
The following reflects the income and share data used in the calculation of basic and diluted earnings per share:		
Net Profit	**5,047**	5,324
Adjustments	-	-
Earnings used in calculating basic and diluted earnings per share	**5,047**	5,324
	Number of Shares	
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share. There are no potential ordinary shares outstanding which are considered dilutive. Dilutive earnings per share is not materially different from basic earnings per share	**90,187,462**	90,187,462

25. Financial Instruments

a) Objectives for holding derivative financial instruments.

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

25. Financial Instruments (continued)

b) Interest rate risk exposures.

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

		Fixed interest rate maturing in						
	Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non Interest bearing	Total	Average Interest rate	
2004	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**Floating**	**Fixed**
Financial assets								
Cash	26,636	-	-	-	31	26,667	5.2%	-
Other loans	-	-	-	-	-	-	-	-
Other debtors	-	-	-	-	114	114	-	-
Investments	-	-	-	-	654,970	654,970	-	-
	26,636	-	-	-	655,115	681,751		
Financial liabilities								
Trade creditors	-	-	-	-	12	12	-	-
Bank loans	250,000	-	-	-	-	250,000	6.81%	-
Interest rate swaps	(150,000)	-	150,000	-	-	-	-	-
	100,000	-	150,000	-	12	250,012		
2003								
Financial assets								
Cash	26,070	-	-	-	96	26,166	4.7%	-
Other loans	-	-	-	-	3,789	3,789	-	-
Other debtors	-	-	-	-	101	101	-	-
Investments	-	-	-	-	542,050	542,050	-	-
	26,070	-	-	-	546,036	572,106		
Financial liabilities								
Trade creditors	-	-	-	-	29	29	-	-
Bank loans	250,000	-	-	-	-	250,000	6.51%	-
Interest rate swaps	(150,000)	-	150,000	-	-	-	-	-
	100,000	-	150,000	-	29	250,029		

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

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

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

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

v) At 30 June 2004, a controlled entity has interest rate swap agreements which hedge a portion of the debt facilities through to October 2005. The controlled entity will pay fixed interest rates ranging from 6.37% to 6.82% (2003: 6.37% to 6.82%) and receive the bank bill swap rate calculated on the notional principal amount of the contracts.

25. Financial Instruments (continued)

c) Credit Risk Exposures.

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

d) Net fair value of financial assets and liabilities.

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

	2004		2003	
	Carrying amount	**Net Fair amount**	**Carrying amount**	**Net Fair value**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Investments	**654,970**	**651,695**	542,050	539,340

The carrying amounts shown in the table are included in the Statement of Financial Position under the indicated captions.

The net fair values of listed investments are based on quoted market bid prices less estimated disposal costs. The directors have elected not to write these investments down to their fair values as the investments are held for long term purposes and therefore disposal costs are uncertain.

26. Impact of Adopting AASB Equivalents to IASB Standards

Premier Investments Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and is in the process of engaging expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS.

As Premier Investments Limited is a 30 June year-end, priority has been given to considering the preparation of an indicative opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Premier Investments Limited prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report. At this stage the company has not been able to reliably quantify the impacts on the financial report.

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial assets and liabilities will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables - measured at amortised cost, held to maturity - measured at amortised cost, held for trading - measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non-trading liabilities - measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement for Premiers financial assets and liabilities is at amortised cost for loans and receivables and at fair value for our investments with changes taken to equity.

26. Impact of Adopting AASB Equivalents to IASB Standards (continued)

The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Hedge Accounting
Under AASB 139 *Financial Instruments: Recognition and Measurement* in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge - fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective; and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Income Taxes
Under the Australian equivalent to IAS 12 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the statement of Financial Position or a tax-based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

DIRECTORS' DECLARATION

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

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

   i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and

   ii) complying with Accounting Standards and Corporation Regulation 2001.

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

On behalf of the board.

Ron Brierley
Chairman
Sydney, 22nd September 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PREMIER INVESTMENTS LIMITED

To the members of Premier Investments Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Premier Investments Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Premier Investments Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i) giving a true and fair view of the financial position of Premier Investments Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and

   ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Mary Waldron
Partner
Melbourne
Date: 22nd September 2004