



## **ASX & MEDIA RELEASE**

*25 October 2018*

### **Myer Holdings Limited 2018 Annual Report and Notice of Annual General Meeting**

Myer Holdings Limited (MYR) today releases the following documents:

- Annual Report for the year ended 28 July 2018;
- Notice of Meeting (including Proxy Form) for the 2018 Annual General Meeting, which will be held at Mural Hall, located on Level 6 of the Myer Melbourne store, Bourke Street Mall, Melbourne, on Friday 30 November 2018 at 11.00am; and
- Appendix 4G and Corporate Governance Statement.

The Annual Report and Notice of Meeting will be dispatched today to shareholders who have elected to receive hard copies.

The 2018 Annual Report is available for download from [www.myer.com.au/investor](http://www.myer.com.au/investor)

-ends-

**For further information please contact:**

**Investors**

Davina Gunn, Investor Relations, +61 3 86677879 or +61 (0) 400 896 809

**Media**

Martin Barr, Corporate Affairs & Communications, +61 (0) 418 101 127



ANNUAL REPORT

2018

**MYER**  
MY STORE

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## **MYER**

The 2018 Myer Annual Report reflects the Company's financial and sustainability performance for the period 30 July 2017 to 28 July 2018. It covers our retail and store support operations in Australia. The Annual Report is prepared for all Myer stakeholders including shareholders, analysts, customers, suppliers, team members, and the wider community. Content is based on ASX financial and governance reporting guidelines, stakeholder feedback, and Myer's business strategy. Further information is available from [myer.com.au](http://myer.com.au).

### **ANNUAL GENERAL MEETING**

The ninth Annual General Meeting of Myer Holdings Limited will be held on Friday 30 November 2018 at 11.00am (Melbourne time). Mural Hall Level 6, Myer Melbourne Store Bourke Street Mall, Melbourne VIC 3000

Myer Holdings Limited ABN 14 119 085 602

# COMPANY SNAPSHOT

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MYER IS ONE OF AUSTRALIA'S LARGEST DEPARTMENT STORE GROUPS WITH A FOCUS ON PLACING CUSTOMERS FIRST IN EVERY DECISION WE MAKE AND EVERY ACTION WE TAKE

Myer operates 62 department stores across Australia.

With our 11,500+ team members, we are committed to being Australia's favourite department store: providing friendly, helpful service; high quality and exclusive brands; and offering compelling value.

Our merchandise offer includes core product categories: Womenswear; Menswear; Childrenswear; Beauty; Homewares; Electrical Goods; Toys; and General Merchandise.

The majority of Myer's operations are in Australia and encompass Myer department stores, sass & bide and Marcs and David Lawrence (MDL). In addition to our Australian operations, there are sourcing offices located in China and Hong Kong.

Myer's online business is a significant asset that continues to deliver strong growth, now representing our third largest store by sales revenue.

Our loyalty program, MYER one, has more than five million membership cards in circulation. Members earn Shopping Credits on purchases at Myer, with

these credits converting into Reward Cards on a quarterly basis. For every \$1,000 spent at Myer, Members receive a \$20 Reward Card.

Members can also earn MYER one shopping credits at MYER one affiliates and on purchases made with the Myer Credit Card. Further details about the MYER one program are available online at [myerone.com.au](http://myerone.com.au).

We have a strong background in philanthropy and a proud history of community investment. The organisation has three major fundraising programs. They are the Myer Community Fund Precious Metal Ball; point of sale round-up, providing customers with the opportunity to 'round-up' their purchase to the nearest dollar; and team member fundraising activities at Myer stores, distribution centres and the support office.

Money raised through these fundraising programs goes to the Myer Community Fund to help support the important work of our national and local charity partners in family violence prevention, cultural change and victim support.



Myer is committed to responsible business growth and integrating environmental, social and ethical considerations into the way we operate. Our sustainability strategy aims to maximise the positive outcomes and influence we can have on our stakeholders by integrating all aspects of sustainability into our everyday business operations. For more information, please see page 10.

# CHAIRMAN'S REPORT

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## IT HAS BEEN A YEAR OF SIGNIFICANT LEADERSHIP CHANGE AT THE BOARD AND EXECUTIVE LEVEL

It was a great honour to be appointed as Chairman at the AGM in November 2017.

In this role I will continue to strive for a Board that has the right mix of skills and experience, as demonstrated with the Board appointments of Julie Ann Morrison in October 2017 and Lyndsey Cattermole AM in October 2018.

### A STRENGTHENED EXECUTIVE TEAM FOR THE FUTURE

As a fellow shareholder, I share your disappointment with the Company's performance during FY2018.

As such, the Board made the decisive move to make significant leadership changes.

During the year we successfully recruited experienced executives in the critical roles of Chief Executive Officer and Managing Director, Chief Financial Officer and Chief Merchandise Officer.

In June this year, John King was appointed as Myer's new Chief Executive Officer and Managing Director. Through an international search, we sought a retailer with extensive experience and, particularly, department store experience, who understood our product mix and the complexity of our operations. John led the successful transformation at UK department store House of Fraser from 2006 until 2015. Over the course of

his tenure, John and his team consistently grew revenues, differentiated the product offering, launched a successful online business, improved EBITDA and reduced debt. John and his team also refurbished more than 70 percent of the property portfolio and implemented a vision, values and culture program.

John understands fashion retailing, particularly department stores. He is an excellent executive to lead Myer and I look forward to continuing to work with him to unlock the Company's significant potential.

*John has been given a full mandate by the Board to deliver an improvement in the financial performance of the Company.*

Myer also appointed Allan Winstanley as Chief Merchandise Officer to oversee Merchandise Buying and Planning. Allan's career spans a number of well-known department store retailers including House of Fraser in the UK, and De Bijenkorf, part of the Selfridges Group.

Having previously worked together on the successful turnaround of House of Fraser, John and Allan represent a formidable team, committed to rejuvenating the Myer brand and restoring shareholder confidence and value.

We are also delighted to have appointed Nigel Chadwick as Chief Financial Officer in January 2018. Nigel has spent over 20 years in senior finance roles at Spotless, BHP and Telstra, and brings significant experience to the business.

With these appointments, Myer bolstered its global retail and financial expertise, bringing best-in-class experience to our executive team.

### FY2018 RESULTS

Total sales declined by 3.2% to \$3,100.6 million, and were down 2.7% on a comparable stores basis. Pleasingly, total online sales reached \$239.4 million (including \$30.8 million via in-store iPads, sass & bide and MDL online sales and The Myer Market).

Operating gross profit (OGP) declined by 2.9% to \$1,184.4 million, and OGP margin increased to 38.2%. Cost of doing business (CODB) increased by 1.5% to \$1,035.0 million. Excluding MDL, CODB declined by 1.1%.

Implementation costs and individually significant items totalled \$541.2 million (pre-tax) of which \$538.2 million (pre-tax) were recorded as part of the first half results. This included a non-cash impairment charge relating to the Myer goodwill and brand name of \$515.3 million (pre-tax) and other asset impairments of \$9.2 million (pre-tax).



Garry Hounsell  
Chairman

Net profit after tax (NPAT) pre-implementation costs and individually significant items decreased by 52.2% to \$32.5 million. The Board determined that no final dividend would be paid.

As part of the full year results announcement in September, we announced that we had signed a binding term sheet with our existing lenders to refinance our banking facility, extending the facility until February 2021. This will provide a stable platform for the next 2.5 years whilst management work to improve financial performance.

### PUTTING CUSTOMERS FIRST

In September 2018, John King outlined our Customer First Plan. John said from day one that he will put customers first in every action he takes and every decision he makes. He is committed to ensuring Myer is Australia's favourite department store by providing friendly, helpful service, high quality and exclusive brands, and offering compelling value.

The Customer First Plan is as follows:

Focus areas:

- > Transform customer experience in store;
- > 'Only at Myer' brands and categories; value for money; and
- > Continue enhancing myer.com.au.

Efficiency levers:

- > Simplified business processes;
- > Efficient from factory to customer; and
- > Accelerated cost reduction.

John and the team are focused on delivery and execution, not promises.

We are confident that with the successful execution of this plan, we will improve the performance of the business and deliver shareholder value.

### ONLINE

As previously mentioned, Myer's online business is a significant asset that continues to deliver strong growth and now represents our third largest store.

During the year we launched The Myer Market, an online lifestyle destination where customers can find a curated range of new brands from diverse sellers, with a focus on home and entertainment.

Our new Myer website has significantly enhanced the overall user experience, particularly on mobile devices. It has an improved and faster search, clearer filtering and navigation, improved presentation of merchandise and more engaging brand and editorial journeys.

*We recently launched a significantly enhanced website to deliver customers a step change in search capability and overall user experience.*

### RETAIL

Earlier this year, I was pleased to open the final stage of the Myer Hobart redevelopment. Throughout the year we have also continued refurbishment works at Castle Hill in New South Wales and Maroochydore in Queensland, and completed the refurbishment of our Eastland store in Victoria. At Eastland we have piloted a new in-store concept, launching a children's play centre, Monkey Mania.

### CUSTOMER FOCUSED EVENTS

In putting customers first, we have redefined our events program.

Our new season fashion shows in March and August focused on in-store runways, giving customers the opportunity to purchase tickets to attend, and inviting key MYER one Members as a reward for their loyalty. These events have allowed us to create new customer experiences, bringing theatre back into our stores.



Myer remains the exclusive fashion partner of the Victoria Racing Club and the Melbourne Cup Carnival, and continues to have naming rights of the prestigious Myer Fashions on the Field National Competition.

Whilst this year we made the decision to reduce our corporate hospitality spend, we will continue to build and enhance our on-track activation, including Myer Fashions on the Field, as well as hosting events for our most loyal customers.

## COMMUNITY

Myer has a longstanding history of local community support and engagement. This has continued with the 14th Myer Community Fund Precious Metal Ball. The principal beneficiary of the ball this year was White Ribbon Australia.

## ALIGNING REMUNERATION WITH SHAREHOLDERS' INTEREST

On the back of receiving strong support from institutional investors and proxy advisors on the 2017 Remuneration Report, the Board continued to engage with stakeholders around the appropriateness of the executive incentive framework. In our ongoing conversations, the Board maintains focus on aligning remuneration practice with the interests of shareholders. The Board

approved a reduction in fees to the Chairman and Non-Executive Directors, to be in line with companies of a similar size. To ensure Non-Executive Directors are better aligned with the long term interests of shareholders, the Board introduced a shareholding policy whereby each Non-Executive Director targets the purchase of a shareholding that is the equivalent of a minimum of one year's directors' fees within three years.

It is important that we have a remuneration framework that focuses on improving the performance of the business and delivering shareholder value.

The contract terms for John King provide a clear demonstration of the importance we are placing on aligning remuneration with shareholder outcomes through immediate share ownership, and a total remuneration package that is heavily weighted towards long-term financial and share price performance.

Our focus must remain on incentivising management for material growth in earnings and delivering shareholder value.

## THANK YOU

The success of our Company will be influenced by the strength of our leadership team and organisational capability.

I strongly believe that your interests as shareholders will be well served with John King at the helm and with our experienced executive team, who are supported by a Board that is conflict free and strongly aligned with shareholders.

Thank you for your ongoing support of the Myer Board and our plans to put customers first and deliver shareholder value.

Yours sincerely,

**GARRY HOUNSELL**  
Chairman

# A STRONG TEAM FOR THE FUTURE

PUTTING THE CUSTOMER FIRST IN EVERY  
DECISION WE MAKE AND EVERY ACTION WE TAKE.  
WE ARE FOCUSED ON DELIVERY, NOT PROMISES



John King  
CEO and Managing  
Director

I joined Myer on 4 June 2018, visiting the team at the Doncaster store on my first day and hitting the selling floor to meet our customers.

I am spending at least two days every week in stores. Since I joined, I have been speaking to as many customers as possible, hearing their views and those of our team members, brand partners, suppliers and landlords.

We have to put the customer first in every decision we make and every action we take. This has been my absolute focus in all of my retail roles, and it is also my focus at Myer. With Myer team members, brand partners and suppliers, I am ensuring that we are providing customers with the service, brands and products they want, and expect, whether that be in-store or online.

I know that Myer holds a special place in Australian retailing and that this position has shifted in recent times.

I am confident that with the successful execution of our Customer First Plan, we will improve the financial performance of the business and deliver shareholder value.

Importantly, we can rebuild pride, confidence and relevance in Myer.

I strongly believe Myer's best days are ahead and I look forward to a year of delivery, not promises.

**JOHN KING**  
CEO and Managing Director

## **NIGEL CHADWICK** Chief Financial Officer

Nigel was appointed Chief Financial Officer in January 2018. Nigel's distinguished career began with Price Waterhouse (now PwC) in the United Kingdom before moving to Australia. Nigel then held various senior finance roles at Telstra before moving to BHP Billiton in 2002 as Group Financial Controller and then Group Treasurer. Prior to joining Myer, Nigel's most recent role was as CFO of Spotless Group.

## **ALLAN WINSTANLEY** Chief Merchandise Officer

Allan was appointed Chief Merchandise Officer in June 2018. Allan previously worked with John King at House of Fraser in the UK between 2006 and 2014, where they were part of the store's successful turnaround. Allan's career history spans a number of well-known department store retailers. Most recently Allan served in a senior apparel role at Sears and Kmart in the USA, as well as over 20 years in the UK with House of Fraser, De Bijenkorf (part of the Selfridges Group), and Moss Bros Group.

# PERFORMANCE REVIEW

SUBDUED SALES WERE PARTLY OFFSET BY  
CONTINUED GROWTH IN ONLINE. LOWER NET  
DEBT DEMONSTRATES CAPITAL DISCIPLINE

## SALES

Total sales declined by 3.2% to \$3,100.6 million, and were down 2.7% on a comparable store basis. Total online sales were \$239.4 million (including \$30.8 million via in-store iPads, sass & bide and MDL online sales and The Myer Market).

## OPERATING GROSS PROFIT

Operating gross profit declined by 2.9% to \$1,184.4 million and OGP margin increased to 38.2%. Cost of Doing Business increased by 1.5% to \$1,035.0 million. Excluding MDL, CODB declined by 1.1%.

## NPAT

NPAT pre-implementation costs and individually significant items decreased by 52.2% to \$32.5 million. Implementation

costs and individually significant items totalled \$541.2 million (pre-tax) of which \$538.2 million (pre-tax) were recorded as part of the first half results. Statutory NPAT was a loss of \$486.0 million. The Board determined that no final dividend payment would be paid.

## CASH FLOW AND BALANCE SHEET

Operating cash flow (before interest and tax) was \$131 million with cash conversion at 97% and capex of \$87 million. Positive net cash flow of \$6 million resulted in lower net debt of \$107 million. Inventory was down by 1.5% to \$366.8 million.

## DEBT REFINANCING

In September the Company announced that it had signed a binding term sheet with its existing lenders to refinance its bank facility, extending the maturity until

February 2021. This will provide a stable platform for the next 2.5 years whilst management work to improve the financial performance.

The terms of the new secured facility initially provides core and working capital tranches totalling \$400 million, creating ample liquidity, and relaxed covenant conditions with Fixed Charges Cover Ratio of 1.40 times and minimum Shareholders' Equity of \$400 million. The Fixed Charges Cover Ratio covenant will step up to 1.45 times after six months, then to 1.50 times after 18 months. Myer will also be required to meet a Fixed Charges Cover Ratio of at least 1.65 times prior to paying dividends. As at the end of FY2018, the Fixed Charges Cover Ratio was 1.59 times.

## SUSTAINABILITY

5.4

Lost time injury  
frequency rate  
(LTIFR)

100%

New suppliers agreed  
to ethical sourcing  
policy

56.9%

Senior managers  
are female

#### TOTAL SALES (\$B)

2018	<b>3.1</b>
2017	<b>3.2</b>
2016	<b>3.3</b>
2015	<b>3.2</b>
2014	<b>3.1</b>

#### NET PROFIT AFTER TAX (\$M)\*

2018	<b>32.5</b>
2017	<b>67.9</b>
2016	<b>69.3</b>
2015	<b>77.5</b>
2014	<b>98.5</b>

#### OPERATING GROSS PROFIT MARGIN (%)

2018	<b>38.2</b>
2017	<b>38.1</b>
2016	<b>38.7</b>
2015	<b>40.4</b>
2014	<b>40.9</b>

#### EARNINGS PER SHARE (CENTS)\*

2018	<b>4.0</b>
2017	<b>8.3</b>
2016	<b>8.8</b>
2015	<b>13.2</b>
2014	<b>16.8</b>

#### FINANCIAL SUMMARY (\$M)

	FY2018	FY2017	Change
Total sales	3,100.6	3,201.9	(3.2%)
Operating gross profit	1,184.4	1,220.4	(2.9%)
Operating gross profit margin	38.20%	38.12%	+8bps
Cost of doing business	(1,035.0)	(1,019.8)	1.5%
Share of associates	-	(2.5)	nm**
Earnings before interest, tax, depreciation, amortisation (EBITDA)*	149.4	198.1	(24.6%)
Earnings before interest and tax (EBIT)*	55.4	106.6	(48.0%)
Net profit after tax (NPAT)*	32.5	67.9	(52.2%)
Implementation costs and individually significant items (post-tax)	(518.5)	(56.0)	nm**
Statutory NPAT	(486.0)	11.9	nm**

\* Excludes implementation costs and individually significant items

\*\* Not meaningful

**7.4%**

Reduction in  
greenhouse gas  
emissions

**60%**

Waste  
recycling rate

**\$3.3m**

Total cash equivalent  
contribution to charity  
partners

# YEAR IN REVIEW

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## WE CONTINUE TO INVEST IN OUR STORES AND CUSTOMER EXPERIENCES

Our investment in stores and experiences continued throughout the year with the opening of the second stage of our Hobart store redevelopment, the launch of a new children's play centre at Eastland in Victoria, and the introduction of new hair and beauty services in key locations in Melbourne and Sydney. We have also continued to introduce new cafés and refurbish our existing food offerings.

### STORE PORTFOLIO

We continue to improve productivity across our store portfolio. In March 2018 we closed the Colonnades store in South Australia and successfully negotiated a closure date for our Logan store in Queensland ahead of the lease expiry.

*In April 2018, the second and final stage of our Hobart store redevelopment opened for trade. The store now offers 12,500 square metres of selling space across five floors, showcasing fashion, homewares and entertainment, and a range of new brands.*

Refurbishment works were also completed during June at Eastland in Victoria, delivering a fresh, tailored offer for our customers and coinciding with the launch of the Monkey Mania children's play centre. Refurbishment of the Blacktown store was completed in November 2017 and works at Castle Hill in New South Wales and at Maroochydore in Queensland continue. Both are scheduled to be completed prior to the commencement of the 2018 Christmas trading period.

### DIGITAL

Throughout the year we have continued work to improve the customer's digital shopping experience, which culminated in the launch of the new Myer website in October 2018. The significantly enhanced site offers a much improved customer experience, in particular on mobile devices, offering a faster search capability, clearer filtering and navigation, improved merchandise presentation and more engaging brand and editorial journeys.

### IN-STORE SERVICES

Our café operations at North Lakes in Queensland, and Sydney City, Macquarie and Penrith in New South Wales, were refurbished, providing customers with updated on-trend environments and new menus tailored to each location. Prior to Christmas 2017 we launched HAIR.DO in our Melbourne and Southland stores in Victoria, offering blow dry and hair styling services. This was in addition to opening barbers in both our Melbourne and Sydney City stores. Both services are operated by popular hairdresser Joey Scandizzo.

### NEW EXPERIENCES

Our Eastland store was chosen as the location for our first children's play centre, reflecting the local customer demographic, which includes many young families. Created in partnership with Monkey Mania, a market leader in children's entertainment play centres in New South Wales, the centre offers families with children between the ages of 1 to 12 a state of the art entertainment facility featuring a wide variety of play equipment, a café and a dedicated children's party event space. The centre compliments adjacent departments, creating a children's zone across the whole floor.

## INDUSTRY RECOGNITION

In a challenging retail environment, we were pleased to be awarded the 2017 'Department Store of the Year' by Roy Morgan Research.

This win marks the third consecutive year that Myer has won this award. Myer has been awarded 'Department Store of the Year' in five of the last seven years.

In August 2017 we also won the '2017 People's Choice Award' presented by the Australian Retailers Association, an award based on customer satisfaction surveys, independent research and mystery shopping conducted by The Realise Group.



## TEAM MEMBER COMMUNICATION

Myer continues to invest in its most valuable asset, its 11,500+ team members. In October 2017 the business launched a new mobile store team member communication App called MyMetrics. The App provides store team members with access to their individual key selling metrics, customer feedback, online fulfilment performance and individual performance reviews.

In March 2018, MyMetrics was enhanced with the introduction of a reward and recognition function. Store team members are awarded points based on performance metrics or incentives, and similar to the MYER one program, team members receive a \$20 Myer Gift Card for every 2,000 points they earn. Gift Cards are automatically distributed securely via a digital wallet when each 2,000 point threshold is met.

Further enhancements are planned for deployment prior to Christmas 2018 that will provide team members with greater access to product knowledge and communication, increasing their ability to provide the best possible customer experience.

## MERCHANDISE OPERATIONS

This year we launched a new merchandise planning system, enabling significant efficiency, standardisation and simplification in our merchandise financial planning, store budgeting and product strategy development processes. These tools have enabled us to manage stock and purchases more accurately across our stores and spend more time developing forward looking product strategies aligned to customer trends.

*Our merchants are now spending more time combining their customer, market and product knowledge with enhanced data driven insights provided by our new systems to make more informed ranging decisions.*

We have also become the first retailer in Australia to deliver a new size profile optimisation tool which provides our customers with more of the right sized stock in store. We look forward to building on this solid platform, with further enhancements to our merchandise systems and processes to improve stock availability for key products and help us deliver more localised product offerings tailored to our customers based on store location, climate and demographics.

# SUSTAINABILITY AT MYER

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MYER IS COMMITTED TO BUILDING A SOCIALLY RESPONSIBLE  
BUSINESS THAT INTEGRATES SUSTAINABILITY INTO  
EVERYDAY BUSINESS PRACTICES

## OUR SUSTAINABILITY STRATEGY HAS FIVE FOCUS AREAS:

### CUSTOMER

Each of these five focus areas are supported by relevant metrics to enable us to measure our performance.

#### CUSTOMER

Myer continues to build our strategic focus based upon our customers' priorities and expectations. This year we have again increased the time and resources dedicated to listening to our customers and ensuring their perspective is central to our business decisions.

Our customer feedback program has been implemented across all stores and our website and is providing ongoing feedback from our customers about all elements of the shopping experience such as product range, value, customer service and ease of shopping.

This feedback is revealing insights that enable us to identify and address areas that customers consider most important. This year we have supplemented this ongoing quantitative measurement of customer feedback with a series of

### TEAM

customer focus groups. This series of listening sessions provided a qualitative deep dive into the key issues and concerns raised by our customers to enable us to tighten our focus even further onto the things that matter most to our customers.

#### TEAM

At Myer, we understand the value of diversity and inclusion. Myer aspires to create a diverse and inclusive workplace to reflect the diversity of our customers and our community, to enable all team members and people leaders to reach their full potential and to contribute to Myer's commercial success.

Myer's recently endorsed Diversity and Inclusion Policy sets out our principles and outlines the organisation's approach to creating and maintaining an inclusive and collaborative workplace. The business focuses on three inclusion priorities being cultural diversity, LGBTI inclusion and female representation at

### ENVIRONMENT

### COMMUNITY

### BUSINESS

senior leadership levels. The Group's workforce composition at financial year end was 80.4 percent female, with 56.9 percent of leadership roles and 42.9 percent of our Non-Executive Directors being female. Myer monitors progress in female representation through measurable objectives in terms of succession planning, parental leave and leadership development.

Myer is focused on strengthening the organisation through many of its diversity and inclusion initiatives.

Throughout the year, we have delivered a range of initiatives including participation in the Diversity Council Australia's (DCA) inaugural Workplace Inclusion Survey, rolling out flexible work options at the support office, facilitating unconscious bias education, trialling cultural awareness tools, partnering with Pride in Diversity, celebrating key events such as National Carer's Week and delivering the Myer Academy diversity masterclass series.

The safety of our team members and customers is a priority for Myer. In FY2018 we continued to invest in safety through the development and implementation of new online safety training, targeting all new and existing team members. This investment reflects the commitment to building team member safety competency from the moment they join the business and annually refreshing all team members on the importance of safety to drive a positive safety culture and demonstrate Myer's commitment to safety. Importantly we want to ensure our team have the skills and knowledge to keep them safe at work. The new training has been completed by over 90 percent of team members in FY2018. Our safety performance continues to improve and in FY2018 we further reduced our Lost Time Injury Frequency Rate (LTIFR).

## ENVIRONMENT

Energy usage and associated greenhouse gas emissions continues to be a focus area with regard to our environmental impact.

Over the last five years we set out to reduce energy intensity by 10 to 15 percent and we are pleased to report that the organisation has exceeded this target as of FY2018 with an overall baseline improvement of 18% since FY2013.

Our ongoing strategy continues to include fundamental activities that have produced success thus far, including awareness of our energy use and improved control such as behavioural and equipment optimisation measures. We have also implemented improved

reporting streams to assist with earlier detection of energy waste, investigation and ongoing measurement.

Myer's total energy use for the year reduced by 5 percent to 598 GJ, resulting in 135,738 tonnes of carbon dioxide equivalent greenhouse gas emissions which is a reduction of 7.4 percent from FY2017. The energy intensity of our business further reduced by 6 percent on the FY2017 result.

Myer continues to be a signatory to the Australian Packaging Covenant, which is an initiative that encourages businesses to design more sustainable packaging in order to reduce manufacturing impacts on the environment and increase recycling rates, as well as reduce packaging litter.

In FY2018 the organisation's total waste generation fell by approximately 10 percent which was driven primarily by an overall reduction in waste sent to landfill, while sustaining effective re-use systems including cardboard, clear flexible plastics, apparel hangers, damaged and unsold stock, timber pallets and security tags.

## MYER BAGS

Myer bags are made from low density polyethylene and can be used again and again. This includes the in-store point of sale bags and satchels for online orders.

Once multiuse bags are no longer fit for use, they can be recycled by dropping them off at any REDcycle collection point.

## COMMUNITY

Myer has a proud history of community investment. Giving back strongly aligns with the values of our team members, customers and suppliers. As a national retailer, the organisation has a unique opportunity to make a positive social impact by enabling team members, suppliers and customers to contribute to addressing pressing social issues. Myer's community investment and partnerships are aligned with the theme 'empowering and supporting women; strengthening families'.



## PRECIOUS METAL BALL

The Myer Community Fund Precious Metal Ball is now in its 14th year. The 2018 ball generated revenue in excess of \$1 million which was raised through financial and product contributions made on the night. The ball plays host to approximately 1,000 guests from the retail, business and fashion industries, and this year featured special guests Jennifer Hawkins and Myer Ambassador, Kris Smith.

**\$3.3m**

Total cash equivalent contribution to charity partners

**\$1.7m**

Direct time, cash and goods

**\$1.6m**

Facilitated fundraising from customers, suppliers and team members

In FY2018 the organisation worked primarily with its national partners White Ribbon Australia, Global Sisters and The Salvation Army to reduce family violence and its impacts.

The organisation has three major fundraising programs. They are the Myer Community Fund Precious Metal Ball; point of sale round-up, providing customers with the opportunity to 'round-up' their purchase to the nearest dollar; and team member fundraising activities at every Myer store, distribution centre and the support office.

Money raised through these fundraising programs goes to the Myer Community Fund to help support the important work of our national and local charity partners in family violence prevention, cultural change and victim support.

### HOBART WOMEN'S SHELTER

The creation of a toy library at the Hobart Women's Shelter has provided a space where children can engage, reconnect and develop key social and emotional skills in a time of crisis.

Children often arrive with few or no possessions and through its partnership with Myer Hobart and a grant from the Myer Community Fund, up to 230 children each year now have toys they can borrow and spaces where they can play to help them feel more secure.

### BUSINESS

Myer is committed to the highest levels of integrity and ethics in our business operations and interactions with stakeholders. We implement this commitment through our Code of Conduct, team member training and whistle blower programs. Team members are required to acknowledge acceptance of the Code of Conduct prior to commencing work, and all salaried team members are required to refresh their Code of Conduct training annually.

Myer is committed to sourcing products in a responsible manner and integrating an effective and sustainable supply chain within our business and with our business partners. Business partners are required to meet global standards on human rights, workplace safety, environment and ethical business practices.

Myer's Ethical Sourcing Policy prohibits the use of forced or slave labour and child labour, the exploitation or unfair treatment of workers and acts of bribery. The policy also requires business partners to ensure that workers are treated with respect, paid fairly and work in safe and hygienic conditions.

Myer currently sources from several countries including China, India, Italy, Bangladesh and Vietnam. Sourcing products from these countries

creates mutual economic benefits as well as allowing our merchandise teams to provide affordable products to consumers.

Myer continues to work with its business partners to improve their ethical sourcing procedures and ensure compliance with our Ethical Sourcing Policy. In FY2018 our focus areas included existing vendor re-certification as well as building stronger relationships and improving transparency with Myer's Australian-based sourcing suppliers.

In FY2018, we completed audit reviews of 230 business partners (348 factory audits) within our Myer Exclusive Brand network. Our review identified no zero tolerance issues and 86 high risk issues, which primarily related to excessive overtime hours and the need for safety improvements. Myer is committed to continuing its working relationships with the factories to address high risk issues.

### SUSTAINABILITY PERFORMANCE AND TARGETS

Focus area	Key measure	FY2016 Performance	FY2017 Performance	FY2018 Performance	FY2019 Target
Customer	Net Promoter Score	Achieved	Target not met	Achieved ●	Improvement
Team	Diversity and inclusion (% female senior managers)	49	51	57 ●	≥50
	Workplace safety (LTIFR)	6.0	5.8	5.4 ●	<5.3
Community	Direct community contribution (% EBIT)	1.6	1.4	3.0 ●	>0.5
Environment	Greenhouse gas emissions reduction (%)	5.9	7.7	7.4 ●	≥1.0
	Energy intensity (kJ/m <sup>2</sup> .opening hour)	169.3	166.6	156.5 ●	≤156.0
	Recycling rate (%)	60	57	60 ●	≥60
Business	New suppliers agreed to Ethical Sourcing Policy (%)	100	100	100 ●	100
	Code of Conduct training (% of required team members trained)	87.0	85.9	82.5 ●	≥80.0

● Improved / met target ● Did not reach target

Note: Previous financial year targets are available in Myer Annual Reports available on our Investor Centre website.

# DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Myer Holdings Limited ABN 14 119 085 602 (the **Company** or **Myer**) and the entities it controlled (collectively referred to as the **Group**) at the end of, or during the financial period ended 28 July 2018.

## 1. DIRECTORS

The following persons were directors of the Company during the financial period and/or up to the date of this Directors' Report:

Director	Position	Date appointed
Garry Hounsell*	Independent non-executive director Deputy Chairman from 20 September 2017 Chairman from 24 November 2017 and from 4 June 2018 Executive Chairman from 14 February 2018 to 3 June 2018	20 September 2017
John King	CEO and Managing Director	4 June 2018
Anne Brennan	Independent non-executive director	16 September 2009
Ian Cornell	Independent non-executive director	6 February 2014
Chris Froggatt	Independent non-executive director	9 December 2010
Julie Ann Morrison*	Independent non-executive director	17 October 2017
JoAnne Stephenson	Independent non-executive director	28 November 2016
Bob Thorn	Independent non-executive director	6 February 2014
Dave Whittle	Independent non-executive director	30 November 2015
Paul McClintock AO	Chairman from 10 October 2012 Independent non-executive director	8 August 2012
Richard Umbers	CEO and Managing Director	2 March 2015

\* As part of approving this Directors' Report, the Board (other than the relevant director) determined that these directors had resumed being independent.

Paul McClintock AO and Anne Brennan each retired from the Board with effect from 24 November 2017. Richard Umbers stepped down from his role as Chief Executive Officer and Managing Director on 14 February 2018. All directors other than Mr Hounsell, Mr King, Ms Brennan, Ms Morrison, Mr McClintock AO and Mr Umbers served as directors of the Company for the whole financial period and until the date of this Directors' Report. Details of the qualifications, experience, and special responsibilities of each current director are as follows.

### GARRY HOUNSELL Chairman

- Independent Non-Executive Director
- Member of the Board since 20 September 2017
- Chairman from 24 November 2017 and from 4 June 2018
- Executive Chairman from 14 February 2018 to 3 June 2018
- Chairman – Nomination Committee
- Member – Human Resources and Remuneration Committee

Garry has been Chairman of Spotless Holdings Limited, PanAust Limited and eMitch Limited and Deputy Chairman of Mitchell Communications Group Limited. He has also been a Director of Qantas Airways Limited, Orica Limited, Nufarm Limited, Integral Diagnostics Limited and Dulux Group Limited. Garry was also a Director of the Burnet Institute Limited and Methodist Ladies' College Limited. He was an Advisory Board member of PanAust Limited and Rothschild Australia Limited.

Garry is a former Chief Executive Officer and Country Managing Partner of Arthur Andersen and a Senior Partner of Ernst & Young. He is a Fellow of Australian Institute of Company Directors and a Fellow of Chartered Accountants Australia and New Zealand. Garry resides in Victoria.

#### Other current directorships

Garry is the Chairman of Helloworld Travel Limited and a Director of Treasury Wine Estates Limited. He is also a Director of Commonwealth Superannuation Corporation Limited.

### JOHN KING Chief Executive Officer & Managing Director

- Member of the Board since 4 June 2018

John was appointed CEO & Managing Director in June 2018. In this role, John has overall accountability for Myer financial performance and strategy and will oversee the refocusing of the Myer business. John brings to the role more than 30 years' retail experience in merchandising and management roles across a variety of retail sectors, including department stores, value retail and wholesale apparel.

Most recently John King led the successful turnaround of House of Fraser from 2006 - 2015. During his tenure he improved the product differentiation, decreased debt, improved EBITDA and repositioned the business as one of the leading premium department stores in the UK.

He has also successfully led Matalan from 2003 - 2006, an apparel and housewares retailer based in the UK. In this role, John launched new brands, opened 20 new stores and successfully sold the company back to the founder. He started his career at Sainsbury's and also worked for Marks & Spencer before taking senior roles in the manufacturing and wholesale sector in the UK and the USA.

# DIRECTORS' REPORT

## *Continued*

### IAN CORNELL

#### Independent Non-Executive Director

- Member of the Board since 6 February 2014
- Chairman – Human Resources and Remuneration Committee
- Member – Nomination Committee

Ian has extensive experience in the retail industry across a number of senior retail roles, including 11 years at Westfield. During his time at Westfield, Ian was Head of Human Resources for seven years and also responsible for retailing relationships in Australia and New Zealand. He also spent three years as the Head of Management and Marketing for Westfield's shopping centres in Australia and New Zealand and has extensive experience in large scale retail operations and responding to changing consumer trends. Prior to joining Westfield, Ian was chairman and CEO of supermarket chain, Franklins, and earlier spent 22 years at Woolworths, including his role as Chief General Manager Supermarkets. Ian has previously been a director of Goodman Fielder Limited. Ian is also a Fellow of the Institute of Management, a Fellow of the Human Resources Institute, a member of the Institute of Company Directors, and a graduate of the Advanced Management Programme at Harvard. Ian resides in New South Wales.

#### **Other current directorships**

Ian is the Non-Executive Chairman of Baby Bunting Group Limited and a Non-Executive Director of Inglis Bloodstock, as well as of the PKD Foundation of Australia, a charitable foundation raising funds for medical research into kidney disease.

### CHRIS FROGGATT

#### Independent Non-Executive Director

- Member of the Board since 9 December 2010
- Member – Human Resources and Remuneration Committee
- Member – Nomination Committee

Chris has a broad industry background, including experience in consumer branded products, retailing, and hospitality across numerous industries such as beverages, food, and confectionery. She has more than 20 years' executive experience as a human resources specialist in leading international companies including Brambles Industries, Whitbread Group, Mars, Diageo, and Unilever NV.

Chris has served on the boards of Britvic, Sports Direct International, and Goodman Fielder Limited; as well as being a director of the Australian Chamber Orchestra and the Australian Chamber Orchestra Instrument Fund, and as an independent trustee director of Berkeley Square Pension Trustee Company Limited.

Chris holds a Bachelor of Arts (Honours) in English Literature from the University of Leeds (United Kingdom). Chris is a Fellow of the Chartered Institute of Personnel Development, and a member of the Australian Institute of Company Directors. Chris resides in New South Wales.

### JULIE ANN MORRISON

#### Independent Non-Executive Director

- Member of the Board since 17 October 2017
- Member – Nomination Committee

Julie Ann has over 30 years' retail experience in brands, fashion and cosmetics from the sales floor through to buying, marketing, HR and as a managing director.

She was the Managing Director of Bulgari UK (2012 to 2014) concurrent with being the Managing Director of Bulgari Australia (2007 to 2014), part of the LVMH Group. She was also the Managing Director of FJB Australia, the then largest luxury goods company in Australia, which had franchise rights for brands including Gucci, Guess, Moschino, Lanvin and Fendi in South East Asia and Australia. While at FJB, she established and headed up an international licensing business for local and US brands overseeing offices in Italy and New York with production in China. Julie Ann was a finalist in the BRW/Qantas Business Woman of the Year and went on to establish a management consulting business specialising in retail and brands. She holds a Master of Arts, Creative Media from RMIT University and a Diploma of Arts, RMIT University. She has been a member of the Institute of Directors (UK) and is currently a member of the Australian Institute of Company Directors.

From February 2017 to June 2018, Julie Ann was Non-Executive Chair of Myer subsidiary boards overseeing the sass & bide, Marcs and David Lawrence brands where she set brand and business strategies. In June 2018 she handed responsibility for overseeing these brands to the incoming CEO, John King.

Julie Ann is an advisory board member and consultant to Carla Zampatti Pty Ltd (including the Carla Zampatti and Bianca Spender brands) and a fashion business advisor to the not-for-profit Sherman Centre for Culture and Ideas. Julie Ann also consults on projects specialising in fashion, retail, brands and the arts. Julie Ann resides in Victoria.

### JOANNE STEPHENSON

#### Independent Non-Executive Director

- Member of the Board since 28 November 2016
- Chairman – Audit, Finance and Risk Committee
- Member – Human Resources and Remuneration Committee
- Member – Nomination Committee

JoAnne has extensive experience spanning over 25 years across a range of industries. JoAnne was previously a senior client partner in the Advisory division at KPMG and has key strengths in finance, accounting, risk management and governance. JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from The University of Queensland. She is also a member of both the Australian Institute of Company Directors and The Institute of Chartered Accountants in Australia. JoAnne resides in Victoria.

#### **Other current directorships**

JoAnne is also an Independent Non-Executive Director of Challenger Limited, Asaleo Care Limited and Japara Healthcare Limited. She is also Chair of the Audit and Risk Committee of the Department of Health and Human Services (Victoria), the Victorian Major Transport Infrastructure Board and the Melbourne Chamber Orchestra.

## DIRECTORS' REPORT

### *Continued*

#### **BOB THORN**

##### **Independent Non-Executive Director**

- Member of the Board since 6 February 2014
- Member – Audit, Finance and Risk Committee
- Member – Nomination Committee

Bob brings considerable general business and senior retail management experience to Myer from 13 years at Super Retail Group; nine of those years in the role of Managing Director. During his time at the company, Bob drove Australia and New Zealand expansions and led the creation of the Boating Camping Fishing (BCF) business, the market leader in camping and leisure.

Prior to Bob's 13 years with Super Retail Group, he was General Manager at Lincraft, and held senior roles at other major retailers including nine years with David Jones. Bob has also been the chairman of Cutting Edge, and a director at WOW Sight and Sound, Chairman of MotorCycle Holdings Limited and Babies Galore. He was also a board member of Unity Water.

Bob is a member of the Australian Institute of Company Directors and was the independent Chairman of PWR Holdings Limited. Bob resides in Queensland.

#### **DAVE WHITTLE**

##### **Independent Non-Executive Director**

- Member of the Board since 30 November 2015
- Member – Audit, Finance and Risk Committee
- Member – Nomination Committee

Dave has considerable brand, data, technology, omni-channel retail and digital transformation experience. Over the last 4 years Dave has led Lexer, a global data analytics company helping enterprise clients genuinely understand and engage their customers. Previously, Dave spent 10 years with global advertising group M&C Saatchi in a number of local and international leadership roles, culminating in three years as Managing Director in Australia. Prior to joining M&C Saatchi, Dave was the first employee of a marketing services group that built four digital service and software businesses. Dave has a Bachelor of Arts and a Bachelor of Commerce from Deakin University. Dave resides in New South Wales.

##### **Other current directorships**

Dave is a director of Lexer Pty Ltd.

## **2. DIRECTORSHIPS OF OTHER LISTED COMPANIES**

The following table shows, for each director, all directorships of companies that were listed on the ASX, other than the Company, since 27 July 2015, and the period during which each directorship has been held.

Director	Listed entity	Period directorship held
Garry Hounsell	Helloworld Travel Limited Treasury Wine Estates Limited DuluxGroup Limited	4 October 2016 – present 1 September 2012 – present 8 July 2010 – 31 December 2017
John King	-	-
Ian Cornell	Baby Bunting Group Limited	January 2015 – present
Chris Froggatt	-	-
Julie Ann Morrison	-	-
JoAnne Stephenson	Challenger Limited Asaleo Care Limited Japara Healthcare Limited	October 2012 – present May 2014 – present September 2015 – present
Bob Thorn	MotorCycle Holdings Limited PWR Holdings Limited	March 2016 – July 2016 August 2015 – March 2017
Dave Whittle	-	-

## DIRECTORS' REPORT

### *Continued*

#### 3. MEETINGS OF DIRECTORS AND BOARD COMMITTEES

The number of meetings of the Board and of each Board Committee held during the period ended 28 July 2018 are set out below. All directors are invited to attend Board Committee meetings. Most Board Committee meetings are attended by all directors; however, only attendance by directors who are members of the relevant Board Committee is shown in the table below.

Director	Meetings of directors**		Audit, Finance and Risk Committee		Human Resources and Remuneration Committee		Nomination Committee	
	Meetings Held*	Attended	Meetings Held*	Attended	Meetings Held*	Attended	Meetings Held*	Attended
Garry Hounsell	10	10	-	-	3	3	1	1
John King	2	2	-	-	-	-	-	-
Anne Brennan	4	4	1	1	2	2	1	1
Ian Cornell	12	12	-	-	5	4	-	-
Chris Froggatt	12	11	-	-	5	5	2	2
Julie Ann Morrison	8	8	-	-	-	-	-	-
JoAnne Stephenson	12	12	6	6	3	3	-	-
Bob Thorn	12	12	6	6	-	-	-	-
Dave Whittle	12	12	6	6	-	-	-	-
Paul McClintock AO	4	4	-	-	-	-	1	1
Richard Umbers	6	6	-	-	-	-	-	-

\* Number of meetings held during the time the director held office or was a member of the Committee during the year.

\*\* Teleconferences outside of scheduled Board meetings have not been included in the table above.

#### 4. DIRECTORS' RELEVANT INTERESTS IN SHARES

The following table sets out the relevant interests that each director has in the Company's ordinary shares or other securities as at the date of this Directors' Report. No director has a relevant interest in a related body corporate of the Company.

Director	Ordinary Shares	Performance Rights
Garry Hounsell	1,000,000	Nil
John King	50,000	2,432,432
Ian Cornell	266,000	Nil
Chris Froggatt	24,056	Nil
Julie Ann Morrison	89,788	Nil
JoAnne Stephenson	95,000	Nil
Bob Thorn	225,400	Nil
Dave Whittle	12,345	Nil

#### 5. COMPANY SECRETARY AND OTHER OFFICERS

Richard Amos was appointed as Company Secretary of the Company on 6 July 2015, as well as being appointed as Chief General Counsel of the Group. Before joining Myer, Richard Amos worked with leading brewing and consumer dairy business, Lion, for 10 years in a range of executive roles including Corporate Development and Risk Director and General Counsel of Lion Beer, Spirits and Wine Australia and NZ. Richard also worked for international law firm Baker and McKenzie in Sydney, London, and Bangkok for 10 years.

Richard Amos stepped down as General Counsel and Company Secretary of the Company effective 31 July 2018. Jonathan Garland was promoted to Company Secretary of the Company effective 31 July 2018 and General Counsel effective 1 September 2018. Prior to joining Myer, Jonathan Garland worked for leading law firms Clayton Utz, Linklaters in London and Norton Rose Fulbright.

Myer's Chief Financial Officer is Nigel Chadwick. Details of Nigel Chadwick's experience and background are set out in the Executive Management Team section of Myer's Investor Centre website.

#### 6. PRINCIPAL ACTIVITIES

During the financial period, the principal activity of the Group was the operation of the Myer department store business.

# DIRECTORS' REPORT

## *Continued*

### 7. OPERATING AND FINANCIAL REVIEW

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#### SUMMARY OF FINANCIAL RESULTS FOR 52 WEEKS ENDED 28 JULY 2018

- Total sales declined by 3.2% to \$3,100.6 million, and were down 2.7% on a comparable stores basis
- Total online sales were \$239.4 million (including \$30.8 million in sales via in-store iPads, sassafras & bide and Marcs and David Lawrence (MDL) online sales, and Myer Market)
- Operating gross profit (OGP) declined by 2.9% to \$1,184.4 million, and OGP margin increased by 8 basis points to 38.2%. The increase in OGP margin represents sourcing and markdown improvements and a full year of MDL, post-acquisition. This was partly offset by lower contributions from suppliers and higher costs of selling
- During the second half, sales were down 2.6% to \$1,380.9 million. Comparable store sales were down 2.4%. Operating gross profit was \$539.0 million which represented an improvement on last year. Operating gross profit margin improved by 109 basis points to 39.0% in the second half compared to the previous corresponding period
- Cost of doing business (CODB) increased by 1.5% to \$1,035.0 million. Excluding MDL, CODB declined by 1.1%. This has been due to business efficiencies including procurement, space reduction and back efficiencies
- Implementation costs and individually significant items totalled \$541.2 million (pre-tax) of which \$538.2 million (pre-tax) were recorded as part of the first half results for the period ended 27 January 2018. This included a non-cash impairment charge relating to the Myer goodwill and brand name of \$515.3 million (pre-tax) and other associated asset impairments of \$9.2 million (pre-tax)
- NPAT pre-implementation costs and individually significant items decreased by 52.2% to \$32.5 million
- Statutory FY2018 NPAT was a loss of \$486.0 million
- Operating cash flow (before interest and tax) was \$131 million with cash conversion of 97%
- Inventory reduced by 1.5% to \$366.8 million
- Positive net cash flow of \$6 million resulted in lower net debt at the end of the period of \$107 million
- No final dividend will be paid

# DIRECTORS' REPORT

## Continued

### INCOME STATEMENT FOR THE 52 WEEKS TO 28 JULY 2018

	2018 \$m	2017 \$m	Change vs. LY (\$m)	Change vs. LY (%)
<b>Total Sales</b>	<b>3,100.6</b>	<b>3,201.9</b>	<b>(101.3)</b>	<b>(3.2%)</b>
Concessions	654.0	701.7	(47.7)	(6.8%)
Myer Exclusive Brands	517.2	546.8	(29.6)	(5.4%)
National Brands and other	1,929.4	1,953.4	(24.0)	(1.2%)
 Operating Gross Profit	 1,184.4	 1,220.4	 (36.0)	 (2.9%)
<i>Operating Gross Profit margin</i>	<i>38.20%</i>	<i>38.12%</i>		<i>+8bps</i>
 Cost of Doing Business	 (1,035.0)	 (1,019.8)	 15.2	 1.5%
<i>Cost of Doing Business/Sales</i>	<i>33.38%</i>	<i>31.85%</i>		<i>+153bps</i>
 Share of Associates	 -	 (2.5)	 (2.5)	
 <b>EBITDA*</b>	 <b>149.4</b>	 <b>198.1</b>	 <b>(48.7)</b>	 <b>(24.6%)</b>
<i>EBITDA margin*</i>	<i>4.82%</i>	<i>6.19%</i>		<i>-137bps</i>
Depreciation and amortisation	(94.0)	(91.5)	2.5	2.7%
 <b>EBIT*</b>	 <b>55.4</b>	 <b>106.6</b>	 <b>(51.2)</b>	 <b>(48.0%)</b>
<i>EBIT margin*</i>	<i>1.79%</i>	<i>3.33%</i>		<i>-154bps</i>
Net Finance Costs	(9.0)	(10.8)	(1.8)	(16.7%)
<b>Net Profit Before Tax*</b>	<b>46.4</b>	<b>95.8</b>	<b>(49.4)</b>	<b>(51.6%)</b>
Tax*	(13.9)	(27.9)	(14.0)	(50.2%)
 <b>Net Profit After Tax (NPAT) (pre implementation costs and individually significant items)</b>	 <b>32.5</b>	 <b>67.9</b>	 <b>(35.4)</b>	 <b>(52.2%)</b>
 Implementation costs and individually significant items (post-tax)	 (518.5)	 (56.0)	 (462.5)	
 <b>NPAT (post implementation costs and individually significant items)</b>	 <b>(486.0)</b>	 <b>11.9</b>	 <b>(497.9)</b>	

\* Excluding implementation costs and individually significant items

### BALANCE SHEET AS AT 28 JULY 2018

	July 2018 \$m	July 2017 \$m
Inventory	367	372
Other Assets	35	30
Less Creditors	(381)	(380)
Less Other Liabilities	(239)	(282)
Property	23	24
Fixed Assets	401	436
Intangibles	485	986
<b>Total Funds Employed</b>	<b>691</b>	<b>1,186</b>
<i>Comprising of:</i>		
Debt	(149)	(143)
Less Cash	42	30
<b>Net (Debt) / Cash</b>	<b>(107)</b>	<b>(113)</b>
<b>Equity</b>	<b>584</b>	<b>1,073</b>

# DIRECTORS' REPORT

## Continued

### CASH FLOW FOR THE 52 WEEKS TO 28 JULY 2018

	2018 \$m	2017 \$m
EBITDA*	135	183
Working capital movement	(4)	4
<b>Operating cash flow (before interest and tax)</b>	<b>131</b>	<b>187</b>
Conversion	97%	102%
Tax	(13)	(28)
Interest	(9)	(10)
<b>Operating cash flow</b>	<b>109</b>	<b>149</b>
Capex / acquisitions**	(87)	(110)
<b>Free cash flow before dividends</b>	<b>22</b>	<b>39</b>
Dividends	(16)	(49)
<b>Net cash flow</b>	<b>6</b>	<b>(10)</b>

\* EBITDA includes implementation costs and individually significant items with the exception of non-cash asset impairments

\*\* Net of landlord contributions

### OTHER STATISTICS AND FINANCIAL RATIOS

	2018	2017
Return on Total Funds Employed*	5.9%**	8.9%
Gearing	15.5%**	9.5%
Net Debt/EBITDA*	0.72x	0.58x

\* Calculated on a rolling 12 months basis

\*\* ROFE 4.7% and Gearing 9.0% if goodwill and brand impairment is excluded from calculations

### SHARES AND DIVIDENDS

	2018	2017
Shares on Issue	821.3 million	821.3 million
Basic EPS*	4.0 cents	8.3 cents
Dividend per share	Nil	5.0 cents

\* Calculated on weighted average number of shares of 821.3 million (FY2017: 821.3 million) and based on NPAT pre implementation costs and individually significant items

### NON-IFRS FINANCIAL MEASURES

The Company's results are reported under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Company discloses certain non-IFRS measures in this Directors' Report, which can be reconciled to the Financial Statements as follows:

#### Income Statement reconciliation

\$ millions	EBIT	INTEREST	TAX	NPAT
<b>Statutory reported result</b>	<b>(485.8)</b>	<b>(9.0)</b>	<b>8.8</b>	<b>(486.0)</b>
<i>Add back: implementation costs and individually significant items</i>				
Restructuring and redundancy costs	9.2	-	(2.8)	6.4
Store exit costs and other asset impairments	7.5	-	(2.0)	5.5
Impairment of assets	524.5	-	(17.9)	506.6
<b>Underlying result</b>	<b>55.4</b>	<b>(9.0)</b>	<b>(13.9)</b>	<b>32.5</b>

# DIRECTORS' REPORT

## *Continued*

### FY2018 OPERATIONS

During the year the Board made significant leadership changes with a number of new executive appointments.

John King was appointed as Chief Executive Officer and Managing Director and Allan Winstanley was appointed as the Chief Merchandise Officer in June 2018. Nigel Chadwick was appointed as Chief Financial Officer in January 2018.

With these appointments, Myer bolstered its global retail and financial expertise, bringing best-in-class experience with highly relevant retail, merchandising and financial skills.

During FY2018 there were a number of achievements:

- Total online sales were \$239.4 million (including \$30.8 million in sales via in-store iPads, sass & bide and Marcs and David Lawrence (MDL) online sales, and Myer Market).
- Our online business had a good year with sales growth of 34.1% to \$192.5 million which was on the back of a strong performance in 2017.
- We opened the redeveloped Myer Hobart store, which now occupies approximately 12,500 square metres of selling space.
- Refurbishment works were completed at Eastland coinciding with the launch of the first dedicated children's play centre, Monkey Mania, a market leader in children's play centres.
- Refurbishment works commenced at Blacktown and at Maroochydore in Queensland with ongoing works at Castle Hill in New South Wales. These works are scheduled to be completed prior to the commencement of the 2018 Christmas trading period.
- We closed the Colonnades store in South Australia.

In addition to these achievements, section 8 and 9 provide an outline of Myer's corporate developments and strategy. These should be read in conjunction with section 10, which describes factors that could impact Myer's results.

### 8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS IN FY2018

In addition to those matters described in section 7 above, the following significant changes occurred during FY2018:

- A new director, Garry Hounsell, was appointed to the Board of Myer Holdings Limited in September 2017. His background, experience and particular skills that he brings to the Board are set out on page 13.
- A new director, Julie Ann Morrison, was appointed to the Board of Myer Holdings Limited in October 2017. Her background, experience and particular skills that she brings to the Board are set out on page 14.
- Paul McClintock AO and Anne Brennan each retired from the Board with effect from 24 November 2017.
- Mark Cripsey was promoted to Chief Operating Officer on 29 January 2018.
- Nigel Chadwick was appointed Chief Financial Officer with effect from 29 January 2018. Grant Devonport stepped down as Chief Financial Officer on 28 January 2018.
- Richard Umbers stepped down from his role as Chief Executive Officer and Managing Director on 14 February 2018 and Garry Hounsell was appointed as Executive Chairman on that date.
- On 9 March 2018 S&P Dow Jones Indices announced that Myer would be removed from the S&P/ASX 200 Index.
- On 21 March 2018 Myer announced a reduction in remuneration for Board members, the remuneration of Garry Hounsell while he was Executive Chairman and the establishment of a Special Board Committee to oversee the

performance of the Executive Chairman.

- Myer also announced on 21 March 2018 that all Board members will target the purchase of a shareholding in the Company that is the equivalent to at least one year's director's fees within three years. This was codified in the amended Board Charter and Relationship with Management.
- John King was appointed Chief Executive Officer and Managing Director on 4 June 2018 and Garry Hounsell ceased his role as Executive Chairman on 3 June 2018.
- Allan Winstanley was appointed Chief Merchandise Officer on 25 June 2018.

### 9. BUSINESS STRATEGIES AND FUTURE DEVELOPMENTS

Since joining in June 2018, Myer Chief Executive Officer and Managing Director, John King, has completed a detailed review of the business, including visiting 44 stores and has met with customers, team members, suppliers, brand partners and landlords.

He has announced his Customer First Plan to work more closely with suppliers and brand partners to put customers first in every action we take, and every decision we make. Through the plan, Mr King wants Myer to be Australia's favourite department store: providing friendly, helpful service; high quality and exclusive brands; and offering compelling value.

The Customer First plan to turnaround the business and improve shareholder value is as follows:

Focus areas:

- Transform customer experience in store;
- 'Only at Myer' brands and categories; value for money; and
- Continue enhancing myer.com.au.

Efficiency levers:

- Simplified business processes;
- Efficient from factory to customer; and
- Accelerated cost reduction.

### 10. KEY RISKS AND UNCERTAINTIES

The Group's strategies take into account the expected operating and retail market conditions, together with general economic conditions, which are inherently uncertain.

The Group has structured proactive risk management framework and internal control systems in place to manage material risks. The key risks and uncertainties that may have an effect on the Group's ability to execute its business strategies, and the Group's future growth prospects and how the Group manages these risks, are set out below.

#### EXTERNAL RISKS

Macro-economic factors such as the fluctuation of the Australian dollar and interest rates; poor consumer confidence; changes in government policies; external, natural or unforeseen events, such as an act of terrorism or national strike; and weakness in the global economy could adversely impact the Company's ability to achieve financial and trading objectives. Myer regularly analyses and monitors economic and other available data to help mitigate the future impact on sales, and has implemented conservative hedging, capital management, and marketing and merchandise initiatives to combat the cyclical nature of the business.

# DIRECTORS' REPORT

## *Continued*

### COMPETITIVE LANDSCAPE RISKS

The Australian retail industry in which Myer operates remains highly competitive. The Company's competitive position may be negatively impacted by new entrants to the market, existing competitors, changes to consumer demographics and increased online competition, which could impact sales. To mitigate these risks, Myer continues to select optimal merchandise assortment with the right categories and brands.

### TECHNOLOGY RISKS, INCLUDING CYBER SECURITY

With Myer's increasing reliance on technology in a rapidly changing digital environment, there is a risk that the malfunction of IT systems, outdated IT infrastructure, or a cyber-security violation could have a detrimental effect on our sales, business efficiencies, and brand reputation. To offset these risks, Myer continues to invest and develop our in-house technology capabilities and engage with reputable third-party IT service providers to ensure that we have reliable IT systems and issue management processes in place.

### BRAND REPUTATION RISKS

Myer's strong brand reputation is crucial for building positive relationships with customers, suppliers and contractors which in turn generates sales and goodwill towards the Company. A significant event or issue could attract strong criticism of the Myer brand, which could impact sales or our share price. Myer has a range of policies and initiatives to mitigate brand risk, including a Code of Conduct, a Whistleblower Policy, an Ethical Sourcing Policy, marketing campaigns, and ongoing environmental and sustainability initiatives.

### PEOPLE MANAGEMENT RISKS

Safety is a high priority at Myer to ensure the wellbeing of all of our team members, customers, and suppliers. Failure to manage health and safety risks could have a negative effect on Myer's reputation and performance. We conduct regular detailed risk assessments at each store, distribution centre, and at our support office, as well as regular education sessions.

Myer needs to attract and retain talented senior managers to ensure that our leadership team has the right skills and experience to deliver our strategy. Failure to do so may adversely impact Myer's ability to deliver on its strategic imperatives. During the year, we made a number of new appointments to our Executive Management Group, and we provided our team members with access to training and development to further develop their skills.

### STRATEGIC AND BUSINESS PLAN RISKS

A failure to deliver our strategic plan could impact sales, share price, and our reputation. The cornerstone of our strategic plan is the 'customer' and ensuring every decision made puts the customer first. That all team members, brand partners and suppliers provide our customers with the service, brands and products they desire and expect, both in-store and online.

### REGULATORY RISKS

From time to time, Myer may be subject to regulatory investigations and disputes, including by the Australian Taxation Office (ATO), Federal or State regulatory bodies including the Australian Competition and Consumer Commission (ACCC), the Australian Securities and Investments Commission (ASIC), and the Australian Securities Exchange (ASX). The outcome of any such investigations or disputes may have a material adverse effect on Myer's operating and financial performance. Myer has an established governance framework to monitor, assess and report on such occurrences to senior management when they arise.

\* In October 2018 it was announced that Lyndsey Cattermole AM would join Myer as a Non-Executive Director.

### LITIGATION

On 23 December 2016, legal proceedings were served against Myer Pty Ltd by Perpetual Limited and Bridgehead Pty Ltd (the Landlord) in relation to the Myer Chadstone store. The Landlord alleged that there was a mutual mistake in the drafting of the variable outgoings provisions in the lease for the Myer Chadstone store or that those provisions had been misinterpreted. The Landlord sought, amongst other things, rectification of the lease and payment of alleged unpaid outgoings in respect of a period between 2000 and 2016 totalling \$19.14 million, plus GST, as well as interest and costs. On 29 January 2018, the Supreme Court of Victoria handed down judgement in favour of Myer and dismissed the claims made by the Landlord.

On 20 March 2018, the Landlord served Myer with an application for leave to appeal the decision to the Court of Appeal.

On 30 December 2016 proceedings were served against Myer by a former shareholder, TPT Patrol Pty Ltd as trustee for the Amies Superannuation Fund (TPT Patrol), bringing a group action for itself and on behalf of a defined (but unnamed) group of shareholders in the Federal Court. These proceedings were filed on behalf of TPT Patrol by Portfolio Law Pty Ltd. TPT Patrol alleges loss and damage said to have resulted from statements made in the context of Myer's full year FY2014 results. Myer believes the TPT Patrol claim has no proper basis, denies any liability under it and is vigorously defending it. The hearing is scheduled to conclude on 10 October 2018.

Given the above, no provisions have been recognised at 28 July 2018 in respect of the Chadstone or TPT Patrol disputes.

### II. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Chris Froggatt has notified the Board that she does not intend to seek re-election as a director of the Board at this year's AGM.\*

Louise Tebbutt stepped down as Executive General Manager Human Resources, Risk and Safety effective 14 September 2018.

Mark Crispey will step down as Chief Operating Officer on 31 October 2018.

On 11 September 2018 Myer entered into a binding Term Sheet for the refinancing of its debt with its current banking syndicate. The terms of the new secured facility initially provides core and working capital tranches totalling \$400m, creating ample liquidity, and relaxed covenant conditions with Fixed Cover Charges Ratio of 1.40x and minimum Shareholders' Equity of \$400m.

Mr Paul Goodall was appointed as Store Development Director reporting to John King and is expected to commence in October 2018.

No other matter or circumstance has arisen since the end of the financial year which has not been dealt with in this Directors' Report or the Financial Report, and which has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Group's state of affairs in future financial years.

# DIRECTORS' REPORT

## Continued

### 12. DIVIDENDS

Myer paid a final dividend of 2.0 cents per share for the full year FY2017 on 9 November 2017 (with a Record Date of 28 September 2017), totalling \$16.4 million.

The Board determined that no interim dividend would be paid for the period ending 27 January 2018.

The Board determined that no final dividend would be paid for the period ending 28 July 2018.

Further information regarding dividends is set out in the Financial Statements (at note F3).

### 13. PERFORMANCE RIGHTS GRANTED OVER UNISSUED SHARES

The Myer Long Term Incentive Plan (LTIP) operates for selected senior executives and has been in operation since December 2006. Under the LTIP, the Company has granted eligible executives performance rights over unissued ordinary shares of the Company, subject to certain vesting conditions. Shares delivered to senior executives as a result of the vesting of performance rights can be either issued as new shares or purchased on market.

Each performance right entitles the holder to acquire one ordinary fully paid share in the Company (subject to the adjustments outlined below).

Since 2011, only performance rights were granted under the LTIP. During the financial year, the Company granted 1,636,363 performance rights to the previous CEO under the FY2018 LTIP (CEO Offer); and 9,614,086 performance rights were granted to other selected senior executives under the LTIP (LTIP Offer); totalling 11,250,449 performance rights granted.

The performance rights granted under each offer are subject to different performance conditions.

No performance rights have been granted since the end of the financial year ended 28 July 2018.

A prior grant of 1,415,060 performance rights to senior executives made on 15 December 2014 expired on 26 September 2017.

On 26 September 2017, a total of 459,675 performance rights granted under the LTIP in FY2015 vested, and 459,675 fully paid ordinary shares in the Company were issued to participants.

On 30 July 2017, 114,617 restricted shares that were granted on 15 December 2016 were released to the previous CEO. The grant related to the deferred component of the FY2016 short term incentive payment.

During the financial year the Company granted 2,432,432 alignment rights to the current CEO, and 555,555 alignment rights to the Chief Merchandise Officer. During the financial year 67,567 alignment rights vested to the CEO and 15,432 rights vested to other executives. No shares were issued under the alignment rights plan.

The table below sets out the details of performance rights that have been granted under the LTIP Offer and the CEO Offer and which remain on issue as at the date of this Directors' Report.

A holder of a performance right may only participate in new issues of securities of the Company if the performance right has been exercised, participation is permitted by its terms, and the shares in respect of the performance rights have been allocated and transferred to the performance right holder before the Record Date for determining entitlements to the new issue.

Further information about performance rights issued under the LTIP (including the performance conditions attached to the performance rights granted under the LTIP Offer, and the performance rights granted to the Key Management Personnel of the Company) is included in the Remuneration Report.

### 14. SHARES ISSUED ON THE EXERCISE OF OPTIONS AND PERFORMANCE RIGHTS

From time to time, the Company issues fully paid ordinary shares in the Company to the Myer Equity Plans Trust (Trust) for the purpose of meeting anticipated exercises of securities granted under the LTIP. To calculate the issue price of shares issued to the Trust, the Company uses the five-day volume weighted average price of the Company's shares as at the close of trading on the date of issue.

During the period ended 28 July 2018, 450,000 fully paid ordinary shares were purchased on market by the Trust and 459,675 shares were transferred from the Trust for performance rights issued under the LTIP in 2015 (vested 26 September 2017). Since 28 July 2018, no shares have been issued to or otherwise acquired by the Trust, and no fully paid ordinary shares of the Company held by the Trust were transferred to participants in the LTIP.

Date performance rights granted	Expiry date	Issue price	Number of performance rights remaining on issue*
5 January 2016 (grant to CEO under CEO offer)	31 Oct 2020	nil	939,130
5 January 2016 (grant to senior executives under the LTIP offer)	31 Oct 2020	nil	2,339,125
22 December 2016 (grant to CEO under CEO offer)	31 Oct 2019	nil	808,443
22 December 2016 (grant to senior executives under the LTIP offer)	31 Oct 2019	nil	1,592,361
21 December 2017 (grant to CEO under CEO offer)	31 Oct 2020	nil	1,636,363
21 December 2017 (grant to senior executives under the LTIP offer)	31 Oct 2020	nil	6,773,179
4 June 2018 (grant to CEO under Alignment Equity offer)	4 Jun 2021	nil	2,432,432
25 June 2018 (grant to senior executive under Alignment Equity offer)	25 Jun 2021	nil	555,555
<b>Closing balance</b>			<b>17,076,588</b>

\* Each performance right entitles the holder to receive one fully paid ordinary share in the Company, subject to the satisfaction of the relevant performance outcomes. The number of performance rights that a holder is entitled to receive on the exercise of a performance right may also be adjusted in a manner consistent with the ASX Listing Rules if there is a pro-rata issue of shares or a reconstruction of the capital of the Company.

# DIRECTORS' REPORT

## Continued

### 15. REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 25.

### 16. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's Constitution requires the Company to indemnify current and former directors, alternate directors, executive officers and officers of the Company on a full indemnity basis and to the full extent permitted by the law against all liabilities incurred as an officer of the Group, except to the extent covered by insurance. Further, the Company's Constitution permits the Company to maintain and pay insurance premiums for director and officer liability insurance, to the extent permitted by law.

Consistent with (and in addition to) the provisions in the Company's Constitution outlined above, the Company has also entered into deeds of access, indemnity and insurance with all directors of the Company which provide indemnities against losses incurred in their role as directors, subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* (Cth) or any other applicable law. The deeds stipulate that the Company will meet the full amount of any such liabilities, costs and expenses (including legal fees). During the financial year, the Company paid insurance premiums for a directors' and officers' liability insurance contract that provides cover for the current and former directors, alternate directors, secretaries, executive officers and officers of the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract. The Group's auditor is PricewaterhouseCoopers (PwC). No payment has been made to indemnify PwC during or since the financial year end. No premium has been paid by the Group in respect of any insurance for PwC. No officers of the Group were partners or directors of PwC whilst PwC conducted audits of the Group.

### 17. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with the leave of the court under section 237 of the *Corporations Act 2001*.

### 18. ENVIRONMENTAL REGULATION

The Group is subject to and has complied with the reporting and compliance requirements of the National Greenhouse and Energy Reporting Act 2007 (Cth) (NGER Act).

The NGER Act requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required. In compliance with the NGER Act, the Group submitted its ninth report to the Clean Energy Regulator in October 2017 and is due to submit its tenth report by 31 October 2018.

No significant environmental incidents have been reported internally, and no breaches have been notified to the Group by any government agency.

The Group is a signatory to the Australian Packaging Covenant, which is a national co-regulatory initiative in place of state-based regulatory arrangements for sustainable packaging management. Members are required to adhere to the covenant commitments, which include development and implementation of an action plan and report annually on progress. Myer submitted its 11<sup>th</sup> annual report in April 2018.

### 19. NON-AUDIT SERVICES

The Company may decide to employ its external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in the Financial Statements (at note H5).

The Board has considered the position and, in accordance with advice received from the Audit, Finance and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of the non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit, Finance and Risk Committee to ensure that they do not impact on the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

### 20. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this Directors' Report.

### 21. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the 'rounding off' of amounts in the Directors' Report and, in accordance with that instrument, amounts in the Directors' Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### 22. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday 30 November 2018.

The Directors' Report is made in accordance with a resolution of directors.



**Garry Hounsell**  
Chairman

Melbourne, 11 September 2018

### CORPORATE GOVERNANCE STATEMENT

To view our Corporate Governance Statement please visit [myer.com.au/investor](http://myer.com.au/investor).



### *Auditor's Independence Declaration*

As lead auditor for the audit of Myer Holdings Limited for the 52 week period ended 28 July 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Myer Holdings Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'JP'.

Jason Perry  
Partner  
PricewaterhouseCoopers

Melbourne  
11 September 2018

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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# REMUNERATION REPORT

Dear Shareholders,

On behalf of the Board, we are pleased to present Myer's FY2018 Remuneration Report.

The FY2018 financial results were disappointing. When it became apparent to the Board that the execution of the strategy was not going to deliver shareholder value, the Board made the decisive move to make significant leadership changes. This included appointing Mr Hounsell as Executive Chairman while the search for a new CEO was undertaken.

We have made significant changes to the executive team, recruiting three new Key Management Personnel (KMP). In June 2018, we appointed John King as Chief Executive Officer and Managing Director, followed by Allan Winstanley as our Chief Merchandise Officer. With these appointments we have bolstered our global retail expertise, with Mr King and Mr Winstanley bringing best in class experience in running department stores and deep merchandising skills. Combined with the appointment of Nigel Chadwick, a senior finance professional as Chief Financial Officer and the operational experience of other KMP, we are confident we can deliver an improved experience for customers and create shareholder value.

Importantly, and deliberately, during the period we have sought to re-base fixed remuneration, with the current KMP paid no more, and typically less, than their predecessors. This means over time we have reduced the average remuneration of our KMP, as well as implementing a reduction in non-executive directors' fees.

## Response to the 'First Strike'

As you know, at the 2017 Annual General Meeting (AGM), the majority of shareholder votes cast (70.59 percent) were in favour of adopting the 2017 Remuneration Report. However, 29.41 percent of the total votes received were against the remuneration report, constituting a 'first strike' under the *Corporations Act 2001*.

Following the AGM we made a number of immediate changes to our remuneration structure to address the concerns raised, implementing a number of changes including those designed to improve the alignment of remuneration for Directors with the creation of value for shareholders. These changes were:

1. To decrease the Chairman and non-executive director fees; and
2. The introduction of a target to purchase a minimum shareholding for non-executive directors.

The Company subsequently invited shareholder feedback and consulted with a number of key shareholders and other stakeholders. This feedback has informed the remuneration for Mr King and changes to the FY2019 remuneration structure.

## New CEO remuneration and changes to FY2019

Following an extensive international search during FY2018, Myer was pleased to appoint Mr King as CEO on 4 June 2018.

Mr King brings with him highly relevant retail experience, including eight years leading House of Fraser in the United Kingdom, where he transformed customer experience and created significant shareholder value. He has been given a full mandate by the Board to deliver an improvement in the financial performance. Mr King understands fashion retailing, particularly department stores and will bring a new perspective to Myer with his experience in revenue creation. Mr King's contractual remuneration reflects this experience. His fixed remuneration has been set at the same level as the previous CEO, which had not been reviewed since 2015. Mr King did not participate in the FY2018 Short-Term Incentive (STI) plan and he will not participate in the FY2019 STI plan.

Mr King's remuneration is heavily weighted toward equity, with a requirement to maintain a shareholding equivalent of 75 percent of total fixed remuneration (TFC) for the duration of his employment. The details of his remuneration are provided in Section 2.

The FY2019 STI will focus on financial performance, with the primary measure being EBITDA and retaining NPAT as the gateway before any payment can be made. The FY2019 Long-Term Incentive Plan (LTIP) will be granted in options making sure participants are only rewarded if there is an increase in the Company's share price.

The changes we have made demonstrate our further commitment to creating a stronger link between our performance and executive remuneration outcomes.

## Executive remuneration outcomes

The FY2018 remuneration outcomes reflect this period's financial performance.

The STI plan requires that a NPAT gateway is achieved before any payments are made. The gateway was not achieved in FY2018, and accordingly no STI was paid to the Executive Management Group, including KMP.

Performance rights granted to KMP under the FY2015 LTIP were tested for vesting following the release of our results in September 2017. The relative Total Shareholder Return (TSR) and Earnings per Share (EPS) hurdles under this plan were not met, and accordingly the rights subject to these hurdles did not vest. The Business Transformation hurdle set in 2014 was determined by the Board to be partially met, and accordingly, only 33 percent of the rights subject to this hurdle (being 8.3 percent of the maximum grant) vested. The measures that were achieved included: Net Promoter Score; merchandise mix; basket size (online sales); and increase in page views. There were only two KMP who participated in the FY2015 LTIP and therefore had rights vest under this plan.

Performance Rights under the FY2018 LTIP were granted to executives, including some members of the KMP. The FY2018 LTIP retained the same structure as the FY2017 grant with the shareholder measures of Return on Funds Employed (ROFE), EPS and relative TSR remaining key features.

We believe that the Company's approach to executive remuneration, clearly outlined in the Remuneration Report, will support executives in delivering a strategy that will importantly put our customers first and ultimately deliver value to shareholders. We look forward to your support at our Annual General Meeting in November 2018 and welcome any feedback on our remuneration practices and disclosures.

Finally, we acknowledge and thank Chris Froggatt for her service as Chairman of the Human Resources and Remuneration Committee during the past seven years.

Yours faithfully,



**Garry Hounsell**  
Chairman



**Ian Cornell**  
Chairman, Human  
Resources and  
Remuneration Committee

# REMUNERATION REPORT

## *Continued*

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Section 2	Changes to remuneration frameworks
Section 3	Remuneration strategy
Section 4	Company performance and remuneration outcomes for FY2018
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Section 6	Executive remuneration
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Section 8	Executive service agreements
Section 9	Equity
Section 10	Loans
Section 11	Dealing in securities
Section 12	Non-executive director remuneration

### 1. INTRODUCTION

The Directors of Myer Holdings Limited (the **Company**) present the Remuneration Report for the financial year ended 28 July 2018 prepared in accordance with the requirements of the *Corporations Act 2001* and its regulations.

This report outlines the remuneration strategy, framework and other conditions of employment for KMP, and details the role and accountabilities of the Board and relevant Committees that support the Board on these matters. In this report, 'executives' refers to those members of the Group Executive team who have been identified as KMP.

The information provided within this report has been audited as required by section 308(3C) of the *Corporations Act 2001* and forms part of the Directors' Report. The table below details the Company's KMP during the 2018 financial year.

Name	Role	Appointment Date <sup>(1)</sup>	End Date
<b>Non-Executive Directors</b>			
G Hounsell <sup>(2)</sup>	Chairman, independent non-executive director	20 September 2017	
I Cornell	Independent non-executive director		
C Froggatt	Independent non-executive director		
J Morrison	Independent non-executive director	17 October 2017	
J Stephenson	Independent non-executive director		
R Thorn	Independent non-executive director		
D Whittle	Independent non-executive director		
<b>Former Non-Executive Directors</b>			
P McClintock	Chairman, independent non-executive director		24 November 2017
A Brennan	Independent non-executive director		24 November 2017
<b>Executive Directors</b>			
J King	Chief Executive Officer and Managing Director	4 June 2018	
<b>Executive Key Management Personal</b>			
N Chadwick	Chief Financial Officer	29 January 2018	
M Cripsey <sup>(3)</sup>	Chief Operating Officer	29 January 2018	
A Sutton	Executive General Manager Stores		
A Winstanley	Chief Merchandise Officer	25 June 2018	
<b>Former Disclosed Executives</b>			
R Umbers <sup>(4)</sup>	Chief Executive Officer and Managing Director		14 February 2018
G Devonport <sup>(5)</sup>	Chief Financial Officer		28 January 2018

(1) For new appointments during the period only.

(2) Mr Hounsell was appointed as a Director, and Deputy Chairman, on 20 September 2017 and was appointed as Chairman on 24 November 2017. Mr Hounsell acted in the role of Executive Chairman for the period from 14 February 2018 to 3 June 2018.

(3) Mr Cripsey was appointed as Chief Digital & Data Officer on 11 November 2015, and was promoted to KMP as the Chief Operating Officer on 29 January 2018. Mr Cripsey will step down as Chief Operating Officer on 31 October 2018.

(4) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and his notice period concluded on 31 July 2018.

(5) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018, and his notice period concluded on 21 March 2018.

# REMUNERATION REPORT

## Continued

## 2. CHANGES TO REMUNERATION FRAMEWORKS

### 2.1. RESPONSE TO THE 'FIRST STRIKE'

In response to receiving a 'first strike' against its Remuneration Report at the 2017 AGM, the Human Resources and Remuneration Committee made a number of immediate changes to directors' remuneration, including agreeing to reduce non-executive director fees to better reflect market practice for companies with similar market capitalisation. Accordingly, as at 21 March 2018, fees were reduced as follows:

- Chairman's fee, reduced from \$350,000 to \$300,000, noting that the fee had been reduced from \$400,000 to \$350,000 at the beginning of FY2018;
- Non-Executive Directors' fees reduced from \$150,000 to \$120,000;
- Chairman of the Audit, Finance and Risk Committee fee reduced from \$30,000 to \$20,000; and
- Chairman of the Human Resources and Remuneration Committee fee reduced from \$22,500 to \$20,000.

In addition, the Board introduced a policy that requires all non-executive directors to target a purchase of shareholdings in the Company that is the equivalent to at least one year's director's fees, within three years, to better align the interests of Directors and shareholders.

Following further consultation with shareholders, the Company made a number of changes to the executive reward structure, which is reflected in the remuneration arrangements for the new CEO and changes in the remuneration structure for FY2019.

### 2.2. NEW CEO REMUNERATION

As disclosed upon his appointment, Mr King commenced with the Company on 4 June 2018 with a Total Fixed Compensation (TFC) of \$1,200,000. Mr King is a respected retailer with global experience, and his package reflects his experience, skills and capability, and was set at a level required to be competitive in the global retail marketplace from which he was recruited. The TFC is consistent with the previous CEO's, which was set in 2015 and has remained unchanged since.

The structure of Mr King's package has been heavily weighted towards equity, through an initial grant of share rights, participation in the FY2019 LTIP, and no participation in the STI plan until FY2020. This reward structure immediately aligns the CEO with shareholder interests and ensures a focus on sustainable performance. The key elements of Mr King's package are:

- **Alignment equity:** On commencement, Mr King was granted 2,432,432 share rights, worth \$900,000 at the time of the announcement of his appointment. These rights vest on a monthly basis, in 36 equal tranches and will convert to ordinary Myer shares at the end of the three year period. These rights create an immediate alignment between Mr King and shareholders;
- **Short-Term Incentive:** Mr King was not eligible to participate in the FY2018 plan and will not participate in the FY2019 plan; and
- **Long-Term Incentive:** Subject to shareholder approval Mr King will receive a maximum LTIP grant of \$1,400,000 (116.7 percent of TFC) for FY2019. The grant value will revert to 90 percent of TFC for FY2020. The terms of the FY2019 grant are provided in the Notice of Meeting.

Mr King is required to hold a minimum of 75 percent of TFC in Myer shares for the term of his employment. The initial grant of \$900,000 of share rights is included in this calculation and provides an immediate link between his reward and shareholder interests.

### 2.3. CHANGES IN REMUNERATION STRUCTURE FOR FY2019

Following further consultation with shareholders Myer made a number of changes to the executive remuneration structure. These changes are summarised below and will be disclosed in detail in the FY2019 Remuneration Report.

#### Changes for FY2019

##### Short Term Incentive

Performance Measures	The primary financial measure for the FY2019 STI plan will be EBITDA, and there will be a renewed emphasis on financial performance. Financial measures will have a minimum 80% weighting for all roles, with a minimum 40% weighting of Company EBITDA. The Board believes EBITDA is the most appropriate financial measures as it most closely reflects operating efficiency, and is a measure that can be used to align the actions of executives and senior managers across the business. Further, the net profit gateway will continue to operate in FY2019, meaning that executives will only be rewarded if there is profit growth.
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##### Long Term Incentive

Equity Instrument	Under the FY2019 LTIP executives will be granted options. The Board has decided it is appropriate to grant options, as it ensures executives are only rewarded for the increase in share price from the grant date, strengthening the alignment between executive remuneration and growth in shareholder value.
Performance Measures	The following performance hurdles will apply: <ul style="list-style-type: none"> <li>• 50% of the performance options will be subject to a hurdle based on EPS growth; and</li> <li>• 50% of the performance options will be subject to a hurdle based on relative TSR.</li> </ul> The ROFE measure has been removed from the FY19 plan. The ROFE measure was designed to support the 'New Myer' capital raising – while efficient use of shareholder funds will continue to be a priority, the Board has determined that a focus on earnings and creating shareholder value should be the clear priority.
Relative TSR peer group	Myer has refined the constituents of the TSR peer group to better reflect sectors that have similar economic drivers.

# REMUNERATION REPORT

## Continued

### 3. REMUNERATION STRATEGY

The remuneration strategy defines the direction for Myer's reward framework and policies, and drives the design and application of programs for all senior managers in the Company, including KMP. Myer's remuneration strategy is to:

#### Attract and retain high calibre executives

- Reward competitively in the markets in which Myer competes for talent
- Remuneration is flexible enough to respond to the changing talent and capability requirements of the retail industry
- Provide a balance of fixed and 'at risk' remuneration

#### Align executive rewards with Myer's performance

- Align reward outcomes with long term shareholder value creation
- Assess rewards against objective financial and non-financial measures
- Include at risk components based on both short and long term performance
- Remunerate or reward based on performance

#### 2018 Remuneration Approach

	STRATEGIC OBJECTIVES & PERFORMANCE LINK	PERFORMANCE MEASURES
<b>TOTAL FIXED COMPENSATION (TFC)</b>	<ul style="list-style-type: none"> <li>&gt; To attract and retain high calibre executives</li> <li>&gt; Provides 'predictable' base level of reward</li> <li>&gt; Set with reference to market using external benchmark data</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Varies based on employee's experience, skills and performance</li> <li>&gt; Consideration is given to both internal and external relativities across retail and other relevant sectors</li> </ul>
<b>SHORT TERM INCENTIVE</b>	<ul style="list-style-type: none"> <li>&gt; Delivered in cash, with a portion deferred. Deferral is made in restricted shares for the CEO (when eligible) and cash for other KMP</li> <li>&gt; Designed to drive the short term financial and strategic objectives of the Company, which are aligned to creating shareholder return</li> <li>&gt; An NPAT gateway ensures a minimum acceptable level of Company profit before executives receive any STI award</li> <li>&gt; Supports retention and encourages executives to maintain focus on long term value in addition to annual results, through a deferred component</li> </ul>	<ul style="list-style-type: none"> <li>&gt; NPAT 'gateway' – minimum threshold performance level below which no STI is paid</li> <li>&gt; Once the gateway is achieved, the NPAT result is assessed as part of a 'performance scorecard' and accounts for 45% of the maximum STI</li> <li>&gt; Key financial and strategic objectives aligned to the strategy account for 55% of the maximum STI. Measures for FY2018 included: <ul style="list-style-type: none"> <li>• Cost of doing business</li> <li>• Sales per square meter</li> <li>• Store footprint reduction</li> <li>• Safety performance</li> </ul> </li> </ul>
<b>LONG TERM INCENTIVE</b>	<ul style="list-style-type: none"> <li>&gt; Delivered in equity to align executives with shareholder interests</li> <li>&gt; Focused on delivery of long term business strategy and shareholder value</li> <li>&gt; Measures complement those in the STI to provide a holistic and aligned reward offer</li> <li>&gt; Supports ongoing, sustainable performance and the retention of key executives</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Performance measures: <ul style="list-style-type: none"> <li>• Return on Funds Employed (50% of award)</li> <li>• EPS growth (25% of award)</li> <li>• Relative TSR (25% of award)</li> </ul> </li> <li>&gt; Performance measured over a 3 year performance period (FY2018 – FY2020)</li> <li>&gt; Shares provided on vesting subject to restriction for 1 year, making the total alignment period with shareholders 4 years</li> </ul>

# REMUNERATION REPORT

*Continued*

## 4. COMPANY PERFORMANCE AND REMUNERATION OUTCOMES FOR FY2018

### 4.1. COMPANY PERFORMANCE FY2018

The Company's remuneration structure aligns executive remuneration with shareholder interests over the short and long term and provides an appropriate reward on delivering our strategy.

Key aspects of the FY2018 performance include:

- Total sales declined by 3.2% to \$3,100.6 million, and were down 2.7% on a comparable stores basis;
- Total online sales were \$239.4 million (including \$30.8 million in sales via instore iPads, sass & bide and Marcs and David Lawrence (MDL) online sales, and Myer Market);
- Operating gross profit (OGP) declined by 2.9% to \$1,184.4 million and OGP margin increased by 8 basis points to 38.2%;
- Cost of doing business (CODB) increased by 1.5% to \$1,035.0 million, excluding Marcs and David Lawrence CODB declined by 1.1%;
- Implementation costs and individually significant items totalled \$541.2 million (pre-tax) of which \$538.2 million (pre-tax) were recorded as part of the first half results for the period ended 27 January 2018;
- NPAT pre-implementation costs and individually significant items decreased by 52.2% to \$32.5 million;
- Statutory FY2018 NPAT was a loss of \$486.0 million;
- We launched the Myer Marketplace with a range of brands from diverse sellers with a focus on home;
- We opened the redeveloped Myer Hobart store, which now occupies approximately 12,500 square metres of selling space;
- Refurbishment works were completed at Eastland coinciding with the launch of the first dedicated children's play centre, Monkey Mania, a market leader in children's play centres;
- Refurbishment works commenced at Blacktown and at Maroochydore in Queensland with ongoing works at Castle Hill in New South Wales. These works are scheduled to be completed prior to the commencement of the 2018 Christmas trading period; and
- We closed the Colonnades store in South Australia.

The table below presents the Company's annual performance against key financial metrics since 2014.

	FY2014	FY2015	FY2016 <sup>(1)</sup>	FY2017	FY2018
Basic EPS (cents)	16.8	5.1	7.7	1.5	(59.2)
Basic EPS (cents) - adjusted	16.8	13.2 <sup>(2)</sup>	8.8 <sup>(2)</sup>	8.3 <sup>(2)</sup>	4.0 <sup>(2)</sup>
NPAT (pre implementation costs and individually significant items) (\$m)	98.5	77.5	69.3	67.9	32.5
NPAT (post implementation costs and individually significant items) (\$m)	98.5	29.8	60.5	11.9	(486.0)
Dividends (cents per share)	14.5	7.0	5.0	5.0	-
Share price at beginning of year (\$)	2.66	2.24	1.18 <sup>(3)</sup>	1.34	0.77
Share price at end of year (\$)	2.24	1.18	1.34 <sup>(4)</sup>	0.77	0.46
Market capitalisation (\$m)	1,311.9	694.0	1,100.5	632.4	377.8
<i>Average eligible KMP incentive awards</i>					
STI payments (% of maximum)	0%	0%	39%	0%	0%
LTIP vesting <sup>(5)</sup> (Grant year)	0% (FY11)	0% (FY12)	0% (FY13)	12.5% (FY14)	8.3% (FY15)

- (1) FY2016 results were impacted by the fully underwritten accelerated pro rata non-renounceable Entitlement Offer completed by the Company in September 2015. The Entitlement Offer resulted in the issue of 234,661,660 new shares at \$0.94 per share.
- (2) FY2015, FY2016, FY2017 and FY2018 Basic EPS is adjusted to exclude implementation costs and individually significant items. Refer to section 7 of the Directors' Report for further detail. The directors believe this metric is more relevant as it excludes individually significant items that may not recur and may not be predictive of future performance.
- (3) Share price before the Entitlement Offer completed in September 2015.
- (4) Share price after the Entitlement Offer completed in September 2015.
- (5) The percentage of LTIP vesting relates to the number of performance rights or options that vested that were linked to the achievement of performance hurdles. In FY2017 only one KMP had rights vest under the LTIP and in FY2018 only two KMP had rights vest under the LTIP.

# REMUNERATION REPORT

## Continued

### 4.2. REMUNERATION OUTCOMES

#### Total Fixed Compensation

FY2018 Outcomes	<p>Given the focus on prudent cost management, existing KMP salaries were not reviewed this year. Mr Cripsey's fixed remuneration was adjusted on his appointment into the role of Chief Operating Officer, reflecting his increased responsibility.</p> <p>Myer recruited three new KMP, including the CEO, in FY2018. The annual TFC for each of these executives is equal to, or lower than, the TFC paid to the previous incumbents.</p> <ul style="list-style-type: none"> <li>• Mr King was appointed on the same TFC of \$1,200,000.</li> <li>• Mr Chadwick was appointed as Chief Financial Officer with a TFC of \$720,000.</li> <li>• Mr Winstanley was appointed Chief Merchandise Officer with a TFC of \$795,000.</li> </ul>
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#### Short term incentive

FY2018 Outcomes	The net profit gateway condition, which requires a minimum level of NPAT to be achieved before STI can be awarded, was not met in respect of the FY2018 STI. Accordingly, no STI was payable to any participants.
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#### Long Term Incentive

<b>FY2015 LTIP (granted in December 2014)</b>	<p>The measures underpinning the FY2015 LTIP were aligned to the then "New Myer" strategy. Following the release of our financial results in September 2017, the performance rights granted to executives in December 2014 were tested against the EPS, relative TSR and Business Transformation hurdles. The hurdles for EPS and relative TSR were not met, and accordingly the rights subject to these performance hurdles lapsed.</p> <p>The performance rights subject to the Business Transformation hurdle were assessed and determined by the Board to have been partially met, and accordingly, 33 percent of these rights vested, being 8.3 percent of the total number of rights granted.</p> <p>The Business Transformation measures compare Myer's actual performance against the target performance for the Business Transformation Hurdle metrics set out in Myer's business plan at the time.</p> <p>The assessed level of performance for the Business Transformation hurdle for the period 26 July 2014 to 29 July 2017 under the FY2015 LTIP is shown below:</p>
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Measure	Hurdle Achieved	Performance
<b>Loyalty</b>		
• Retention of MyerOne customers (premium & platinum members)	x	-
• Increased MyerOne sales as a percentage of business sales	x	-
<b>Customer Service</b>		
• Net Promoter Score	✓	NPS improvement greater than 10%
• Customer conversion rate	x	-
<b>Space Optimisation</b>		
• Target sales per square metre	x	-
• Target profit per square metre	x	-
<b>Merchandise</b>		
• Mix of wholesale, MEB and concession sales	✓	Partially achieved increase in concession sales
• Target Operating Gross Profit	x	-
<b>Omni Channel</b>		
• Target basket size	✓	Achieved target basket size
• Increase in number of page views	✓	Increased by more than 80%

<b>FY2015 Continuous Service Award</b>	In addition to the FY2015 LTIP, in December 2014 Mr Umbers and Mr Bracken were granted performance rights that were subject to a continuous service condition. These additional performance rights were granted to recognise significant incentive arrangements forfeited upon leaving their previous employers to join Myer. Mr Umbers was employed by the Company at the date of testing, and therefore his rights vested. Mr Bracken's rights were forfeited.
<b>FY2016 LTIP (granted in January 2016)</b>	Performance rights granted to KMP in January 2016 under the FY2016 LTIP will be tested for vesting following the release of the Company's financial results in September 2018, against a ROFE and growth Sales Per Square Meter targets. Full details of performance against the hurdles and any vesting will be reported in the Company's FY2019 remuneration report.

# REMUNERATION REPORT

*Continued*

## 4.3. TOTAL REALISED PAY

The table below sets out the actual remuneration received by KMP in FY2018. The table has not been prepared in accordance with accounting standards but has been provided to outline clearly the remuneration outcomes for Executive KMP. Remuneration outcomes prepared in accordance with the accounting standards are provided in Section 7.

					Short Term Incentive	Long Term Incentive		
Name		Cash salary <sup>(1)</sup>	Super-annuation <sup>(2)</sup>	FY2017 STI <sup>(3)</sup>	STI deferred from prior year <sup>(4)</sup>	Vested & exercised LTIP <sup>(5)</sup>	Termination and other payments	Actual FY2018 Remuneration
Executive Directors								
J King <sup>(6)</sup>	2018	195,238	-	-	-	-	-	195,238
Executive KMP								
N Chadwick <sup>(7)</sup>	2018	351,710	10,787	-	-	-	-	362,497
M Cripsey <sup>(8)</sup>	2018	342,217	10,283	-	-	-	-	352,500
A Sutton <sup>(9)</sup>	2018	639,911	20,089	-	64,233	13,977	175,887	914,097
A Winstanley <sup>(10)</sup>	2018	82,024	-	-	-	-	-	82,024
Former Disclosed Executives								
R Umbers <sup>(11)</sup>	2018	639,140	20,049	-	84,702	208,045	540,811	1,492,747
G Devonport <sup>(12)</sup>	2018	435,887	13,366	-	83,806	-	510,294	1,043,353
D Bracken <sup>(13)</sup>	2018	-	-	-	90,834	-	583,251	674,085

- (1) Cash salary includes short term compensated absences and any salary sacrifice arrangement implemented by the Executives, including additional superannuation contributions.
- (2) Executives receive a statutory superannuation contribution up to a threshold limit in line with the ATO published maximum superannuation contribution base.
- (3) STI payments relating to FY2017 performance and conditions, but paid during FY2018. Includes only the non-deferred component.
- (4) Deferred STI relating to FY2016 performance and conditions, paid during FY2018. For Mr Umbers this value represents the number of deferred rights vesting under the deferral plan, multiplied by the Myer share price at vesting (calculation assumes a share price of \$0.74). For other executives, the value represents a cash payment.
- (5) The number of performance rights vested and exercised under the FY2015 LTIP multiplied by the Myer share price at vesting (calculation assumes a share price of \$0.71). Mr Sutton had 19,825 performance rights linked to business transformation vest, while Mr Umbers had 267,013 performance rights linked to continuous service vest, and 28,086 performance rights linked to business transformation vest. Mr King and Mr Winstanley have rights vest under their alignment equity plans, these rights are not exercisable until the end of the three year performance period.
- (6) Mr King was appointed as CEO and Managing Director on 4 June 2018. He does not receive superannuation contributions due to his tax status. As per the terms of his employment contract, and consistent with market practice, Mr King is entitled to relocation and expatriate support, including rental assistance. This support has not been included in this table. More details can be found in Section 7.
- (7) Mr Chadwick was appointed as Chief Financial Officer on 29 January 2018.
- (8) Mr Cripsey was appointed as Chief Digital and Data Officer on 11 November 2015, and was promoted to KMP as the Chief Operating Officer on 29 January 2018. The remuneration in the above table relates only to the time Mr Cripsey was considered a KMP.
- (9) Mr Sutton's other payment represents a 'cashing out' of his accrued long service leave.
- (10) Mr Winstanley was appointed as Chief Merchandise Officer on 25 June 2018. He does not receive superannuation contributions due to his tax status. As per the terms of his employment contract, and consistent with market practice, Mr Winstanley is entitled to relocation and expatriate support, including rental assistance. This support has not been included in this table. More details can be found in Section 7.
- (11) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and his notice period concluded on 31 July 2018. His termination payment consists of all payments made post 14 February 2018, which were the minimum payments required under the terms of his employment. Mr Umbers' final termination payment was made subsequent to 28 July 2018 and is not included in the table above, but was provided for in FY2018 and is included in Section 7.
- (12) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018, and his notice period concluded on 21 March 2018. His termination payment consists of all payments made post 21 March 2018, which were the minimum payments required under the terms of his employment.
- (13) Mr Bracken stepped down as KMP on 19 July 2017, and his notice period concluded on 19 January 2018. His termination payment was the minimum amount required under the terms of his employment.

# REMUNERATION REPORT

## *Continued*

### 5. REMUNERATION GOVERNANCE

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#### 5.1. REMUNERATION COMMITTEE

The Board reviews its role, responsibilities, and performance annually to ensure that the Company continues to maintain and improve its governance standards.

The Board is responsible for ensuring the Company's remuneration strategy is equitable and aligned with Company performance and shareholder interests. The Board conducts an annual review of the remuneration strategy of the business. To assist with this, the Board has established a Human Resources and Remuneration Committee (Committee) made up of non-executive directors only. The Committee charter is available on the Company's Investor Centre website.

When making remuneration decisions, the Committee will also give consideration to the Company's internal succession plan and capability profile.

Ms Chris Froggatt has served as the Chairman of the Committee since 2011. In July 2018 Ms Froggatt stood down as Chairman, and Mr Ian Cornell was appointed Chairman. Other members of the Committee are Ms JoAnne Stephenson and Mr Garry Hounsell.

In performing its role, the Committee has the responsibility to make recommendations to the Board on:

- non-executive director fees;
- executive remuneration (for the Managing Director and CEO and other executives) including specific recommendations on remuneration packages and other terms of employment;
- the overarching remuneration framework including the policy, strategy and practices for fixed reward and both short and long term incentive plans and performance hurdles; and
- the health of the organisation, suitable succession coverage, organisational culture and diversity.

The Committee has been established under rule 8.15 of the Constitution of the Company. Further information on the role of the Committee, its membership and meetings held throughout the year will be set out in the Corporate Governance Statement (available on the Company's website) and the Directors' Report.

The CEO and the Head of the Human Resources function are regular attendees at the Committee meetings. The CEO was not present during any Committee or Board meetings when his remuneration was considered or discussed during the financial year.

The Committee must at all times have regard to, and notify the Board as appropriate, of all legal and regulatory requirements, including any shareholder approvals required in connection with remuneration matters.

The Committee Chairman, or if he is not available, a Committee member, will attend the Annual General Meeting and be available to answer any questions from shareholders about the Committee's activities or, if appropriate, the Company's remuneration arrangements.

#### 5.2. USE OF REMUNERATION CONSULTANTS

To ensure it is fully informed when making remuneration decisions, the Committee draws on services from a range of external sources, including remuneration consultants where appropriate. The Company's guidelines on the use of remuneration consultants aim to ensure the independence of remuneration consultants from Myer's management, and include the process for the selection of consultants and the terms of engagement.

Remuneration consultants are engaged by the Committee Chairman, and report directly to the Committee. As part of this engagement, an agreed set of protocols to be followed by the consultants, the Committee, and management, have been devised that determine the way in which remuneration recommendations are developed and provided to the Board. This process is intended to ensure that any recommendation made by a remuneration consultant is free from undue influence by the KMP to whom any recommendations may relate.

During FY2018 the Board continued to engage Ernst & Young (EY) to provide various remuneration advice, including benchmarking data, market commentary and professional guidance regarding Myer's executive remuneration and incentive plans. During this engagement no remuneration recommendations as defined by the *Corporations Act 2001* were provided to the Company by EY.

# REMUNERATION REPORT

## *Continued*

### 6. EXECUTIVE REMUNERATION

Remuneration for executives is delivered through a mix of fixed and variable (or 'at risk') pay, and a blend of short and longer term incentives. As executives gain seniority within the Company, the balance of this mix shifts to a higher proportion of 'at risk' pay.

As outlined in the diagram in Section 3, executive remuneration is made up of three components:

- Total Fixed Compensation;
- Short-Term Incentives; and
- Long-Term Incentives.

The combination of these components comprises an executive's total remuneration.

#### 6.1. TOTAL FIXED COMPENSATION

TFC provides the base level of reward and is set at a level to attract and retain high calibre executives.

##### Features of Total Fixed Compensation

What is included in TFC?	TFC is structured as a total fixed remuneration package, made up of base salary, superannuation, other benefits and Fringe Benefits Tax, where applicable. Some of the benefits include the opportunity to receive a portion of their fixed remuneration in a variety of forms, including fringe benefits such as motor vehicles, or to make additional contributions to superannuation or retirement plans (as permitted by relevant legislation).
How is TFC reviewed?	<p>TFC levels for each executive are set with reference to the market, the scope and nature of each role, the incumbent's experience and individual performance.</p> <p>The Committee typically reviews and makes recommendations to the Board regarding TFC for KMP and senior executives annually in July, having regard to Company and individual performance and relevant comparative remuneration in the market. However, given current financial performance the Board decided not to undertake a review in FY2018.</p> <p>The Board may also consider adjustments to executive remuneration outside of this as recommended by the CEO, such as on promotion or as a result of additional duties performed by the executive. Where new senior executives join the Company or existing executives are appointed to new roles, a review and benchmarking of fixed and total remuneration is conducted prior to the offer and execution of a new employment contract.</p>
Which benchmarks are used?	Remuneration for KMP is considered in the context of the skills and experience being sought and the global senior retail market, as well as in relation to the other industries where we are increasingly seeking talent. Benchmarking is also undertaken against local industry peer groups and companies with a similar market capitalisation to Myer where relevant for the roles under review.

#### 6.2. SHORT TERM INCENTIVE

Myer's STI plan for KMP and other senior executives operates on an annual basis subject to Board review and approval. The FY2018 STI applied to all eligible executives, including KMP, subject to certain conditions and performance criteria being met which are reviewed and approved annually by the Board.

##### Form and purpose of the plan

What is the STI plan?	The STI plan is an annual, at risk component of an executive's reward opportunity, designed to put a meaningful part of the executive's remuneration at risk. Payment under the STI is subject to achieving pre-determined Company and individual performance criteria. All senior managers, including KMP and Group Executive, participate in the STI, with the exception initially of the new CEO.
What is the value of the STI opportunity?	<p>STI targets are set as a percentage of the executive's TFC. The current maximum levels for KMP are set out below.</p> <ul style="list-style-type: none"><li>• CEO (J King) – Not participating in FY2018 or FY2019.</li><li>• Previous CEO (R Umbers) – 90 percent of TFC.</li><li>• Other KMP – 60 percent of TFC.</li></ul>
Does the STI include a deferred component?	<p>40 percent of any award payable to members of the Group Executive is deferred for 12 months following the end of the Performance Period.</p> <p>The deferred component of the CEO's STI (when eligible) is provided as Restricted Shares while the deferred component for other Group Executives is paid in cash following the end of the deferral period.</p>

# REMUNERATION REPORT

## *Continued*

### Gateway and performance measures

Is there a performance 'gateway' and how is it determined?	<p>The Board considers it critical that the Company should achieve a minimum acceptable level of profit before any payments are made under the STI plan, to reflect the focus on returns to shareholders. No STI is awarded to any participants if minimum performance across the Company does not reach the pre-determined threshold NPAT level.</p> <p>The NPAT gateway is determined by the Board each year, with reference to the annual business plan, economic conditions and other relevant factors.</p>
What were the FY2018 performance measures?	<p>To incentivise performance against the transformation agenda, the FY2018 STI was structured around two key components:</p> <ul style="list-style-type: none"> <li>• NPAT, weighted at 45 percent of the total potential award; and</li> <li>• Individual objectives, including key financial measures related to the executive's role, weighted at 55 percent of the total potential award.</li> </ul> <p>While each measure is assessed in isolation, any payment is subject to the achievement of the NPAT gateway.</p>
Why were the performance measures selected?	<p>Overall performance measures are selected to align with annual and long term business plans. Details of the FY2018 performance measures, and the strategic objectives they are aligned to, are set out in Section 3.</p> <p>The Board believes that the largest component of an executive's STI award should be driven by the financial performance of the Company, and accordingly 45 percent of the STI is linked to Company NPAT, providing close alignment with shareholder outcomes.</p> <p>Other financial and strategic objectives in the performance scorecard are set by the CEO (and approved by the Committee and the Board), and, combined with the Company NPAT measure, are intended to drive our strategy and deliver our financial results. These objectives and their targets align with our key financial metrics and strategic goals, and the measures selected for each executive are determined by reference to the specific objectives of the executive's role for the financial year.</p> <p>Given that STI rewards are contingent on performance across a range of measures, maximum STI rewards can only be achieved when performance is superior across all measures.</p>
Are the STI performance measures and targets disclosed?	<p>The disclosure of prospective STI measures and targets would provide the market and our competitors with our financial forecasts, and it is for this reason that we do not disclose them in advance. We will disclose outcomes and/or performance against targets in instances where the disclosure would not involve the release of commercially sensitive information.</p>
<b>Governance</b>	
When are performance targets set and reviewed?	<p>Performance objectives and targets are set at the beginning of the financial year, while performance against these targets is reviewed following the end of the financial year.</p>
How is performance measured?	<p>The Committee determines whether, or the extent to which, each target is satisfied following the end of the financial year, once the Company's annual accounts are audited and have been approved by the directors.</p> <p>If the hurdle is satisfied, an STI may be paid to participating KMP and other executives. The quantum of any STI reward provided will depend on the extent to which the maximum reward is achieved. A minimum threshold is also set, below which no STI reward will be provided. Once it has been determined whether each objective has been satisfied, the Committee will make a recommendation to the Board for approval of the STI awards to be paid to the CEO and executives.</p> <p>The Committee is responsible for assessing whether the performance criteria are met. To help make this assessment, the Committee receives reports on the Company's performance from management. All proposed STI awards are only made once the Company's financial performance has been verified by internal and external audit. The Committee has the discretion to recommend to the Board an adjustment to any award in light of unexpected or unintended circumstances.</p>
When are incentives paid?	<p>The component of the STI awards approved by the Board that is not subject to deferral is paid to participating KMP and executives in the month following the release of the Company's results to the ASX.</p> <p>When eligible to participate, the deferred component of the CEO's STI is provided as Restricted Shares, which the CEO will not be able to deal with during the 12 month deferral period. The deferred component of other Group Executives is paid in cash following the end of the 12 month deferral period.</p>

# REMUNERATION REPORT

*Continued*

## Cessation of employment, clawback or change of control

If an individual ceases employment during the performance year, will they receive a payment?	Participants leaving employment during the performance year are generally not eligible to receive an award under the STI. In certain circumstances (such as redundancy), the Board may consider eligibility for a pro rata payment.
Does a 'clawback' apply?	The STI Plan allows the Board to take any steps that it determines appropriate to recover from the individual executive any STI reward that was incorrectly provided as a result of a material misstatement in, or omission from, the Company's financial statements. The provision applies only to those executives who were KMP of the Company at the time the financial statements were approved by the Board and issued by the Company.
How would a change of control impact on STI entitlements?	The Board has absolute discretion in relation to the treatment, payment or provision of STI awards on a change of control, which it would exercise in the best interests of the Company. The Board may also give the CEO notice that the restriction period for any Restricted Shares will end if certain change of control events occur.

## FY2018 Outcomes

A detailed discussion of the FY2018 STI outcomes is presented in section 4.2. The percentage of the available STI reward that was paid in the financial year, and the percentage and value that was not paid for eligible disclosed executives is set out below.

Name <sup>(1)</sup>	Maximum STI (as % of TFC)	Maximum STI \$	STI % awarded	Actual STI paid (cash)	Actual STI deferred	Total STI Awarded	Proportion of max. STI not paid <sup>(2)</sup>	Amount of max. STI not paid \$ <sup>(2)</sup>
N Chadwick <sup>(3)</sup>	60%	217,499	0.0%	-	-	-	100.0%	217,499
M Cripsey <sup>(4)</sup>	60%	211,500	0.0%	-	-	-	100.0%	211,500
A Sutton	60%	396,000	0.0%	-	-	-	100.0%	396,000
<b>Former Disclosed Executives</b>								
R Umbers <sup>(5)</sup>	90%	585,000	0.0%	-	-	-	100.0%	585,000

- (1) Mr King, Mr Winstanley and Mr Devonport were not eligible to participate in the FY2018 STI plan and therefore have not been included in the table.
- (2) Reflects the proportion and amount of the maximum STI that was forfeited due to the performance criteria not being achieved and scaling of the STI pool to account for affordability.
- (3) Mr Chadwick was appointed Chief Financial Officer on 29 January 2018, his STI opportunity is pro-rated based on time in role.
- (4) Mr Cripsey was appointed Chief Digital and Data Officer on 11 November 2015, and was promoted to KMP as the Chief Operating Officer on 29 January 2018. The figures reported in this table include only remuneration for the period in FY2018 that he was considered KMP.
- (5) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018. As Mr Umbers was in his role for more than six months, he was eligible for an STI payment, based on the time he was acting in the role.

# REMUNERATION REPORT

## *Continued*

### 6.3. FY2018 LONG TERM INCENTIVE PLAN

Features of the LTIP applicable in respect of FY2018 are outlined in the table below. In FY2018 the Board granted performance rights under the LTIP to KMP and other senior executives.

#### Form and purpose of the plan

What is the LTIP?	<p>The LTIP is an incentive that is intended to promote alignment between executive and shareholder interests over the longer term. Under the LTIP, performance rights may be offered annually to the CEO and nominated executives, including KMP. The employees invited to participate in the plan include executives who are considered to play a leading role in achieving the Company's long term strategic and operational objectives.</p> <p>Each right offered is an entitlement to one fully paid ordinary share in the Company, subject to adjustment for capital actions, on terms and hurdles determined by the Board, including hurdles linked to Company performance and service.</p>
How is the LTIP delivered?	<p>The LTIP is delivered via a grant of performance rights. The number of performance rights that vest is not determined until after the end of the Performance Period.</p> <p>The performance right will therefore not provide any value to the holder between the dates the performance right is granted and the end of the Performance Period, and then only if the performance hurdles are satisfied.</p> <p>Performance rights do not carry entitlements to ordinary dividends or other shareholder rights until the performance rights vest and shares are provided. Accordingly, participating executives do not receive dividends during the Performance Period.</p>
How is the number of performance rights determined?	<p>The number of performance rights for each executive is determined as part of the calculation of total remuneration for an executive role. The Committee determines LTIP awards by assessing the quantum required to provide a market competitive total remuneration level, for on target performance.</p> <p>The exact number of performance rights allocated depends on each executive's LTIP target. The value of the performance rights at the time they are granted is calculated based on the Volume Weighted Average Price (VWAP) of the Company's shares for the five trading days up to and including the closing date of the offer, which generally falls within 10 days of the Company's Annual General Meeting.</p>

#### Vesting and performance hurdles

What is the Performance Period?	<p>The Performance Period commences at the beginning of the financial year in which the performance rights are granted. For the performance rights granted under the FY2018 LTIP, the Performance Period started on 30 July 2017 and ends after three years on 25 July 2020. Following the end of the Performance Period and after the Company has lodged its full year audited financial results for FY2020 with the ASX, the Board will test the performance hurdles that apply to the FY2018 LTIP offer and will determine how many performance rights (if any) are eligible to vest.</p>
What are the performance hurdles?	<p>The performance measures approved by the Board for the FY2018 LTIP offer were ROFE, EPS and relative TSR:</p> <ul style="list-style-type: none"> <li>• 50 percent of the Award is subject to the ROFE hurdle</li> <li>• 25 percent of the Award is subject to the EPS hurdle</li> <li>• 25 percent of the Award is subject to the TSR hurdle</li> </ul>
Why were the performance hurdles chosen?	<p>The hurdles were chosen to align shareholder returns with executive reward outcomes over the three year Performance Period and to complement the STI plan measures.</p> <p>The ROFE Hurdle was introduced to reflect the significant investment in additional capital, and an increase in short term costs that were required in the first three years of the New Myer plan. The measure ensures that executives are only rewarded if there is sufficient return on the funds raised from shareholders.</p> <p>The Board considers EPS the most effective measure for determining the underlying profitability of the business.</p> <p>The TSR Hurdle was selected to ensure alignment between comparative shareholder return and reward for executives. This measure also provides a direct comparison of the Company's performance over the Performance Period against a comparator group of companies that would, broadly, be expected to be similarly impacted by changes in market conditions. As there are few direct department store competitors listed in the Australian market, the peer group is focused on companies with similar impacts and scope.</p>

# REMUNERATION REPORT

*Continued*

What is the vesting framework?

The number of performance rights that vest will depend on how well Myer has performed during the Performance Period. For superior performance, 100 percent of the performance rights will vest. Only a percentage of performance rights will vest for performance below that level. If Myer does not achieve certain minimum thresholds then all the applicable performance rights will lapse, and no performance rights can vest.

For the FY2018 LTIP offer the following vesting hurdles apply:

*Performance rights subject to the ROFE Hurdle (50 percent of the Award)*

<b>The Company's ROFE at the end of the Performance Period</b>	<b>% of performance rights subject to the ROFE Hurdle that will vest (rounded down to the nearest whole number)</b>
Up to but excluding 10.0%	Nil
Including 10.0% and up to but excluding 11.0%	Pro rata, with linear progression between 50% and up to 100%
11.0% or greater	100%

*Performance rights subject to the EPS Hurdle (25 percent of the Award)*

The EPS Hurdle will be tested over the Performance Period by calculating the compound annual growth rate in the Company's EPS using EPS at the end of FY2017 as the base year. The resulting growth rate will be used to determine the level of vesting for the performance rights subject to the EPS Hurdle.

The table below sets out the percentage of performance rights subject to the EPS Hurdle that can vest depending on the Company's growth in EPS:

<b>Growth in EPS</b>	<b>% of performance rights subject to the EPS Hurdle that will vest (rounded down to the nearest whole number)</b>
Up to but excluding 5.6%	Nil
Including 5.6% and up to but excluding 10%	Pro rata, with linear progression between 50% and up to 100%
10% or greater	100%

*Performance rights subject to the TSR Hurdle (25 percent of the Award)*

The TSR Hurdle will be tested following the end of the Performance Period by comparing the Company's total shareholder return performance over the Performance Period relative to a set peer group. The peer group consists of Standard & Poor's ASX 200 market constituents (excluding Finance, Health Care, Utilities, Consumer Staples Global Industry Classification Standard (GICS) sectors and Metals and Mining or Oil, Gas and Consumer Fuels GICS Industry groups).

The table below sets out the percentage of performance rights subject to the TSR Hurdle that can vest depending on the Company's relative TSR performance:

<b>TSR performance</b>	<b>% of performance rights subject to the TSR Hurdle that will vest (rounded down to the nearest whole number)</b>
Up to but excluding 50 <sup>th</sup> percentile	Nil
Including 50 <sup>th</sup> percentile and up to but excluding 75 <sup>th</sup> percentile	Pro rata, with linear progression between 50% and up to 100%
75 <sup>th</sup> percentile or greater	100%

## REMUNERATION REPORT

### *Continued*

Are the performance hurdles subject to retesting?	No. Each performance hurdle is only tested once at the end of the Performance Period.
Do any restrictions apply once the rights vest?	Any shares provided on vesting of the performance rights will be subject to a restriction period of one year, during which they cannot be sold, transferred or otherwise dealt with.
<b>Cessation of employment, change of control, clawback, participation in future issues and hedging arrangements</b>	
Cessation of employment	The treatment of performance rights on cessation of employment will depend on the date as well as the circumstances of cessation. Generally, if an executive ceases employment on or before the end of the restriction period due to resignation, termination for cause or gross misconduct, they will forfeit any interest in the rights. If employment ceases on or before the end of the restriction period for other reasons, the executive will retain an interest in the vested shares. Subject to applicable law, the Board has the discretion to allow different treatment (although the discretion is only likely to be exercised in exceptional circumstances).
How would a change of control impact LTIP entitlements?	The Board has absolute discretion to allow full or pro rated accelerated vesting of performance rights in the event of certain change of control events, and would exercise this discretion in the best interests of the Company.
Does a 'clawback' apply?	The LTIP includes provisions for rights to lapse and interests in shares allocated and subject to restriction to be forfeited, at the Board's discretion, if rights or shares are granted, eligible to vest or allocated as a result of a material misstatement in, or omission from, the Company's financial statements. The Myer Board would only exercise this discretion in respect of those executives who were KMP of the Company at the time the financial statements were approved by the Board and issued by the Company.
How would a bonus or rights issue impact performance rights under the LTIP?	The rights and entitlements attaching to performance rights may be adjusted if the Company undertakes a bonus or rights issue or a capital reconstruction in relation to the Company's shares. For example, in the event of a rights issue, the number of shares which an executive is entitled to be allocated on the exercise of performance rights may be changed in a manner determined by the Myer Board and consistent with the ASX Listing Rules.
Do performance rights expire?	At the end of the applicable Performance Period, any performance rights that have not vested will lapse, and no shares will be provided for those performance rights.
Do any other restrictions apply to Performance Rights prior to vesting or subject to restriction?	<p>Executives are forbidden from entering into any hedging arrangements affecting their economic exposure to Performance Rights or restricted shares.</p> <p>Executives are also forbidden from entering into transactions or arrangements prohibited under the Company's Securities Dealing Policy.</p>

## REMUNERATION REPORT

### Continued

#### Additional remuneration

In addition to standard remuneration arrangements, Mr King and Mr Winstanley were provided with additional equity as part of their original contract terms. The grants of Alignment Equity were designed to create an immediate alignment between Messrs King and Winstanley and shareholders. The allocation value was based on the five day VWAP prior to the announcement of their appointment. The rights will vest in equal monthly tranches, over three years, with the performance period beginning on the date of their commencement. At the end of the performance period the rights will convert to ordinary shares.

The treatment of performance rights on cessation of employment will depend on the circumstances of cessation. When employment ceases for resignation or termination for cause, all unvested rights will automatically lapse. In other circumstances, unvested rights will continue to vest in equal instalments over the performance period and be automatically exercised on the original exercise date. Note that if a change of control occurs, the unvested rights will vest immediately and will be automatically exercised. Any vested but unexercised rights will also be automatically exercised.

In FY2018, KMP and other senior executives received a grant of performance rights. The awards granted may deliver value to executives at the end of the three year Performance Period, subject to satisfaction of performance hurdles as set out in the table below.

The following table summarises the FY2018 performance rights granted to KMP during the year.

Name	Total value of performance rights at grant date \$ <sup>(1)</sup>	Valuation of each performance right at grant date \$ <sup>(2)</sup>	Number of performance rights granted	Exercise price	Applicable hurdles	End of Performance Period
J King <sup>(3)</sup>	900,000	0.29	2,432,432	nil	Service	4 Jun 2021
N Chadwick	450,000	0.47	340,909	nil	ROFE	25 Jul 2020
		0.21	170,454	nil	TSR	25 Jul 2020
		0.47	170,455	nil	EPS	25 Jul 2020
M Cripsey <sup>(4)</sup>	366,000	0.47	277,272	nil	ROFE	25 Jul 2020
		0.21	138,636	nil	TSR	25 Jul 2020
		0.47	138,637	nil	EPS	25 Jul 2020
A Sutton	396,000	0.47	300,000	nil	ROFE	25 Jul 2020
		0.21	150,000	nil	TSR	25 Jul 2020
		0.47	150,000	nil	EPS	25 Jul 2020
A Winstanley <sup>(5)</sup>	250,000	0.35	555,555	nil	Service	25 Jun 2021
<b>Former Disclosed Executives</b>						
R Umbers <sup>(6)</sup>	1,080,000	0.47	818,181	nil	ROFE	25 Jul 2020
		0.21	409,090	nil	TSR	25 Jul 2020
		0.47	409,092	nil	EPS	25 Jul 2020
G Devonport <sup>(7)</sup>	846,000	0.47	640,909	nil	ROFE	25 Jul 2020
		0.21	320,454	nil	TSR	25 Jul 2020
		0.47	320,455	nil	EPS	25 Jul 2020

(1) Total value at the time of grant is based on the 5-day VWAP immediately prior to allocation.

(2) The valuation is calculated in accordance with AASB 2 Share Based Payment.

(3) Mr King received a grant of share rights on appointment. The allocation value of the share rights was calculated based on a share price of \$0.37, which was the VWAP from 16 April 2018 to 20 April 2018. The rights will vest on a monthly basis from 4 June 2018 to 4 June 2021.

(4) Mr Cripsey's grant of performance rights relates to his previous role as Chief Digital & Data Officer, prior to his promotion to KMP.

(5) Mr Winstanley received a grant of share rights on appointment. The allocation value of the share rights was calculated based on a share price of \$0.45, which was the VWAP from 17 May 2018 to 23 May 2018. The rights will vest on a monthly basis from 25 June 2018 to 25 June 2021.

(6) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018. The performance rights in this table held by Mr Umbers lapsed when his notice period concluded on 31 July 2018.

(7) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018. The performance rights in this table held by Mr Devonport lapsed when his notice period concluded on 21 March 2018.

## REMUNERATION REPORT

*Continued*

### 7. REMUNERATION OUTCOMES FOR EXECUTIVE KMP

The following table has been prepared in accordance with section 300A of the *Corporations Act 2001*. It shows details of the nature and amount of each element of the remuneration paid or awarded for services provided in this period. In the case of share based payments and retention incentives, the amounts disclosed reflect the amount expensed during the period in accordance with relevant accounting standards and accordingly this does not necessarily reflect the amount actually paid to the individual during the period, which may be more or less than the amount shown in the following tables.

Name	FY	Short-term employee benefits			Post employment benefits <sup>(4)</sup>	Long-term benefits			Total remuneration expense			% of Performance related remuneration	% Remuneration consisting of rights
		Cash salary <sup>(1)</sup>	STI <sup>(2)</sup>	Other <sup>(3)</sup>		Super-annuation <sup>(5)</sup>	Subtotal	Long service leave <sup>(6)</sup>	Termination & other payments	Excluding share based payments	Share-based payment expense <sup>(7)</sup>		
Executive Directors													
J King <sup>(8)</sup>	2018	195,238	-	72,321	-	267,559	158	-	267,717	162,857	430,574	38%	38%
Executive KMP													
N Chadwick <sup>(9)</sup>	2018	351,710	-	11,519	10,787	374,016	301	-	374,317	58,058	432,375	13%	13%
M Cripsey <sup>(10)</sup>	2018	342,217	-	1,661	10,283	354,161	4,740	-	358,901	181,780	540,681	34%	34%
A Sutton	2018	639,911	-	18,610	20,089	678,610	(176,891)	175,887	677,606	210,594	888,200	24%	24%
	2017	640,384	-	(30,508)	19,616	629,492	(12,977)	-	616,515	145,776	762,291	19%	19%
A Winstanley <sup>(11)</sup>	2018	82,024	-	74,665	-	156,689	66	-	156,755	26,516	183,271	14%	14%
Former Disclosed Executives													
R Umbers <sup>(12)</sup>	2018	639,140	-	(75,562)	20,049	583,627	(9,161)	1,297,441	1,871,907	(655,720)	1,216,187	0%	0%
	2017	1,180,384	-	16,065	19,616	1,216,065	5,235	-	1,221,300	523,442	1,744,742	30%	30%
G Devonport <sup>(13)</sup>	2018	435,887		(78,582)	13,366	370,671	(4,757)	510,294	876,208	58,526	934,734	6%	6%
	2017	857,190	-	128	19,616	876,934	3,115	-	880,049	367,120	1,247,169	29%	29%
D Bracken <sup>(14)</sup>	2018	-	-	-	-	-	(8,425)	583,251	574,826	(177,915)	396,911	0%	0%
	2017	1,030,937	-	(22,791)	20,650	1,028,796	4,347	-	1,033,143	48,808	1,081,951	5%	5%
Total KMP Remuneration													
	2018	2,686,127		24,632	74,574	2,785,333	(193,969)	2,566,873	5,158,237	(135,304)	5,022,933		
	2017	3,708,895	-	(37,106)	79,498	3,751,287	(280)	-	3,751,007	1,085,146	4,836,153		

# REMUNERATION REPORT

## Continued

### Footnotes

- (1) Cash salary includes short term compensated absences and any salary sacrifice arrangement implemented by the Executives, including additional superannuation contributions.
- (2) STI payments relate to program performance and conditions for the year they were earned, not the year of actual payment.
- (3) Other short-term employee benefits include the movement in Annual Leave accrual, and Fringe Benefits Tax paid by the Company in respect of Company provided car parking up to the end of March 2018 (in accordance with the FBT year), and relocation and expatriate support for Mr King and Mr Winstanley.
- (4) There were no post-employment benefits paid other than superannuation.
- (5) Executives receive a statutory superannuation contribution up to a threshold limit in line with the ATO published maximum superannuation contribution base, with the exception of Mr King and Mr Winstanley, who do not receive superannuation due to their tax status.
- (6) This benefit includes the movement in long service leave accrual. Mr Sutton 'cashed-out' a portion of his long service leave accrual during the period. This payment is included in other payments of his long-term benefits.
- (7) The share based payment expense represents the amount expensed for the period based on valuations determined under AASB 2 Share Based Payment. This expense is based on the fair value at grant date, and reflects expectations of the number of rights expected to vest. Where expectations change in relation to vesting, adjustment is made in the current period to reflect this change. As the equity grant may fully vest, partially vest or not vest at all, the benefit that the KMP ultimately realises is likely to be different to the amount disclosed in a particular year. The amount disclosed does not represent cash payments received in the period, and if vesting conditions are not met may result in reversal of the remuneration amount in a future period. There were no other equity-settled share based payments and there were no cash-settled share based payments.
- (8) Mr King commenced as CEO on 4 June 2018. Mr King's other short-term benefits includes \$33,067 of relocation expenses, grossed up allowances of \$23,944 for rental assistance and \$1,186 for health insurance.
- (9) Mr Chadwick commenced as Chief Financial Officer on 29 January 2018.
- (10) Mr Cripsey was appointed as Chief Operating Officer on 29 January 2018. The figures in this table relate to the period of the year that he was considered KMP.
- (11) Mr Winstanley commenced as Chief Merchandise Officer on 25 June 2018. Mr Winstanley's other short-term employee benefits include \$55,766 of relocation expenses, grossed allowances of \$12,147 for rental assistances and \$903 for health insurance.
- (12) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and his notice period concluded on 31 July 2018. His termination payment consists of all payments made post 14 February 2018, which were the minimum payments required under the terms of his employment.
- (13) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018, and his notice period concluded on 21 March 2018. His termination payment consists of all payments made post 28 January 2018, which were the minimum payments required under the terms of his employment.
- (14) Mr Bracken stepped down as KMP on 19 July 2017, and his notice period concluded on 19 January 2018. His termination payment was the minimum amount required under the terms of his employment.

### 7.1. UNVESTED PERFORMANCE RIGHTS

Details of performance rights granted to KMP under the previous equity incentive plans that remain unvested as at 28 July 2018 are set out in the table below.

Grant type	Grant date	Number of instruments	Value per instrument at grant date \$	Vesting date (if holder remains employed by a Myer Group company)	Expiry date
Rights (Service hurdle) <sup>(1)</sup>	5 Jan 2016	173,913	\$1.01	End of performance period	31 Oct 2018
Rights (ROFE hurdle)	5 Jan 2016	1,111,955	\$1.01	End of performance period	31 Oct 2020
Rights (Sales/SQM hurdle)	5 Jan 2016	1,111,955	\$1.01	End of performance period	31 Oct 2020
Rights (ROFE hurdle)	22 Dec 2016	679,315	\$1.25	End of performance period	31 Oct 2019
Rights (EPS hurdle)	22 Dec 2016	339,658	\$1.25	End of performance period	31 Oct 2019
Rights (TSR hurdle)	22 Dec 2016	339,660	\$0.84	End of performance period	31 Oct 2019
Rights (ROFE hurdle)	21 Dec 2017	1,736,362	\$0.47	End of performance period	31 Oct 2020
Rights (EPS hurdle)	21 Dec 2017	868,184	\$0.21	End of performance period	31 Oct 2020
Rights (TSR hurdle)	21 Dec 2017	868,180	\$0.47	End of performance period	31 Oct 2020
Rights (CEO only service hurdle)	4 Jun 2018	2,432,432	\$0.29	End of performance period	4 Jun 2021
Rights (CMO only service hurdle)	25 Jun 2018	555,555	\$0.35	End of performance period	25 Jun 2021
<b>Total</b>		<b>10,217,169</b>			

- (1) These performance rights apply to Mr Devonport, and were granted to recognise the significant incentive arrangements he forfeited upon leaving his previous employer to join Myer. The Board has agreed to use its discretion to vest these rights to Mr Devonport, as per the terms of the initial grant.

Details of performance rights over ordinary shares in the Company currently provided as remuneration and granted during the current year to executive KMP are set out overleaf. Further information on the LTIP is set out in note H4 of the Financial Statements.

## REMUNERATION REPORT

### Continued

#### 7.2. EQUITY INSTRUMENTS GRANTED TO KMP

Name	Vesting Date	Number of performance rights granted <sup>(1)</sup>	Value of performance rights at grant date <sup>(2)</sup> \$	Number of rights vested during the period	Value of rights at vest date \$
J King <sup>(3)</sup>	4 Jun 2021	2,432,432	900,000	67,567	27,027
N Chadwick	25 Jul 2020	681,818	450,000	-	-
M Cripsey <sup>(4)</sup>	25 Jul 2020	554,545	366,000	-	-
A Sutton	25 Jul 2020	600,000	396,000	19,825	13,977
A Winstanley <sup>(5)</sup>	25 Jun 2021	555,555	250,000	15,432	6,713
<b>Former Disclosed Executives</b>					
R Umbers <sup>(6)</sup>	25 Jul 2020	1,636,363	1,080,000	409,716	292,747
G Devonport <sup>(7)</sup>	25 Jul 2020	1,281,818	846,000	-	-

(1) No performance rights were granted to non-executive directors during the reporting period.

(2) The VWAP for the allocation of the FY2018 LTIP grant was \$0.66.

(3) Mr King was appointed as CEO and Managing Director on 4 June 2018. The performance rights referred to in this table refer to rights granted on his commencement. The VWAP for the allocation of the rights was \$0.37. The vesting date is the final vesting date, as this plan vests monthly in 36 equal tranches.

(4) Mr Cripsey's grant of performance rights relates to his previous role as Chief Digital & Data Officer, prior to his promotion to KMP.

(5) Mr Winstanley was appointed as Chief Merchandise Officer on 25 June 2018. The performance rights referred to in this table refer to rights granted on his commencement. The VWAP for the allocation of the rights was \$0.45. The vesting date is the final vesting date, as this plan vests monthly in 36 equal tranches.

(6) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and his notice period concluded on 31 July 2018. The performance rights granted in this table lapsed when he left the Company's employment.

(7) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018 and his notice period concluded on 21 March 2018. The performance rights referred to in this table lapsed when he left the Company's employment.

#### 7.3. SHARES PROVIDED ON EXERCISE OF OPTIONS

There were no ordinary shares in the Company provided as a result of the exercise of options to any director of the Company and KMP. No amounts are unpaid on any shares provided on the exercise of options.

## REMUNERATION REPORT

### Continued

#### 7.4. PERFORMANCE RIGHTS ON ISSUE

For each grant of options or grant of performance rights included in this report, the percentage of the grant that was paid, or that vested, in the financial year, and the percentage and value that was forfeited because the service and performance criteria were not met is set out below. Options and performance rights vest provided the vesting conditions or performance hurdles are met. No options or performance rights will vest if the hurdles (either service or performance) are not satisfied, therefore the minimum value of the options or performance rights yet to vest is nil.

Name	Grant date	Expiry date	Vested %	Forfeited %	Value of vested performance rights	Maximum total value of grant yet to be expensed <sup>(1)</sup>
J King <sup>(2)</sup>	4 Jun 2018	4 Jun 2021	2.78	-	27,027	465,574
N Chadwick <sup>(3)</sup>	29 Jan 2018	31 Oct 2021	-	-	-	215,645
M Cripsey <sup>(4)</sup>	21 Dec 2017	31 Oct 2021	-	-	-	175,391
	22 Dec 2016	31 Oct 2019	-	-	-	117,141
	5 Jan 2016 <sup>(5)</sup>	31 Oct 2020	-	-	-	54,913
A Sutton	21 Dec 2017	31 Oct 2021	-	-	-	189,768
	22 Dec 2016	31 Oct 2019	-	-	-	136,838
	5 Jan 2016 <sup>(5)</sup>	31 Oct 2020	-	-	-	59,905
	15 Dec 2014	31 Oct 2017	8.33	91.67	13,977	-
A Winstanley <sup>(6)</sup>	25 Jun 2018	25 Jun 2021	2.78	-	6,713	148,043
<b>Former Disclosed Executives</b>						
R Umbers <sup>(7)</sup>	21 Dec 2017	25 Jul 2021	-	-	-	-
	22 Dec 2016	31 Oct 2019	-	-	-	-
	5 Jan 2016 <sup>(5)</sup>	31 Oct 2020	-	-	-	-
	15 Dec 2014	31 Oct 2017	49.62	50.38	208,045	-
G Devonport <sup>(8)</sup>	21 Dec 2017	31 Oct 2021	-	100.00	-	-
	22 Dec 2016	31 Oct 2019	-	100.00	-	-
	5 Jan 2016 <sup>(5)</sup>	31 Oct 2020	-	-	-	254,142

(1) This represents the maximum accounting value of the LTIP awards (rights) as at their grant date.

(2) Mr King was appointed as CEO and Managing Director on 4 June 2018. The performance rights referred to in this table refer to rights granted upon his appointment. These rights vest monthly over the period 4 June 2018 to 4 June 2021.

(3) Mr Chadwick was appointed as Chief Financial Officer on 29 January 2018, and was granted performance rights upon his appointment.

(4) Mr Cripsey's performance rights relate to his previous role as Chief Digital & Data Officer, prior to his promotion to KMP as the Chief Operating Officer on 29 January 2018.

(5) The grants under the FY2016 LTIP will be tested for vesting following the release of the FY2018 results and details disclosed in the FY2019 Remuneration Report.

(6) Mr Winstanley was appointed as Chief Merchandise Officer on 25 June 2018. The performance rights referred to in this table refer to rights granted upon his appointment. These rights vest monthly over the period 25 June 2018 to 25 June 2021.

(7) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and his notice period concluded on 31 July 2018. The performance rights referred to in this table held by Mr Umbers which were granted on 22 December 2016 and 21 December 2017 lapsed when his notice period concluded. Other performance rights granted to Mr Umbers will be tested as per their original terms, and may vest if the performance targets are achieved.

(8) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018 and his notice period concluded on 21 March 2018. A portion of performance rights referred to in this table held by Mr Devonport that were granted on 5 January 2016 were linked to his continuous service, these rights will vest in FY2019. All other rights will be forfeited.

## REMUNERATION REPORT

### Continued

#### 8. EXECUTIVE SERVICE AGREEMENTS

Remuneration and other terms of employment for the CEO and other KMP are formalised in service agreements. The termination provisions for KMP, as set out in their service agreements, are described below:

Name	Contract type	Termination notice period initiated by KMP	Termination notice period, or payment in lieu of notice initiated by Company
J King	Rolling contract	12 months	12 months
N Chadwick	Rolling contract	6 months	6 months
M Cripsey	Rolling contract	6 months	6 months
A Sutton	Rolling contract	3 months	6 months
A Winstanley	Rolling contract	6 months	6 months
<b>Former Disclosed Executives</b>			
R Umbers <sup>(1)</sup>	Rolling contract	6 months	12 months
G Devonport <sup>(2)</sup>	Rolling contract	3 months	6 months

(1) Mr Umbers stepped down as KMP on 14 February 2018.

(2) Mr Devonport stepped down as KMP on 28 January 2018.

The agreements also provide for an executive's participation in the STI and LTI plans subject to Board approval of their eligibility and in accordance with the terms and conditions of the respective plans.

In addition, Mr King and Mr Winstanley have been provided with support relating to their relocations, and are entitled to the following benefits:

- Coverage of costs associated with moving personal and household items, and tax services for the first year of their assignments; and
- Ongoing rental assistance, health care coverage and a return flight to and from the USA or the United Kingdom annually, and other costs related to their Australian residency.

The cost to the Company in providing this support for the year ended 28 July 2018 is summarised in Section 7.

#### 9. EQUITY

The number of rights over ordinary shares in the Company held during the financial period by executive KMP of the Company, including their personally related parties, are set out below. No rights over ordinary shares are held by non-executive directors.

	Opening balance	Granted as compensation	Exercised	Lapsed	Closing balance <sup>(1)</sup>
<b>2018</b>					
J King	-	2,432,432	-	-	2,432,432
N Chadwick	-	681,818	-	-	681,818
M Cripsey <sup>(2)</sup>	-	554,545	-	-	554,545
A Sutton	834,471	600,000	(19,825)	(205,175)	1,209,471
A Winstanley	-	555,555	-	-	555,555
<b>Former Disclosed Executives</b>					
R Umbers <sup>(3)</sup>	2,316,322	1,636,363	(295,099)	(273,650)	3,383,936
G Devonport <sup>(4)</sup>	1,597,896	1,281,818	-	(2,021,019)	858,695
<b>2017</b>					
R Umbers	1,507,879	808,443	-	-	2,316,322
D Bracken	1,226,357	673,703	-	-	1,900,060
G Devonport	858,695	739,201	-	-	1,597,896
A Sutton	627,202	296,429	(11,145)	(78,015)	834,471

(1) All vested rights are exercisable at the end of the period.

(2) Mr Cripsey's performance rights relate to his previous role as Chief Digital & Data Officer, prior to his promotion to KMP as the Chief Operating Officer on 29 January 2018.

(3) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and is no longer considered KMP from this date. The performance rights referred to in this table held by Mr Umbers which were granted on 22 December 2016 and 21 December 2017 lapsed when his notice period concluded on 31 July 2018. Other performance rights granted to Mr Umbers will be tested as per their original terms, and may vest if the performance targets are achieved.

(4) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018 and is no longer considered KMP from this date. A portion of performance rights referred to in this table held by Mr Devonport that were granted on 5 January 2016 were linked to his continuous service, these rights will vest in FY2019. All other rights will be forfeited.

## REMUNERATION REPORT

*Continued*

The number of shares in the Company held during the financial period by each director of the Company and other KMP of the Company, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

	Opening balance	Received on exercise of rights to shares	Other changes during the year	Closing balance
<b>2018</b>				
<b>Directors</b>				
G Hounsell	-	-	1,000,000	1,000,000
I Cornell	16,000	-	250,000	266,000
C Froggatt	24,056	-	-	24,056
J Morrison	-	-	89,788	89,788
J Stephenson	-	-	95,000	95,000
R Thorn	225,400	-	-	225,400
D Whittle	12,345	-	-	12,345
<b>Former Directors</b>				
P McClintock <sup>(1)</sup>	258,400	-	-	-
A Brennan <sup>(2)</sup>	75,122	-	-	-
<b>Executive KMP</b>				
J King	-	-	50,000	50,000
N Chadwick	-	-	50,000	50,000
M Cripsey	-	-	-	-
A Sutton	11,145	19,825	(30,970)	-
A Winstanley	-	-	-	-
<b>Former Disclosed Executives</b>				
R Umbers <sup>(3)</sup>	326,847	295,099	-	-
G Devonport <sup>(4)</sup>	252,000	-	-	-
<b>2017</b>				
<b>Directors</b>				
P McClintock	258,400	-	-	258,400
A Brennan	75,122	-	-	75,122
I Cornell	16,000	-	-	16,000
C Froggatt	24,056	-	-	24,056
J Stephenson	-	-	-	-
R Thorn	225,400	-	-	225,400
D Whittle	-	-	12,345	12,345
<b>Executive KMP</b>				
R Umbers	212,230	114,617	-	326,847
D Bracken <sup>(5)</sup>	50,000	-	-	50,000
G Devonport	252,000	-	-	252,000
A Sutton	45,249	11,145	(45,249)	11,145

- (1) Mr McClintock retired as Chairman and non-executive director on 24 November 2017. His holdings for the end of the period have not been reported in the table above.
- (2) Ms Brennan retired as a non-executive director on 24 November 2017. Her holdings for the end of the period have not been reported in the table above.
- (3) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and his notice period concluded on 31 July 2018. His holdings for the end of the period have not been reported in the table above.
- (4) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018 and his notice period concluded on 21 March 2018. His holdings for the end of the period have not been reported in the table above.
- (5) Mr Bracken stepped down as a KMP on 19 July 2017, and his notice period concluded on 19 January 2018.

# REMUNERATION REPORT

## *Continued*

### 10. LOANS

There were no loans made to KMP or entities related to them, including their personally related parties, or other transactions at any time during FY2017 or FY2018.

### 11. DEALING IN SECURITIES

Under the Securities Dealing Policy, directors and senior executives are prohibited from entering into hedging arrangements with respect to the Company's securities. A copy of the Securities Dealing Policy is available on the Myer Investor Centre website.

### 12. NON-EXECUTIVE DIRECTOR REMUNERATION

Fees and payments to non-executive directors reflect the demands upon and responsibilities of those directors. The Board, on the recommendation of the Committee, reviews non-executive directors' fees and payments at least once a year. As part of that review, the Board considers the advice of independent remuneration consultants in relation to:

- Chairman's fees and payments;
- non-executive directors' fees and payments; and
- payments made in relation to the Chairman of committees or for other specific tasks that may be performed by directors.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit as approved from time to time by Myer shareholders at the Annual General Meeting. The maximum aggregate limit includes superannuation contributions for the benefit of non-executive directors and any fees which a non-executive director agrees to sacrifice for other benefits. It does not include reimbursement of genuine out-of-pocket expenses, genuine special exertions fees paid in accordance with the Company's constitution, or certain issues of securities under ASX Listing Rule 10.11 or 10.14, with the approval of shareholders. The current maximum aggregate fee pool limit is \$2,150,000 per annum. The aggregate fee pool limit has not changed since the Company was listed in November 2009.

Base fees for non-executive directors include payment for participation on Board Committees, however an additional payment is made to those who serve as Chairman on a committee to recognise the additional responsibility and time requirements involved in chairing a committee.

As discussed in Section 2, the Chairman and non-executive directors' fees have been reduced to align them with market practice for companies with a similar market capitalisation. The Chairman fee was initially reduced from \$400,000 in FY2017 to \$350,000 from the start of FY2018. The Chairman fee, along with other non-executive directors' fees, the Audit Finance and Risk Committee and Human Resources and Remuneration Committee Chairman fees were subsequently reduced from 21 March 2018 onwards.

The following yearly fees applied in FY2018:

Base annual fees	30 July 2017 – 20 March 2018	21 March 2018 – 28 July 2018
Chairman (all inclusive)	\$350,000	\$300,000
Other non-executive directors	\$150,000	\$120,000
<b>Additional annual fees</b>		
Deputy Board Chairman	\$25,000	-
Audit Finance and Risk Committee – Chairman	\$30,000	\$20,000
Audit Finance and Risk Committee – member	-	-
Human Resources and Remuneration Committee – Chairman	\$22,500	\$20,000
Human Resources and Remuneration Committee – member	-	-
Nomination Committee – Chairman	-	-
Nomination Committee – member	-	-

Non-executive directors are not entitled to any additional remuneration upon retirement. Superannuation contributions required by legislation are made from the fee paid to directors and fall within the aggregate fee pool limit.

Non-executive directors do not receive performance based pay. However, they are able to purchase shares in the Company, which can be acquired on market during approved trading 'windows' for share trading consistent with the Company's Securities Dealing Policy.

Each non-executive director will target the purchase of a shareholding in the Company that, as at the date of the last purchase, is equivalent to at least one year's non-executive director's base fees, progressively over three years from the date of their appointment, for new non-executive directors, and within three years from April 2018 for existing non-executive directors.

# REMUNERATION REPORT

*Continued*

The table below shows the remuneration amounts recorded in the financial statements in the period for non-executive directors:

Name	FY	Myer Holdings Limited Board & Committee Fees	Additional fees	Superannuation	Total
<b>Non-executive directors</b>					
G Hounsell <sup>(1)</sup>	2018	146,896	294,378	16,748	458,022
I Cornell	2018	125,877	-	13,214	139,091
	2017	135,750	-	14,250	150,000
C Froggatt	2018	145,417	-	15,265	160,682
	2017	156,113	-	16,387	172,500
J Morrison <sup>(2)</sup>	2018	97,596	140,178	10,245	248,019
J Stephenson	2018	141,098	-	14,811	155,909
	2017	80,730	-	8,474	89,204
R Thorn	2018	125,877	-	13,214	139,091
	2017	135,750	-	14,250	150,000
D Whittle	2018	125,877	-	13,214	139,091
	2017	135,750	-	14,250	150,000
<b>Former non-executive directors</b>					
P McClintock <sup>(3)</sup>	2018	104,786	-	6,683	111,469
	2017	380,384	-	19,616	400,000
A Brennan <sup>(4)</sup>	2018	51,832	-	5,441	57,273
	2017	162,900	-	17,100	180,000
<b>Total non-executive directors</b>	<b>2018</b>	<b>1,065,256</b>	<b>434,556</b>	<b>108,835</b>	<b>1,608,647</b>
	2017	1,187,377	-	104,327	1,291,704

- (1) Mr Hounsell commenced as a non-executive director and Deputy Chairman on 20 September 2017; was appointed Chairman on 24 November 2017; and was appointed Executive Chairman on 14 February 2018 for the period until 3 June 2018, and he reverted to non-executive Chairman on 4 June 2018. Mr Hounsell was paid a fee of \$83,333 per month for the period he was Executive Chairman. The Company paid \$587 FBT in relation to car parking provided to Mr Hounsell.
- (2) Ms Morrison commenced as a non-executive director on 17 October 2017. In addition to her non-executive director fees, Ms Morrison was paid \$68,075 for her role as a director of the sass & bide and Marcs and David Lawrence entities during the period up until 4 June 2018, and \$72,103 for marketing consulting services provided to the Company.
- (3) Mr McClintock retired as a non-executive director on 24 November 2017.
- (4) Ms Brennan retired as a non-executive director on 24 November 2017.

# FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

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**CONSOLIDATED INCOME STATEMENT**  
for the period ended 28 July 2018

		2018 52 weeks \$'000	2017 52 weeks \$'000
	Notes		
<b>Total sales value</b>	A2	<b>3,100,554</b>	3,201,866
Concession sales		<b>(653,983)</b>	(701,678)
<b>Sale of goods</b>	A2	<b>2,446,571</b>	2,500,188
Sales revenue deferred under customer loyalty program		<b>(36,583)</b>	(34,847)
<b>Revenue from sale of goods</b>	A2	<b>2,409,988</b>	2,465,341
Other operating revenue	A2	<b>162,299</b>	176,485
Cost of goods sold		<b>(1,387,903)</b>	(1,421,394)
<b>Operating gross profit</b>		<b>1,184,384</b>	1,220,432
Selling expenses		<b>(831,192)</b>	(819,055)
Administration expenses		<b>(297,765)</b>	(292,212)
Share of net profit/(loss) of equity-accounted associate		-	(1,176)
Dilution of investment in equity-accounted associate		-	(1,338)
Restructuring and store exit costs, onerous lease expense and impairment of assets	A3	<b>(541,190)</b>	(65,615)
<b>Earnings/(loss) before interest and tax</b>		<b>(485,763)</b>	41,036
Finance revenue	A2	<b>397</b>	436
Finance costs	A3	<b>(9,471)</b>	(11,259)
<b>Net finance costs</b>		<b>(9,074)</b>	(10,823)
<b>Profit/(loss) before income tax</b>		<b>(494,837)</b>	30,213
Income tax benefit/(expense)	A4	<b>8,835</b>	(18,274)
<b>Profit/(loss) for the period attributable to owners of Myer Holdings Limited</b>		<b>(486,002)</b>	11,939
<b>Earnings/(loss) per share attributable to the ordinary equity holders of the Company:</b>		<b>Cents</b>	Cents
Basic earnings per share	A5	<b>(59.2)</b>	1.5
Diluted earnings per share	A5	<b>(59.2)</b>	1.4

The above consolidated income statement should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 28 July 2018*

		2018	2017
		52 weeks	52 weeks
	Notes	\$'000	\$'000
<b>Profit/(loss) for the period</b>		<b>(486,002)</b>	<b>11,939</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to profit or loss:			
Cash flow hedges	F2	13,552	547
Exchange differences on translation of foreign operations	F2	(439)	329
<b>Other comprehensive income for the period, net of tax</b>		<b>13,113</b>	<b>876</b>
<b>Total comprehensive income/(loss) for the period attributable to owners of Myer Holdings Limited</b>		<b>(472,889)</b>	<b>12,815</b>

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**CONSOLIDATED BALANCE SHEET**  
*as at 28 July 2018*

	Notes	2018 \$'000	2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	D1	41,793	30,591
Trade and other receivables and prepayments	B1	26,616	27,602
Inventories	B2	366,839	372,374
Derivative financial instruments	E2	6,725	-
<b>Total current assets</b>		<b>441,973</b>	<b>430,567</b>
<b>Non-current assets</b>			
Property, plant and equipment	C1	424,076	460,211
Intangible assets	C2	485,151	985,657
Derivative financial instruments	E2	269	-
Other non-current assets		1,529	2,094
<b>Total non-current assets</b>		<b>911,025</b>	<b>1,447,962</b>
<b>Total assets</b>		<b>1,352,998</b>	<b>1,878,529</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	B3	381,156	379,740
Provisions	C3	70,007	87,295
Deferred income	C4	10,294	9,817
Derivative financial instruments	E2	64	7,944
Current tax liabilities		4,321	1,627
Other liabilities		472	591
<b>Total current liabilities</b>		<b>466,314</b>	<b>487,014</b>
<b>Non-current liabilities</b>			
Borrowings	D3	149,165	143,367
Provisions	C3	11,856	13,821
Deferred income	C4	80,629	75,927
Deferred tax liabilities	A4	60,981	84,574
Derivative financial instruments	E2	64	958
<b>Total non-current liabilities</b>		<b>302,695</b>	<b>318,647</b>
<b>Total liabilities</b>		<b>769,009</b>	<b>805,661</b>
<b>Net assets</b>		<b>583,989</b>	<b>1,072,868</b>
<b>EQUITY</b>			
Contributed equity	F1	739,020	739,329
Retained earnings/(accumulated losses)	F2	(160,282)	342,146
Reserves	F2	5,251	(8,607)
<b>Total equity</b>		<b>583,989</b>	<b>1,072,868</b>

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 28 July 2018*

	Notes	Contributed equity \$'000	Retained earnings / (accumulated losses) \$'000	Reserves \$'000	Total \$'000
<b>Balance as at 30 July 2016</b>		739,338	379,483	(11,056)	1,107,765
Net profit for the period		-	11,939	-	11,939
Other comprehensive income for the period		-	-	876	876
Total comprehensive income for the period		-	11,939	876	12,815
Transactions with owners in their capacity as owners:					
Acquisition of treasury shares	F1	(196)	-	-	(196)
Issue of treasury shares to employees	F1	187	-	-	187
Dividends paid	F3	-	(49,276)	-	(49,276)
Employee share schemes	F2	-	-	1,573	1,573
		(9)	(49,276)	1,573	(47,712)
<b>Balance as at 29 July 2017</b>		739,329	342,146	(8,607)	1,072,868
Net loss for the period		-	(486,002)	-	(486,002)
Other comprehensive income for the period		-	-	13,113	13,113
Total comprehensive income/(loss) for the period		-	(486,002)	13,113	(472,889)
Transactions with owners in their capacity as owners:					
Acquisition of treasury shares	F1	(309)	-	-	(309)
Dividends paid	F3	-	(16,426)	-	(16,426)
Employee share schemes	F2	-	-	745	745
		(309)	(16,426)	745	(15,990)
<b>Balance as at 28 July 2018</b>		739,020	(160,282)	5,251	583,989

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the period ended 28 July 2018

		2018 52 weeks \$'000	2017 52 weeks \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of goods and services tax)		2,857,300	2,931,853
Payments to suppliers and employees (inclusive of goods and services tax)		(2,726,701)	(2,744,651)
		130,599	187,202
Interest paid		(9,097)	(10,165)
Tax paid		(12,301)	(27,759)
<b>Net cash inflow from operating activities</b>	D2	109,201	149,278
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(42,990)	(88,452)
Payments for intangible assets		(48,313)	(24,217)
Payment for acquisition of assets, under business combination		-	(13,000)
Lease incentives and contributions received		4,455	16,758
Net investment in associate		-	(966)
Interest received		411	421
<b>Net cash outflow from investing activities</b>		(86,437)	(109,456)
<b>Cash flows from financing activities</b>			
Proceeds from/(repayment of) borrowings, net of transaction costs		5,000	(5,000)
Dividends paid to equity holders of the parent	F3	(16,426)	(49,276)
Payment for acquisition of treasury shares	F1	(309)	(196)
Other		173	34
<b>Net cash outflow from financing activities</b>		(11,562)	(54,438)
<b>Net increase/(decrease) in cash and cash equivalents</b>		11,202	(14,616)
Cash and cash equivalents at the beginning of the financial period		30,591	45,207
<b>Cash and cash equivalents at end of period</b>	D1	41,793	30,591

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

## A. GROUP PERFORMANCE

This section provides additional information regarding lines in the financial statements that are most relevant to explaining the performance of the Group during the period, including the applicable accounting policies applied and significant estimates and judgements made.

### A1 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions about the allocation of resources.

The Chief Executive Officer considers the business based on total store and product portfolio, and has identified that the Group operates in Australia in the department store retail segment.

The Group also undertakes activities outside the department store retail business through its subsidiaries, sass & bide and Marcs and David Lawrence. On the basis that these subsidiaries represent less than 10% of the total Group's operations and have similar economic characteristics to the department store retail business, they have not been disclosed as separate reporting segments.

#### Accounting policy

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

### A2 REVENUE

	2018 52 weeks \$'000	2017 52 weeks \$'000
<i>Sales revenue</i>		
Total sales value	3,100,554	3,201,866
Concession sales	(653,983)	(701,678)
Sale of goods	2,446,571	2,500,188
Sales revenue deferred under customer loyalty program	(36,583)	(34,847)
Revenue from sale of goods	2,409,988	2,465,341
<i>Other operating revenue</i>		
Concessions revenue	146,331	158,055
Other	15,968	18,430
	162,299	176,485
<i>Finance revenue</i>		
Interest revenue	397	436
<b>Total revenue</b>	<b>2,572,684</b>	<b>2,642,262</b>

Other includes revenue in relation to the gift card non-redemption income, forfeited lay-by deposits and financial services income.

#### Accounting policy

Total sales value presented in the income statement represents proceeds from sale of goods (both from the Group and concession operators) and prior to the deferral of revenue under the Myer customer loyalty program. Concession sales presented in the income statement represents the sales proceeds of concession operators within Myer stores. Total sales value is disclosed to show the total sales generated by the Group and provide a basis of comparison with similar department stores.

Revenue from sale of goods, excluding lay-by transactions, is recognised at the point of sale and is after deducting taxes paid, and does not include concession sales. Allowance is made for expected sales returns based on past experience of returns and expectations about the future. A provision for sales returns is recognised based on this assessment. Revenue from lay-by transactions is recognised as part of revenue from the sale of goods at the date upon which the customer satisfies all payment obligations and takes possession of the merchandise.

Revenue from sale of goods excludes concession sales in Myer stores on the basis that the inventory sold is owned by the concession operator at the time of sale and not the Group. The Group's share of concession sales is recognised as revenue within other operating revenue at the time the sale is made.

Interest revenue is recognised on a time proportion basis using the effective interest method. Dividends are recognised as revenue when the right to receive payment is established.

#### Critical accounting estimates and judgements – customer loyalty program

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of revenue recognised is based on the number of points redeemed relative to the total number expected to be redeemed. Award points expire 24 months after the initial sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**A3 EXPENSES**

	2018 52 weeks \$'000	2017 52 weeks \$'000
<b>Profit/(loss) before income tax includes the following specific expenses:</b>		
<i>Employee benefits expenses</i>		
Defined contribution superannuation expense	38,044	38,313
Other employee benefits expenses	424,178	426,161
<b>Total employee benefits expenses</b>	<b>462,222</b>	<b>464,474</b>
<i>Depreciation, amortisation and write-off expense</i>	<b>94,006</b>	<b>91,480</b>
<i>Finance costs</i>		
Interest and finance charges paid/payable	8,743	9,071
Fair value losses on interest rate swap cash flow hedges, transferred from equity	728	2,188
<b>Finance costs expensed</b>	<b>9,471</b>	<b>11,259</b>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	229,075	227,468
Contingent rentals	2,712	2,607
<b>Total rental expense relating to operating leases</b>	<b>231,787</b>	<b>230,075</b>
<i>Net foreign exchange gains</i>	<b>(12,085)</b>	<b>(12,632)</b>
<b>Restructuring and store exit costs, onerous lease expense and impairment of assets</b>		
The following individually significant items are included within restructuring and store exit costs, onerous lease expense and impairment of assets in the consolidated income statement:		
Restructuring and redundancy costs <sup>1</sup>	9,224	6,347
Store exit costs and other asset impairments <sup>2</sup>	7,480	48,058
Impairment of assets <sup>3</sup>	524,486	-
Support office onerous lease expense and impairment of assets <sup>4</sup>	-	11,210
	<b>541,190</b>	<b>65,615</b>
Income tax benefit <sup>5</sup>	(22,713)	(9,606)
<b>Restructuring and store exit costs, onerous lease expense and impairment of assets, net of tax</b>	<b>518,477</b>	<b>56,009</b>

1. The Group has completed several restructuring programs during the period resulting in redundancy and other costs being incurred or committed but not yet paid. Refer to note C3 for more information.

2. Store exit costs and other asset impairments includes net costs associated with the announcement of store closures (Colonnades, Belconnen and Hornsby) and space optimisation during or after the end of the period that have been committed prior to the end of the period (2017: net costs associated with store and distribution centre space optimisation, recognised an impairment of the sass & bide goodwill and brand name totalling \$38.8 million and a write-down of the investment in Austradia Pty Limited of \$6.8 million). Refer to note C1, C2 and C3 for more information.

3. The Group has recognised an impairment of the Myer goodwill and brand name, an impairment of the Mt Gravatt store's plant and equipment assets, and an impairment of Support Office software assets. Refer to note C2 for more information.

4. In 2017, the Group recognised a \$9.1 million onerous lease provision relating to surplus space identified at the support office due to restructuring completed. This provision expense was partially offset by the write-back of the fixed lease rental increase provision and deferred income associated with this space. The assets associated with this surplus space were impaired and included in this amount. Refer to note C1 and C3 for more information.

5. Income tax benefit includes a \$15.1 million benefit relating to the unwind of the deferred tax liability as a result of the impairment of the Myer brand name recognised during the period. Refer to note C2 for more information.

**Accounting policy**

The expenses disclosed above are also disclosed in the following sections of the financial statements:

- Employee benefits expenses – refer to note C3
- Depreciation and amortisation expense – refer to note C1 and C2
- Finance costs – refer to note D3 and E2
- Rental expense relating to operating leases – refer to note H2
- Net foreign exchange gains – refer to note F2

**Individually Significant Items**

Certain items have been separately disclosed and presented as individually significant based on the nature and/or impact these items have on the Group's financial performance for the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**A4 INCOME TAX**

	2018 52 weeks \$'000	2017 52 weeks \$'000
<b>(a) Income tax (benefit)/expense</b>		
<i>(i) Income tax (benefit)/expense</i>		
Current tax	14,596	23,925
Deferred tax	(23,431)	(5,651)
Income tax (benefit)/expense <sup>1</sup>	(8,835)	18,274
Deferred income tax expense included in income tax (benefit)/expense comprises:		
Decrease/(Increase) in deferred tax assets	(7,623)	2,359
(Decrease)/Increase in deferred tax liabilities	(15,808)	(8,010)
	(23,431)	(5,651)
<i>(ii) Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit/(loss) before income tax expense	(494,837)	30,213
Tax at the Australian tax rate of 30% (2017: 30%)	(148,451)	9,064
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible asset impairments	139,593	10,156
Non-deductible losses	-	754
Sundry items	27	(278)
	(8,831)	19,696
Adjustments for current tax of prior periods	(4)	(1,422)
Income tax (benefit)/expense <sup>1</sup>	(8,835)	18,274

1. Income tax includes an income tax benefit of \$22.7 million (2017: \$9.6 million) attributable to the restructuring and store exit costs, onerous lease expense and impairment of assets recorded during the period. Refer to note A3 for more information.

	2018 \$'000	2017 \$'000
<b>(b) Deferred tax assets</b>		
<b>Deferred tax assets comprise temporary differences attributable to:</b>		
Employee benefits	15,184	15,744
Non-employee provisions and accruals	12,729	18,692
Amortising deductions	1,626	2,543
Property, plant, equipment and software	13,936	-
Trading stock	6,894	5,306
Tax losses	738	1,147
Total deferred tax assets	51,107	43,432
Set off of deferred tax assets pursuant to set off provisions	(51,107)	(43,432)
Net deferred tax assets	-	-
<b>Movement</b>		
Carrying amount at beginning of period	43,432	45,352
Credited/(charged) to income statement	7,623	(2,359)
Credited/(charged) to other comprehensive income	52	(31)
Business combination	-	470
Carrying amount at end of period	51,107	43,432
<b>(c) Deferred tax liabilities</b>		
<b>Deferred tax liabilities comprise temporary differences attributable to:</b>		
Property, plant, equipment and software	-	421
Brand names	107,330	122,424
Deferred income	4,012	4,524
Sundry items	746	637
	112,088	128,006
Set off of deferred tax assets pursuant to set off provisions	(51,107)	(43,432)
Net deferred tax liabilities	60,981	84,574
<b>Movement</b>		
Carrying amount at beginning of period	128,006	133,796
Charged/(credited) to income statement	(15,808)	(8,010)
Acquisition of brand name	-	2,220
Charged/(credited) to other comprehensive income	(110)	-
Carrying amount at end of period	112,088	128,006

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the period ended 28 July 2018

**A4 INCOME TAX (CONTINUED)**

**Accounting policy**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exemption is made for certain temporary differences if they arise in a transaction, other than a business combination, that at the time of the transaction did not affect accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised in other comprehensive income or directly in equity are also recognised directly in other comprehensive income or equity.

**Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

**A5 EARNINGS PER SHARE**

	2018 cents	2017 cents
<b>(a) Basic earnings per share</b>		
Total basic earnings per share attributable to the ordinary equity holders of the Company	(59.2)	1.5
<b>(b) Diluted earnings per share</b>		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	(59.2)	1.4
	2018 \$'000	2017 \$'000
<b>(c) Reconciliation of earnings used in calculating earnings per share</b>		
Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders	(486,002)	11,939
	2018 Number	2017 Number
<b>(d) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	821,278,815	821,278,815
Adjustments for calculation of diluted earnings per share - performance rights	-	3,167,034
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	821,278,815	824,445,849

**(e) Information concerning the classification of securities**

Performance rights granted to employees under the Myer Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights granted have not been included in the determination of basic earnings per share. Details relating to performance rights are set out in note H4. All performance rights outstanding at period end have been included in the calculation of diluted earnings per share because no rights are considered antidilutive for the period ended 28 July 2018.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares decreases earnings per share or increases loss per share.

**Accounting policy**

**Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

**Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the period ended 28 July 2018

**B. WORKING CAPITAL**

This section provides additional information regarding lines in the financial statements that are most relevant to explaining the assets used to generate the Group's trading performance during the period and liabilities incurred as a result, including the applicable accounting policies applied and significant estimates and judgements made.

**B1 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS**

	2018 \$'000	2017 \$'000
Trade receivables	4,218	5,586
Provision for impairment	(854)	(763)
	3,364	4,823
Other receivables	9,648	12,273
Prepayments	13,604	10,506
	23,252	22,779
	26,616	27,602

**Fair value and risk exposure**

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Information about the Group's exposure to credit risk, foreign currency risk and interest rate risk in relation to trade and other receivables and the Group's financial risk management policy is provided in note E1.

**Accounting policy**

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised as an expense in the income statement. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

**B2 INVENTORIES**

	2018 \$'000	2017 \$'000
Retail inventories	366,839	372,374

Provision for write-down of inventories to net realisable value amounted to \$12.1 million (2017: \$10.6 million). This was recognised as an expense during the period and included in cost of sales in the income statement.

**Accounting policy**

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method, after deducting any purchase settlement discount and including logistics expenses incurred in bringing the inventories to their present location and condition.

Volume-related supplier rebates and supplier promotional rebates are recognised as a reduction in the cost of inventory and are recorded as a reduction of cost of goods sold when the inventory is sold.

**Critical accounting estimates and judgements - recoverable amount of inventory**

Management has assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of various items of inventory, and booked a provision for this amount. To the extent that these judgements and assumptions prove incorrect, the Group may be exposed to potential additional inventory write-downs in future periods.

**B3 TRADE AND OTHER PAYABLES**

	2018 \$'000	2017 \$'000
Trade payables	189,989	181,917
Other payables	191,167	197,823
	381,156	379,740

Trade and other payables are non-interest bearing.

**Accounting policy**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 to 90 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the period ended 28 July 2018

**C. CAPITAL EMPLOYED**

This section provides additional information regarding lines in the financial statements that are most relevant to explaining the capital investment made that allows the Group to generate its trading performance during the period and liabilities incurred as a result, including the applicable accounting policies applied and significant estimates and judgements made.

**C1 PROPERTY, PLANT AND EQUIPMENT**

	Freehold land \$'000	Freehold buildings \$'000	Fixtures and fittings \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
<b>At 30 July 2016</b>						
Cost	9,600	19,500	440,088	428,274	28,903	926,365
Accumulated depreciation	-	(4,958)	(271,054)	(204,974)	-	(480,986)
Net book amount	9,600	14,542	169,034	223,300	28,903	445,379
<b>Period ended 29 July 2017</b>						
Carrying amount at beginning of period	9,600	14,542	169,034	223,300	28,903	445,379
Additions	-	-	18,000	13,450	53,967	85,417
Transfer between classes	-	-	16,558	16,385	(33,077)	(134)
Assets written off – cost	-	-	(3,725)	(7,525)	-	(11,250)
Assets written off – accumulated depreciation	-	-	3,515	5,197	-	8,712
Impairment <sup>1</sup>	-	-	(4,542)	-	-	(4,542)
Depreciation charge	-	(488)	(33,333)	(29,199)	-	(63,020)
Exchange differences	-	-	(302)	(47)	(2)	(351)
Carrying amount at end of period	9,600	14,054	165,205	221,561	49,791	460,211
<b>At 29 July 2017</b>						
Cost	9,600	19,500	470,619	450,537	49,791	1,000,047
Accumulated depreciation and impairment	-	(5,446)	(305,414)	(228,976)	-	(539,836)
Net book amount	9,600	14,054	165,205	221,561	49,791	460,211
<b>Period ended 28 July 2018</b>						
Carrying amount at beginning of period	9,600	14,054	165,205	221,561	49,791	460,211
Additions	-	-	23,927	9,049	12,669	45,645
Transfer between classes	-	-	24,138	13,520	(48,295)	(10,637)
Assets written off – cost	-	-	(9,666)	(26,146)	-	(35,812)
Assets written off – accumulated depreciation	-	-	9,418	26,024	-	35,442
Impairment <sup>1</sup>	-	-	(6,538)	-	-	(6,538)
Depreciation charge	-	(488)	(34,672)	(29,066)	-	(64,226)
Exchange differences	-	-	(60)	51	-	(9)
Carrying amount at end of period	9,600	13,566	171,752	214,993	14,165	424,076
<b>At 28 July 2018</b>						
Cost	9,600	19,500	508,958	447,011	14,165	999,234
Accumulated depreciation and impairment	-	(5,934)	(337,206)	(232,018)	-	(575,158)
Net book amount	9,600	13,566	171,752	214,993	14,165	424,076

1. Impairment relates to assets associated with store closures and space optimisation (2017: store and distribution centre space optimisation and support office onerous lease provision). Refer to note A3 for more information.

**Accounting policy**

Property, plant and equipment is stated at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost net of their residual values, over their estimated useful lives, as follows:

- Buildings 40 years (2017: 40 years)
- Fixtures and fittings 3 – 12.5 years (2017: 3 – 12.5 years)
- Plant and equipment, including leasehold improvements 10 – 20 years (2017: 10 – 20 years)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note C2).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**C2 INTANGIBLE ASSETS**

	Goodwill \$'000	Brand names and trademarks \$'000	Software \$'000	Lease rights \$'000	Total \$'000
<b>At 30 July 2016</b>					
Cost	492,131	429,958	247,759	25,786	1,195,634
Accumulated amortisation	-	(3,691)	(146,486)	(25,786)	(175,963)
Net book amount	492,131	426,267	101,273	-	1,019,671
<b>Period ended 29 July 2017</b>					
Carrying amount at beginning of period	492,131	426,267	101,273	-	1,019,671
Additions <sup>1</sup>	-	7,400	23,220	-	30,620
Transfer between classes	-	-	134	-	134
Assets written off – cost	-	-	(2,632)	-	(2,632)
Assets written off – accumulated amortisation	-	-	2,312	-	2,312
Impairment <sup>2</sup>	(27,097)	(11,714)	-	-	(38,811)
Amortisation charge <sup>3</sup>	-	-	(25,602)	-	(25,602)
Exchange differences	-	-	(35)	-	(35)
Carrying amount at end of period	465,034	421,953	98,670	-	985,657
<b>At 29 July 2017</b>					
Cost	492,131	437,358	268,445	25,786	1,223,720
Accumulated amortisation	(27,097)	(15,405)	(169,775)	(25,786)	(238,063)
Net book amount	465,034	421,953	98,670	-	985,657
<b>Period ended 28 July 2018</b>					
Carrying amount at beginning of period	465,034	421,953	98,670	-	985,657
Additions	-	-	37,899	-	37,899
Transfer between classes	-	-	10,637	-	10,637
Assets written off – cost	-	-	(7,200)	-	(7,200)
Assets written off – accumulated amortisation	-	-	7,108	-	7,108
Impairment <sup>2</sup>	(465,034)	(50,315)	(4,322)	-	(519,671)
Amortisation charge <sup>3</sup>	-	-	(29,318)	-	(29,318)
Exchange differences	-	-	39	-	39
Carrying amount at end of period	-	371,638	113,513	-	485,151
<b>At 28 July 2018</b>					
Cost	492,131	437,358	309,820	25,786	1,265,095
Accumulated amortisation and impairment	(492,131)	(65,720)	(196,307)	(25,786)	(779,944)
Net book amount	-	371,638	113,513	-	485,151

1. In 2017, additions included the acquisition of the Marcs and David Lawrence brand names.

2. Impairment of the Myer goodwill and brand name (2017: impairment of the sass & bide goodwill and brand name). Refer below for more information.

3. Amortisation of \$29.3 million (2017: \$25.6 million) is included in administration and selling expenses in the income statement.

**Impairment of non-financial assets**

The goodwill arising on the acquisition of the Myer business amounting to \$465 million (2017: \$465 million) cannot be allocated to the Group's individual cash generating units (CGU's) (the Group's stores), and hence has been allocated to the Myer business as a whole. Similarly, brand names which have an indefinite useful life and amounting to \$402.8 million (2017: \$402.8 million) have been allocated to the Myer business as a whole.

AASB 136 *Impairment of Assets* requires goodwill and intangible assets with an indefinite useful life to be assessed at the end of each reporting period where there is any indication that an asset may be impaired. A review of indicators of impairment using both external and internal sources of information has been undertaken.

During the period, there were indicators of impairment due to changes in market conditions and operating performance of Myer, and the current market capitalisation position. As a result, the recoverable amount of the assets relating to this CGU were assessed using a value-in-use discounted cash flow model. This model uses cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond five-year periods are extrapolated using a terminal growth rate.

At the interim reporting period the carrying value exceeded the recoverable amount and an impairment charge of \$515.3 million was recognised in respect of goodwill (\$465.0 million) and the Myer brand name (\$50.3 million). This has been included within restructuring and store exit costs, onerous lease expense and impairment of assets in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**C2 INTANGIBLE ASSETS (CONTINUED)**

**Impairment of non-financial assets (continued)**

The decrease in the recoverable amount reflected an acceleration of changes to market conditions during the period, with a more challenging and competitive retail market leading to a deterioration in financial performance from previous expectations. As a consequence, this led to a moderated outlook for the business over the forecast period and was reflected in management's expectations of future cash flows. The key assumptions used in the model were:

Key assumption	2018	2017	Approach used to determine value
Discount rate (pre-tax)	14.8%	14.4%	The pre-tax discount rate is sourced from observable market information and is risk-adjusted relative to the risks associated with the net pre-tax cash flows being achieved. The pre-tax discount rate has increased since the previous reporting period.
Terminal growth rate	1.7%	2.5%	This is the weighted average growth rate used to extrapolate cash flows beyond the five-year forecast period. The rate has declined since the previous reporting period to reflect changes in external market expectations.
Average EBITDA margin	5.4%	7.0%	Average annual EBITDA margin over the five-year forecast period, applied to sales forecast consistent with external market forecasts. The average annual EBITDA margin is based on external sources of information, past performance and management's expectations. This assumption incorporates anticipated market conditions, sales channel performance, and management's expectations of margin improvement and future cost saving initiatives.

The assumptions used to record the impairment remain appropriate to use for the assessment at the end of the financial reporting period. Therefore the recoverable amount continues to approximate carrying value, and any adverse movement in these assumptions may lead to further impairment.

The recoverable amount is based on operating and cashflow performance stabilising, however the timing of cashflow benefits arising from initiatives could be influenced by market conditions. The recoverable amount is highly sensitive to changes in all of the key assumptions. The impact of these changes in key assumptions is shown in the table below and has been calculated in isolation from other changes. Sensitivities disclosed have been calculated by applying consistent cash flows assumptions to the interim reporting period, adjusting for discounting and the balance sheet at the end of the financial reporting period.

Key assumption	Sensitivity	Impact of Sensitivity
Discount rate	+1%	Further impairment of \$78 million
Terminal growth rate	-1%	Further impairment of \$58 million
Average EBITDA margin	-0.4%	Further impairment of \$118 million

During the period, a review of the carrying value of the assets for each Myer store was undertaken and if indicators of impairment are identified, the recoverable amount of these store assets would be determined using a value-in-use discounted cash flow model. This model uses cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions in the model are consistent with those noted above. Based on this, the Group identified indicators of impairment in respect of the Mt Gravatt store at the interim reporting period and has recognised an impairment of the store's plant and equipment of \$4.2 million. The review performed at the end of the financial reporting period did not identify any further impairment of store assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

### C2 INTANGIBLE ASSETS (CONTINUED)

#### Accounting policy

##### (i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating units). For store assets, the appropriate cash generating unit is an individual store. Non-financial assets other than goodwill that have previously suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

##### (ii) Goodwill

Goodwill is measured as described below under business combinations. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

##### (iii) Brand names and trademarks

The useful life of brands are assessed on acquisition. The brands which are not considered to have foreseeable brand maturity dates have been assessed as having indefinite useful lives as there is a view that there is no foreseeable limit to the period over which key brands are expected to generate net cash inflows for the entity. These brands are therefore not amortised. Instead, these brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

Brands with a limited useful life are amortised over five years using the straight-line method and are carried at cost less accumulated amortisation and impairment losses.

##### (iv) Computer software

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Direct costs may include internal payroll and on-costs for employees directly associated with the project. Costs incurred on computer software maintenance or during the planning phase are expensed as incurred. Computer software is amortised over the period of time during which the benefits are expected to arise, initially being up to 10 years. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, which may result in a useful life outside of this period.

##### (v) Lease rights

Lease rights represent the amount paid up front to take over store site leases from the existing lessee where such payments are in addition to the ongoing payment of normal market lease rentals. Lease rights are amortised over the term of the lease plus any renewal options reasonably certain to be utilised at the time of acquisition of the lease rights.

#### Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

#### Critical accounting estimates and judgements - impairment

Goodwill and intangible assets that have an indefinite life are tested annually for impairment, or more frequently if there are indicators of impairment, in accordance with the accounting policy noted above. The recoverable amount of cash generating units have been determined at a store level.

Goodwill and certain intangibles are tested for impairment at the level of the Group as a whole, using value-in-use calculations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**C3 PROVISIONS**

	2018 \$'000	2017 \$'000
<b>Current</b>		
Employee benefits	47,629	48,959
Support office onerous lease (i)	818	10,359
Restructuring (ii)	7,775	13,848
Workers' compensation (iii)	9,959	10,429
Sales returns (iv)	2,216	2,249
Other	1,610	1,451
	<b>70,007</b>	<b>87,295</b>
<b>Non-current</b>		
Employee benefits	3,151	3,869
Support office onerous lease (i)	1,513	2,098
Fixed lease rental increases (v)	7,139	7,805
Other	53	49
	<b>11,856</b>	<b>13,821</b>

*(i) Support office onerous lease*

The support office onerous lease provision relates to excess office space identified, due to changes completed during the period and prior periods, and is estimated based on the discounted future contractual cash flows under a non-cancellable lease expiring in 2022, net of future expected rental income. Refer to note A3 for more information.

*(ii) Restructuring*

The restructuring provision relates to redundancy costs associated with restructuring of our store labour force and the costs associated with store closures and the implementation of our store and distribution centre optimisation program committed but not yet paid. Refer to note A3 for more information.

*(iii) Workers' compensation*

The amount represents a provision for workers' compensation claims in certain states, for which the Group is self insured.

*(iv) Sales returns*

The amount represents a provision for expected sales returns under the Group's returns policy.

*(v) Fixed lease rental increases*

The Group is a party to a number of leases that include fixed rental increases during their term. In accordance with AASB 117 *Leases*, the total rentals over these leases are being expensed over the lease term on a straight-line basis. The above provision reflects the difference between the future committed payments under these leases and the total future expense. Due to the provision for support office onerous lease recognised during the period, a portion of this provision has been written-back to reflect the realigned total future expense expected over the remaining lease term. Refer to note A3 for more information.

**Movement in provisions**

Movement in each class of provision during the financial period, other than employee benefits, are set out below:

	Support office onerous lease \$'000	Restructuring \$'000	Workers' compensation \$'000	Sales returns \$'000	Fixed lease rental increases \$'000	Other \$'000	Total \$'000
<b>2018</b>							
Carrying amount at beginning of period	12,457	13,848	10,429	2,249	7,805	1,500	48,288
Additional provisions recognised	-	12,649	4,501	2,216	536	10,431	30,333
Amounts utilised	(10,126)	(18,722)	(4,971)	(2,249)	(1,202)	(10,268)	(47,538)
Carrying amount at end of period	2,331	7,775	9,959	2,216	7,139	1,663	31,083

**Amounts not expected to be settled within the next 12 months**

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service. The entire annual leave amount and current portion of the long service leave provision is presented as current since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2018 \$'000	2017 \$'000
Current long service leave obligations expected to be settled after 12 months	19,984	20,635

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

### C3 PROVISIONS (CONTINUED)

#### Accounting policy

##### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The Group is self-insured for costs relating to workers' compensation and general liability claims in certain states. Provisions are recognised based on claims reported, and an estimate of claims incurred but not yet reported, prior to balance date. These provisions are determined utilising an actuarially determined method, which is based on various assumptions including but not limited to future inflation, average claim size and claim administrative expenses. These assumptions are reviewed annually and any reassessment of these assumptions will affect the workers' compensation expense.

##### Employee benefits

##### (i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

##### (ii) Other long term employee benefit obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

##### (iii) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### (iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### C4 DEFERRED INCOME

	2018 \$'000	2017 \$'000
<b>Current</b>		
Lease incentives and contributions	10,294	9,817
<b>Non-current</b>		
Lease incentives and contributions	80,629	75,927
	<b>90,923</b>	<b>85,744</b>

#### Accounting policy

A number of lease agreements for stores include cash contributions provided by the lessor for fit-outs as a lease incentive or lease contribution. The asset additions from the fit-outs completed are recognised as fixtures and fittings at cost and depreciated on a straight-line basis over the asset's useful life. The lease incentive or lease contribution is presented as deferred income and reversed on a straight-line basis over the lease term.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the period ended 28 July 2018

**D. NET DEBT**

This section provides additional information regarding lines in the financial statements that are most relevant to explaining the net debt position and structure of the Group's borrowings for the period, which are key to financing the Group's activities both now and for the future.

The net debt of the Group as at 28 July 2018 and 29 July 2017 is as follows:

	2018 \$'000	2017 \$'000
Total borrowings	149,165	143,367
Less: cash and cash equivalents	(41,793)	(30,591)
<b>Net debt</b>	<b>107,372</b>	<b>112,776</b>

The movement in net debt of the Group is as follows:

Opening balance	112,776	102,066
Cash (inflows)/outflows from activities	(11,202)	14,616
Proceeds from/(repayment of) borrowings, net of transaction costs	5,000	(5,000)
Other non-cash movements	798	1,094
<b>Closing balance</b>	<b>107,372</b>	<b>112,776</b>

**D1 CASH AND CASH EQUIVALENTS**

	2018 \$'000	2017 \$'000
Cash on hand	2,745	2,824
Cash at bank	39,048	27,767
	<b>41,793</b>	<b>30,591</b>

**Accounting policy**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities 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, and bank overdrafts.

**D2 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES**

	2018 52 weeks \$'000	2017 52 weeks \$'000
Profit/(loss) for the period	(486,002)	11,939
Depreciation, amortisation and impairment, including lease incentives and contributions	611,526	133,853
Interest income	(397)	(436)
Interest expense	798	1,094
Share-based payments expense	982	1,782
Share of net (profit)/loss of equity-accounted associate	-	1,176
Dilution of investment in equity-accounted associate	-	1,338
Net exchange differences	(439)	329
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	976	5,720
(Increase)/decrease in inventories	8,004	28,449
(Decrease)/increase in deferred tax liabilities	(23,829)	(4,079)
Decrease/(increase) in derivative financial instruments	(5,076)	2,281
(Decrease)/increase in trade and other payables	9,936	(15,880)
(Decrease)/increase in current tax payable	2,694	(5,406)
(Decrease)/increase in provisions	(9,853)	(12,679)
(Decrease)/increase in other liabilities	(119)	(203)
<b>Net cash inflow from operating activities</b>	<b>109,201</b>	<b>149,278</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

### D3 BORROWINGS

#### (a) Structure of debt

The debt funding of the Group at 28 July 2018 comprised of a revolving cash advance syndicated facility of \$420 million, which contains two tranches. This facility was established on 29 October 2009, drawn down on 6 November 2009 and amended and restated on 3 June 2011, 9 July 2013 and 23 June 2015. At balance date the following amounts were drawn:

	2018 \$'000	2017 \$'000
Bank loans	150,000	145,000
Less: transaction costs	(835)	(1,633)
<b>Borrowings</b>	<b>149,165</b>	<b>143,367</b>

The terms and conditions of the Group's revolving cash advance facility is as follows:

	Amount	Term	Expiry date
Revolving cash advance facility - Tranche A	\$145 million	4 years	21 August 2019
Revolving cash advance facility - Tranche C	\$275 million	4 years	21 August 2019

As the facility is revolving, amounts repaid may be redrawn during their terms.

#### (b) Security

The revolving cash advance facility in place at 28 July 2018 is unsecured, subject to various representations, undertakings, events of default and review events which are usual for a facility of this nature.

#### (c) Fair value

The fair value of existing borrowings approximates their carrying amount, as the impact of discounting is not significant.

#### (d) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note E1.

#### Accounting policy

##### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

##### Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the period ended 28 July 2018

**E. RISK MANAGEMENT**

This section provides information relating to the Group's exposure to various financial risks, how they could affect the Group's financial position and performance and how these risks are managed.

**E1 FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risk, and an aging analysis for credit risk.

Risk management is carried out by the Company under policies approved by the Board of Directors. The Company identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and use of financial instruments and non-derivative financial instruments.

**(a) Market risk**

*(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group sources inventory purchases overseas and is exposed to foreign exchange risk, particularly in relation to currency exposures to the US dollar.

To minimise the effects of a volatile and unpredictable exchange rate, Group policy is to enter into forward exchange contracts in relation to the Group's overseas purchases for any 18-month period. The actual level of cover taken fluctuates depending on the period until settlement of the foreign currency transaction, within the Board approved hedging policy. This policy allows cover to be taken on a sliding scale between 0 – 100% depending on the period to maturity (up to 18 months).

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2018		2017	
	USD \$'000	EURO \$'000	USD \$'000	EURO \$'000
Trade payables	23,765	98	16,770	540
Forward exchange contracts	166,659	6,851	163,851	7,773

*Group sensitivity*

The Group applies a prudent cash flow hedging policy approach whereby all forward exchange contracts in relation to the Group's overseas purchases are designated as cash flow hedges at inception. Subsequent testing of effectiveness ensures that all effective hedge movements flow through the cash flow hedge reserve within equity. Consistent with this approach, the sensitivity for movements in foreign exchange rates for US dollar and Euro denominated financial instruments held at 28 July 2018, as detailed in the above table, will flow through equity and will therefore have minimal impact on profit.

Other components of equity would have been \$14.7 million lower/\$17.9 million higher (2017: \$12.1 million lower/\$14.8 million higher) had the Australian dollar strengthened/weakened by 10% against the US dollar and Euro, arising from foreign exchange contracts designated as cash flow hedges. The Group's exposure to other foreign exchange movements is not material.

These sensitivities were calculated based on the Group's period end spot rate for the applicable reporting period.

*(ii) Cash flow and fair value interest rate risk*

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The risk is managed by the use of floating to fixed interest rate swap contracts and the Group policy is to fix the rates between 0 and 50% of its average gross debt.

Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

As at the end of the reporting period, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	2018		2017	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans - variable	3.2%	150,000	3.0%	145,000
Interest rate swaps (notional principal amount)	3.3%	(100,000)	5.2%	(100,000)
Net exposure to cash flow interest rate risk		50,000		45,000

The weighted average interest rates noted above for both borrowings and swaps are inclusive of margins applicable to the underlying variable rate borrowings. An analysis by maturities is provided in section (c) below.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the period ended 28 July 2018

**E1 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Market risk (continued)**

Interest rate exposure is evaluated regularly to confirm alignment with Group policy and to ensure the Group is not exposed to excess risk from interest rate volatility.

At 28 July 2018, if interest rates had changed by +/- 10% from the period end rates with all other variables held constant, the impact on post-tax profit for the period would have been \$0.1 million (2017: \$0.1 million), mainly as a result of higher/lower interest expense on borrowings.

Other components of equity would have been impacted by \$0.1 million (2017: no impact) as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

The range of sensitivities has been assumed based on the Group's experience of average interest rate fluctuations in the applicable reporting period.

**(b) Credit risk**

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Sales to retail customers are primarily required to be settled in cash or using major credit cards, mitigating credit risk. Where transactions are settled by way of lay-by arrangements, revenue is not recognised until full payment has been received from the customer and goods collected.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as disclosed in notes B1, D1 and E2.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings as detailed below, historical information about receivables default rates and current trading levels.

Based on the credit history of these classes, it is expected that these amounts will be received and are not impaired.

	2018 \$'000	2017 \$'000
<b>Cash at bank and short term bank deposits</b>		
AAA	-	-
AA	41,793	30,591
A	-	-
	<b>41,793</b>	<b>30,591</b>
<b>Derivative financial assets</b>		
AAA	-	-
AA	6,994	-
A	-	-
	<b>6,994</b>	<b>-</b>

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the seasonal nature of the retail business, the Group has in place flexible funding facilities to ensure liquidity risk is minimised.

*Financing arrangements*

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2018 \$'000	2017 \$'000
<b>Floating rate</b>		
Expiring within one year (revolving cash advance facility)	-	-
Expiring beyond one year (revolving cash advance facility)	270,000	355,000
	<b>270,000</b>	<b>355,000</b>

Refer to note D3 for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**E1 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (continued)**

*Maturities of financial liabilities*

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- (a) all non-derivative financial liabilities; and
- (b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>							
<b>Non-derivatives</b>							
Non-interest bearing	295,636	-	-	-	-	295,636	295,636
Variable rate	101,294	867	50,440	-	-	152,601	150,000
<b>Total non-derivatives</b>	<b>396,930</b>	<b>867</b>	<b>50,440</b>	<b>-</b>	<b>-</b>	<b>448,237</b>	<b>445,636</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	30	(16)	(8)	-	-	6	52
Gross settled							
- (inflow)	(93,297)	(72,889)	(14,239)	-	-	(180,425)	(6,994)
- outflow	89,308	70,220	13,982	-	-	173,510	76
<b>Total derivatives</b>	<b>(3,959)</b>	<b>(2,685)</b>	<b>(265)</b>	<b>-</b>	<b>-</b>	<b>(6,909)</b>	<b>(6,866)</b>
<b>2017</b>							
<b>Non-derivatives</b>							
Non-interest bearing	286,113	-	-	-	-	286,113	286,113
Variable rate	46,543	1,537	51,941	50,391	-	150,412	145,000
<b>Total non-derivatives</b>	<b>332,656</b>	<b>1,537</b>	<b>51,941</b>	<b>50,391</b>	<b>-</b>	<b>436,525</b>	<b>431,113</b>
<b>Derivatives</b>							
Net settled (interest rate swaps)	595	91	147	34	-	867	527
Gross settled							
- (inflow)	(83,949)	(57,827)	(20,170)	-	-	(161,946)	-
- outflow	89,230	61,258	21,137	-	-	171,625	8,375
<b>Total derivatives</b>	<b>5,876</b>	<b>3,522</b>	<b>1,114</b>	<b>34</b>	<b>-</b>	<b>10,546</b>	<b>8,902</b>

**(d) Fair value measurements**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liabilities either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities measured and recognised at fair value at 28 July 2018 and 29 July 2017:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2018</b>				
<b>Assets</b>				
Derivatives used for hedging	-	6,994	-	6,994
<b>Total assets</b>	<b>-</b>	<b>6,994</b>	<b>-</b>	<b>6,994</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	128	-	128
<b>Total liabilities</b>	<b>-</b>	<b>128</b>	<b>-</b>	<b>128</b>
<b>2017</b>				
<b>Assets</b>				
Derivatives used for hedging	-	-	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	8,902	-	8,902
<b>Total liabilities</b>	<b>-</b>	<b>8,902</b>	<b>-</b>	<b>8,902</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

### E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (d) Fair value measurements (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These derivative financial instruments are included in level 2 as the significant inputs to fair value the instruments are observable.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

#### Accounting policy

##### Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at the end of each reporting period.

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

Financial assets at fair value through profit or loss are financial assets held for trading which are acquired principally for the purpose of selling in the short term with the intention of making a profit. Derivatives are also categorised as held for trading unless they are designated as hedges.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (refer to note B1).

##### (iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

##### (iv) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

##### Recognition and derecognition

Purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### Measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value, unless they are equity securities that do not have a market price quoted in an active market and whose fair value cannot be reliably measured. In that case they are carried at cost.

Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category, including interest and dividend income, are presented in profit or loss within other income or other expenses in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as gains and losses from investment securities.

Details on how the fair value of financial instruments is determined are disclosed in note E1.

##### Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available for sale are not reversed through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**E2 DERIVATIVE FINANCIAL INSTRUMENTS**

	2018 \$'000	2017 \$'000
<b>Current assets</b>		
Forward foreign exchange contracts (i)	6,725	-
<b>Total current derivative financial instrument assets</b>	<b>6,725</b>	<b>-</b>
<b>Non-current assets</b>		
Forward foreign exchange contracts (i)	269	-
<b>Total non-current derivative financial instrument assets</b>	<b>269</b>	<b>-</b>
<b>Current liabilities</b>		
Forward foreign exchange contracts (i)	64	7,417
Interest rate swap contracts (ii)	-	527
<b>Total current derivative financial instrument liabilities</b>	<b>64</b>	<b>7,944</b>
<b>Non-current liabilities</b>		
Forward foreign exchange contracts (i)	12	958
Interest rate swap contracts (ii)	52	-
<b>Total non-current derivative financial instrument liabilities</b>	<b>64</b>	<b>958</b>

**(a) Instruments used by the Group**

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note E1).

*(i) Forward exchange contracts - cash flow hedges*

The Group makes purchases in numerous currencies, primarily US dollars. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars and Euro.

These contracts are hedging highly probable forecasted purchases for the ensuing financial period. The contracts are timed to mature when payments for shipments of inventory are scheduled to be made.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the inventory recognised in the balance sheet by the related amount deferred in equity.

*(ii) Interest rate swap contracts*

Bank loans of the Group currently bear an average variable interest rate of 3.20% (2017: 3.00%). It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 67% (2017: 69%) of the Group's drawn debt facility (refer to note D3 for details of the Group's borrowings). The notional principal amounts used in the swap agreements match the terms of the debt facilities. Under the swap agreements, the fixed interest rates range between 1.96% and 2.13% (2017: 3.31% and 3.90%) and the variable rates are based on the Bank Bill Swap Rate bid (BBSY Bid).

The contracts require settlement of net interest receivable or payable every three months. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the income statement when the hedged interest expense is recognised. In the period ended 28 July 2018, \$0.7 million was reclassified in profit and loss (2017: \$2.2 million) and included in finance cost. There was no hedge ineffectiveness in the current period.

**(b) Risk exposures**

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note E1. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**E2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**

**Accounting policy**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of the cash flows or recognised assets or liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. It is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

*(i) Fair value hedge*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

*(ii) Cash flow hedge*

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

*(iii) Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

## F. EQUITY

This section provides additional information regarding lines in the financial statements that are most relevant to explaining the equity position of the Group at the end of the period, including the dividends declared and/or paid during the period.

## FI CONTRIBUTED EQUITY

	2018 Number of shares	2017 Number of shares	2018 \$'000	2017 \$'000
Ordinary shares - fully paid	821,278,815	821,278,815	779,963	779,963
<b>Treasury shares</b>				
Opening balance	(11,228)	(4,200)	(40,634)	(40,625)
Shares acquired by Myer Equity Plans Trust on market at \$1.31	-	(150,000)	-	(196)
Shares acquired by Myer Equity Plans Trust on market at \$0.69	(450,000)	-	(309)	-
Shares issued under short term incentive plan	-	114,617	-	150
Shares issued for performance rights granted	459,675	28,355	-	37
Closing balance of Treasury shares	(1,553)	(11,228)	(40,943)	(40,634)
Closing balance	821,277,262	821,267,587	739,020	739,329

### Ordinary shares

The ordinary shares issued are fully paid. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person, or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### Treasury shares

Treasury shares are shares in Myer Holdings Limited that are held by the Myer Equity Plans Trust for the purposes of issuing shares under the Equity Incentive Plans. Refer to note H4 for more information.

### Employee share schemes

Information relating to the employee share-based payment schemes, including details of shares issued under the schemes, is set out in note H4.

### Capital risk management

The Group's key objective when managing capital is to minimise its weighted average cost of capital while maintaining appropriate financing facilities. This provides the opportunity to pursue growth and capital management initiatives. In managing its capital structure, the Group also seeks to safeguard its ability to continue as a going concern in order to provide appropriate returns to shareholders and benefits for other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of various balance sheet ratios including the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 28 July 2018 and 29 July 2017 were as follows:

	2018 \$'000	2017 \$'000
Total borrowings (note D3)	149,165	143,367
Less: cash and cash equivalents (note D1)	(41,793)	(30,591)
Net debt	107,372	112,776
Total equity	583,989	1,072,868
Total capital	691,361	1,185,644
<b>Gearing ratio</b>	<b>15.5%</b>	<b>9.5%</b>

The increase in the gearing ratio during 2018 was primarily driven by a larger decrease in equity than net debt due to the impairment of assets recognised during the period.

### Accounting policy

Ordinary shares are classified as equity.

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

Where any Group company purchases the Company's equity instruments; for example, as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Myer Holdings Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Myer Holdings Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**F2 RETAINED EARNINGS/(ACCUMULATED LOSSES) AND RESERVES**

	2018 \$'000	2017 \$'000
<b>(a) Retained earnings/(accumulated losses)</b>		
Movements in retained earnings/(accumulated losses) were as follows:		
Balance at beginning of period	342,146	379,483
Profit/(loss) for the period	(486,002)	11,939
Dividends	(16,426)	(49,276)
Balance at end of period	(160,282)	342,146
<b>(b) Reserves</b>		
Share-based payments (i)	27,931	27,186
Cash flow hedges (ii)	6,658	(6,894)
Other reserve (iii)	(25,621)	(25,621)
Foreign currency translation (iv)	(3,717)	(3,278)
	5,251	(8,607)
Movements in reserves were as follows:		
<i>Share-based payments</i>		
Balance at beginning of period	27,186	25,613
Share-based payments expense recognised (note H4)	982	1,782
Income tax (note A4)	(237)	(209)
Balance at end of period	27,931	27,186
<i>Cash flow hedges</i>		
Balance at beginning of period	(6,894)	(7,441)
Net gain/(loss) on revaluation	15,428	(1,632)
Transfer to net profit	(1,876)	2,179
Balance at end of period	6,658	(6,894)
<i>Foreign currency translation</i>		
Balance at beginning of period	(3,278)	(3,607)
Exchange differences on translation of foreign operations during the period	(439)	329
Balance at end of period	(3,717)	(3,278)

*(i) Share-based payments*

The share-based payments reserve is used to recognise the fair value of options and rights granted to employees under the employee share plans. Further information on share-based payments is set out in note H4.

*(ii) Cash flow hedges*

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note E2. Amounts are recognised in the income statement when the associated hedged transaction affects profit or loss.

*(iii) Other reserve*

The Group acquired 65% of the sass & bide business in 2011, and the non-controlling shareholders held a put option over the remaining 35%. This resulted in the Group recognising a financial liability for the put option and a corresponding amount in other reserve. In 2014, upon acquisition of the remaining 35% of sass & bide, the cash payment of \$33.4m was recorded against the financial liability and non-controlling interests balances were recorded against other reserve.

*(iv) Foreign currency translation*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

**Accounting policy**

*(i) Functional and presentation currency*

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'). The consolidated financial statements are presented in Australian dollars, which is Myer Holdings Limited's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**F2 RETAINED EARNINGS/(ACCUMULATED LOSSES) AND RESERVES (CONTINUED)**

**Accounting policy (continued)**

*(iii) Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at the rates prevailing on the transaction dates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, when a foreign operation is sold, the associated exchange difference is reclassified to profit or loss, as part of the gain or loss on sale.

**F3 DIVIDENDS**

	2018 \$'000	2017 \$'000
<b>(a) Ordinary shares</b>		
Final fully franked dividend for the period ending 29 July 2017 of 2.0 cents (30 July 2016: 3.0 cents) per fully paid share paid 8 November 2017 (2017: 10 November 2016)	16,426	24,638
Interim fully franked dividend for the period ended 28 July 2018 of nil (2017: 3.0 cents) per fully paid share (2017: 4 May 2017)	-	24,638
Total dividends paid	16,426	49,276
<b>(b) Dividends not recognised at the end of the reporting period</b>		
The directors have determined that no final dividend will be payable (2017: 2.0 cents per fully paid ordinary share fully franked based on tax paid at 30%)		
The aggregate amount of the proposed dividend expected to be paid after period end, but not recognised as a liability at period end, is:	-	16,426
<b>(c) Franked dividends</b>		
The franked portions of the final dividends recommended after 28 July 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 27 July 2019		
Franking credits available for subsequent financial periods based on a tax rate of 30% (2017: 30%)	40,277	32,690

The above amounts represent the balance of the franking account as at the reporting date, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of nil (2017: \$7 million).

**Accounting policy**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial period but not distributed at balance date.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**G. GROUP STRUCTURE**

This section summarises how the Group structure affects the financial position and performance of the Group as a whole.

**G1 SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described below:

Name of entity	Notes	Country of incorporation	Class of shares	Equity holdings (4)	Equity holdings (4)
				2018 %	2017 %
NB Elizabeth Pty Ltd	(1), (3)	Australia	Ordinary	100	100
NB Russell Pty Ltd	(2), (3)	Australia	Ordinary	100	100
NB Lonsdale Pty Ltd	(2), (3)	Australia	Ordinary	100	100
NB Collins Pty Ltd	(1), (3)	Australia	Ordinary	100	100
Warehouse Solutions Pty Ltd	(2), (3)	Australia	Ordinary	100	100
Myer Group Pty Ltd	(1), (3)	Australia	Ordinary	100	100
Myer Pty Ltd	(1), (3)	Australia	Ordinary	100	100
Myer Group Finance Limited	(1), (3)	Australia	Ordinary	100	100
The Myer Emporium Pty Ltd	(2), (3)	Australia	Ordinary	100	100
ACT Employment Services Pty Ltd	(2)	Australia	Ordinary	100	100
Myer Employee Share Plan Pty Ltd	(2)	Australia	Ordinary	100	100
Myer Travel Pty Ltd	(2)	Australia	Ordinary	100	100
Myer Sourcing Asia Ltd		Hong Kong	Ordinary	100	100
Shanghai Myer Service Company Ltd		China	Ordinary	100	100
Boogie & Boogie Pty Ltd	(1), (3)	Australia	Ordinary	100	100
sass & bide Pty Ltd	(1), (3)	Australia	Ordinary	100	100
sass & bide Retail Pty Ltd	(1), (3)	Australia	Ordinary	100	100
sass & bide Retail (NZ) Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide UK Limited	(5)	United Kingdom	Ordinary	-	100
sass & bide USA inc.		USA	Ordinary	100	100
sass & bide inc.		USA	Ordinary	100	100
Marcus David Lawrence Pty Ltd	(1), (3), (6)	Australia	Ordinary	100	100

(1) Each of these entities has been granted relief from the necessity to prepare financial statements in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

(2) Each of these entities is classified as small proprietary and therefore relieved from the requirement to prepare and lodge financial reports with ASIC.

(3) Each of these entities is party to a deed of cross guarantee, refer to note G2.

(4) The proportion of ownership interest is equal to the proportion of voting power held.

(5) sass & bide UK Limited was dissolved on 20 March 2018.

(6) Previously named FSS Retail Pty Ltd.

**Accounting policy**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Myer Holdings Limited ('Company' or 'parent entity') as at 28 July 2018 and the results of all subsidiaries for the period then ended.

**Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group (refer to note C2).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, balance sheet and statement of changes in equity respectively.

**Employee Share Trust**

The Group has the Myer Equity Plans Trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares in Myer Holdings Limited held by the trust are disclosed as treasury shares and deducted from contributed equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

### G2 DEED OF CROSS GUARANTEE

The following entities are parties to a deed of cross guarantee under which each company guarantees the debts of the others:

- Myer Holdings Limited
- NB Elizabeth Pty Ltd
- NB Russell Pty Ltd
- Myer Group Pty Ltd
- NB Lonsdale Pty Ltd
- NB Collins Pty Ltd
- Warehouse Solutions Pty Ltd
- Myer Pty Ltd
- Myer Group Finance Limited
- The Myer Emporium Pty Ltd
- Boogie & Boogie Pty Ltd
- sass & bide Pty Ltd
- sass & bide Retail Pty Ltd
- sass & bide Retail (NZ) Pty Ltd
- Marcs David Lawrence Pty Ltd

By entering into the deed, the wholly-owned entities within note reference 1 in note G1 have been relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The above companies represent a 'closed group' for the purposes of the ASIC Legislative Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Myer Holdings Limited, they also represent the 'extended closed group'.

#### (a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

Set out below is a consolidated income statement, statement of comprehensive income and a summary of movements in consolidated retained earnings for the closed group for the year ended 28 July 2018:

	2018 52 weeks \$'000	2017 52 weeks \$'000
<b>Income statement</b>		
<b>Total sales value</b>	<b>3,100,554</b>	3,201,427
Concession sales	(653,983)	(701,678)
<b>Sale of goods</b>	<b>2,446,571</b>	2,499,749
Sales revenue deferred under customer loyalty program	(36,583)	(34,847)
<b>Revenue from sale of goods</b>	<b>2,409,988</b>	2,464,902
Other operating revenue	162,299	176,487
Cost of goods sold	(1,387,693)	(1,423,209)
<b>Operating gross profit</b>	<b>1,184,594</b>	1,218,180
Selling expenses	(831,122)	(819,100)
Administration expenses	(297,736)	(292,178)
Share of net profit/(loss) of equity-accounted associate	-	(1,176)
Dilution of investment in equity-accounted associate	-	(1,338)
Restructuring and store exit costs, onerous lease expense and impairment of assets	(541,190)	(65,615)
<b>Earnings/(loss) before interest and tax</b>	<b>(485,454)</b>	38,773
Finance revenue	397	436
Finance costs	(9,471)	(11,259)
<b>Net finance costs</b>	<b>(9,074)</b>	(10,823)
<b>Profit/(loss) before income tax</b>	<b>(494,528)</b>	27,950
Income tax benefit/(expense)	8,838	(17,520)
<b>Profit/(loss) for the period attributable to Deed of Cross Guarantee group</b>	<b>(485,690)</b>	10,430
<b>Statement of comprehensive income</b>		
<b>Profit/(loss) for the period</b>	<b>(485,690)</b>	10,430
<b>Other comprehensive income</b>		
Items that may be reclassified to profit or loss:		
Cash flow hedges	13,552	547
Exchange differences on translation of foreign operations	81	(180)
<b>Other comprehensive income for the period, net of tax</b>	<b>13,633</b>	367
<b>Total comprehensive income/(loss) for the period</b>	<b>(472,057)</b>	10,797
<b>Summary of movements in retained earnings/(accumulated losses)</b>		
Opening balance	347,408	386,254
Profit/(loss) for the period	(485,690)	10,430
Dividends paid	(16,426)	(49,276)
<b>Closing balance</b>	<b>(154,708)</b>	347,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**G2 DEED OF CROSS GUARANTEE (CONTINUED)**

**(b) Consolidated balance sheet**

Set out below is a consolidated balance sheet as at 28 July 2018 of the closed group:

	2018 \$'000	2017 \$'000
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	40,358	29,507
Trade and other receivables and prepayments	37,491	38,655
Inventories	365,764	369,685
Derivative financial instruments	6,725	-
<b>Total current assets</b>	<b>450,338</b>	<b>437,847</b>
<b>Non-current assets</b>		
Property, plant and equipment	424,076	460,211
Intangible assets	484,706	985,263
Derivative financial instruments	269	-
Other non-current assets	3,194	3,560
<b>Total non-current assets</b>	<b>912,245</b>	<b>1,449,034</b>
<b>Total assets</b>	<b>1,362,583</b>	<b>1,886,881</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	380,812	379,233
Provisions	69,971	87,145
Deferred income	10,294	9,817
Current tax liabilities	4,711	1,992
Derivative financial instruments	64	7,944
Other liabilities	472	591
<b>Total current liabilities</b>	<b>466,324</b>	<b>486,722</b>
<b>Non-current liabilities</b>		
Borrowings	149,165	143,367
Provisions	11,804	13,772
Deferred income	80,629	75,927
Deferred tax liabilities	62,615	86,016
Derivative financial instruments	64	958
<b>Total non-current liabilities</b>	<b>304,277</b>	<b>320,040</b>
<b>Total liabilities</b>	<b>770,601</b>	<b>806,762</b>
<b>Net assets</b>	<b>591,982</b>	<b>1,080,119</b>
<b>EQUITY</b>		
Contributed equity	739,021	739,330
Retained earnings/(accumulated losses)	(154,708)	347,408
Reserves	7,669	(6,619)
<b>Total equity</b>	<b>591,982</b>	<b>1,080,119</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 28 July 2018

### G3 PARENT ENTITY FINANCIAL INFORMATION

#### (a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 \$'000	2017 \$'000
<b>Balance sheet</b>		
Current assets	227,811	87,283
Total assets	599,747	1,013,906
Current liabilities	19,726	17,713
Total liabilities	168,943	161,080
Shareholders' equity		
Issued capital	739,020	739,329
Reserves		
Cash flow hedges	(65)	(543)
Other reserve	(2,653)	(2,653)
Share-based payments	22,302	21,320
Retained earnings/(accumulated losses)	(406,747)	95,373
Retained profits reserve - pre 2018	78,947	-
<b>Profit/(loss) for the period<sup>1</sup></b>	<b>(406,747)</b>	<b>(1,253)</b>
<b>Total comprehensive income/(loss)</b>	<b>(406,270)</b>	<b>909</b>
<b>(b) Guarantees entered into by the parent entity</b>		
Carrying amount included in current liabilities	-	-

1. The loss for the period reflects the impairment recognised on the investments held in subsidiaries within the Group. Refer to note C2 for more information.

The parent entity is the borrowing entity under the Group's financing facilities. Under these facilities, the parent entity is party to a cross-guarantee with various other Group entities, who guarantee the repayment of the facilities in the event that the parent entity is in default.

The parent entity is also party to the deed of cross guarantee. The details of the deed of cross guarantee are set out in note G2. At balance date, no liability has been recognised in relation to these guarantees on the basis that the potential exposure is not considered material.

#### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 28 July 2018 or 29 July 2017.

#### (d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 28 July 2018 or 29 July 2017.

#### (e) Event subsequent to balance date

Refer to note H6 for additional events which have occurred after the financial reporting date.

#### Accounting policy

The financial information that is disclosed for the parent entity, Myer Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### (i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Myer Holdings Limited.

##### (ii) Tax consolidation legislation

Myer Holdings Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Myer Holdings Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Myer Holdings 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.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Myer Holdings Limited for any current tax payable assumed and are compensated by Myer Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Myer Holdings Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The funding amounts are recognised as current intercompany receivables or payables.

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

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

## H. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements. This section also provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

## H1 CONTINGENCIES

### Contingent liabilities

The Group had contingent liabilities at 28 July 2018 in respect of:

#### Guarantees

The Group has issued bank guarantees amounting to \$37.0 million (2017: \$36.3 million), of which \$18.5 million (2017: \$17.6 million) represents guarantees supporting workers' compensation self insurance licences in various jurisdictions.

For information about other guarantees given by entities within the Group, including the parent entity, please refer to notes G2 and G3.

#### Myer Chadstone store

On 23 December 2016, legal proceedings were served against Myer Pty Ltd by Perpetual Limited and Bridgehead Pty Ltd (the Landlord) in relation to the Myer Chadstone store. The Landlord alleged that there was a mutual mistake in the drafting of the variable outgoings provisions in the lease for the Myer Chadstone store or that those provisions had been misinterpreted. The Landlord sought, amongst other things, rectification of the lease and payment of alleged unpaid outgoings in respect of a period between 2000 and 2016 totalling \$19.14 million, plus GST, as well as interest and costs. On 29 January 2018, the Supreme Court of Victoria handed down judgement in favour of Myer and dismissed the claims made by the Landlord. On 20 March 2018, the Landlord served Myer with an application for leave to appeal the decision to the Court of Appeal. Consistent with the previous financial year, no provision has been recognised at balance date in respect of this matter.

While the amount and timing of any contingencies are uncertain, no material losses are anticipated in respect of the above contingent liabilities. There can be other legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items, or the amount of any such liability.

## H2 COMMITMENTS

### (a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2018 \$'000	2017 \$'000
<i>Property, plant, equipment and software</i>		
Payable:		
Within one year	12,836	22,118
Later than one year but not later than five years	-	-
Later than five years	-	-
	<b>12,836</b>	<b>22,118</b>

### (b) Operating lease commitments

The Group leases the majority of its stores and warehouses under non-cancellable operating leases expiring within one to 30 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	222,207	227,135
Later than one year but not later than five years	780,690	817,980
Later than five years	1,534,659	1,703,269
	<b>2,537,556</b>	<b>2,748,384</b>

Not included in the above commitments are contingent rental payments that may arise in the event that sales made by certain leased stores exceed a pre-determined amount. The contingent rentals payable as a percentage of sales revenue and the relevant thresholds vary from lease to lease.

A number of lease agreements for stores include cash contributions provided by the lessor for fit-outs and referred to as a lease incentive or lease contribution. Refer to note C4 for more information.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

### H2 COMMITMENTS (CONTINUED)

#### Accounting policy

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease incentives received on entering into operating leases are recognised as deferred income and are amortised over the lease term. Payments made under operating leases (net of any amortised deferred income) are charged to the income statement on a straight-line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

### H3 RELATED PARTY TRANSACTIONS

#### (a) Parent entities

The parent entity within the Group is Myer Holdings Limited, a listed public company, incorporated in Australia.

#### (b) Subsidiaries

Interests in subsidiaries are set out in note G1.

#### (c) Key Management Personnel

##### (i) Compensation

Key Management Personnel compensation for the period ending 28 July 2018 is set out below. The Key Management Personnel of the Group are persons having the authority for planning, directing and controlling the Company's activities directly or indirectly, including the directors of Myer Holdings Limited.

	2018 \$	2017 \$
Short term employee benefits	4,210,571	4,859,166
Post employment benefits	183,409	183,825
Long term benefits	(193,969)	(280)
Termination and other payments	2,566,873	-
Share-based payments	(135,304)	1,085,146
	<b>6,631,580</b>	<b>6,127,857</b>

Detailed remuneration disclosures are provided in the Remuneration Report on pages 25 to 47.

##### (ii) Loans

In 2018 and 2017 there were no loans made to directors of Myer Holdings Limited and other Key Management Personnel of the Group, including their related parties.

##### (iii) Other transactions

There were no transactions with Key Management Personnel or entities related to them, other than compensation.

#### (d) Transactions with other related parties

There were no transactions with other related parties during the current period.

### H4 SHARE-BASED PAYMENTS

#### (a) Long Term Incentive Plan

The Myer Long Term Incentive Plan (LTIP) is an incentive that is intended to promote alignment between executive and shareholder interests over the longer term. Under the LTIP, performance rights may be offered annually to the Chief Executive Officer and nominated executives. The employees invited to participate in the plan include executives who are considered to play a leading role in achieving the Company's long term strategic and operational objectives.

Each right offered is an entitlement to one fully paid ordinary share in the Company, subject to adjustment for capital actions, on terms and hurdles determined by the Board, including hurdles linked to Company performance and service.

The LTIP is delivered via a grant of performance rights. The number of performance rights that vest is not determined until after the end of the performance period. The performance right will therefore not provide any value to the holder between the date the performance right is granted until after the end of the performance period, and then only if the performance hurdles are satisfied. Performance rights do not carry entitlements to ordinary dividends or other shareholder rights until the performance rights vest and shares are provided. Accordingly, participating executives do not receive dividends during the performance period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

**H4 SHARE-BASED PAYMENTS (CONTINUED)**

**(a) Long Term Incentive Plan (continued)**

Set out below is a summary of performance rights granted under the plan:

**2018**

	Balance 29 July 2017	Granted	Exercised	Expired and lapsed	Balance 28 July 2018
Total	10,645,383	14,238,436	(459,675)	(10,731,492)	13,692,652
Weighted average exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

**2017**

	Balance 30 July 2016	Granted	Exercised	Expired and lapsed	Balance 29 July 2017
Total	6,997,530	4,714,871	(28,355)	(1,038,663)	10,645,383
Weighted average exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

The weighted average remaining contractual life of share rights outstanding at the end of the period was 1.6 years (2017: 1.5 years).

*Fair value of performance rights granted*

The assessed fair value at grant date of rights granted during the period is noted below. Fair value varies depending on the period to vesting date. The fair values at grant dates were independently determined using a Monte Carlo simulation pricing model that takes into account the exercise price, the term of the rights, the impact of dilution, the fair value of shares in the Company at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. The fair values and model inputs for performance rights granted during the period included:

	2018 LTIP Rights (TSR)	2018 LTIP Rights (EPS)	2018 LTIP Rights (ROFE)
(a) Fair value of performance rights granted	\$0.22	\$0.50	\$0.50
(b) Grant date	21-Dec-17	21-Dec-17	21-Dec-17
(c) Expiry date	31-Oct-20	31-Oct-20	31-Oct-20
(d) Share price at grant date	\$0.61	\$0.61	\$0.61
(e) Expected price volatility of the Group's shares	41%	41%	41%
(f) Expected dividend yield	8.2%	8.2%	8.2%
(g) Risk-free interest rate	2.07%	2.07%	2.07%

The expected price volatility is based on the historic volatility (based on the remaining life of the performance rights), adjusted for any expected changes to future volatility due to publicly available information.

Where rights are issued to employees of subsidiaries within the Group, the subsidiaries compensate the Company for the amount recognised as expense in relation to these rights.

**(b) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2018 \$'000	2017 \$'000
Rights issued under the LTIP	982	1,782

Share-based payment transaction expenses represent the amount recognised in the period in relation to share-based remuneration plans. Where expectations of the number of rights expected to vest changes, the life to date expense is adjusted, which can result in a negative expense for the period due to the reversal of amounts recognised in prior periods.

**Accounting policy**

Share-based compensation benefits are provided to employees through the Myer Long Term Incentive Plan (LTIP).

The fair value of rights granted under the plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions but excludes the impact of any services and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of revisions to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The LTIP is administered by the Myer Equity Plan Trust (refer to note G1). When rights are vested, the trust transfers the appropriate number of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
for the period ended 28 July 2018

## H5 REMUNERATION OF AUDITORS

During the period, the following fees were paid or payable for services provided by the auditor of the Group, and its related practices:

	2018 \$	2017 \$
<b>(a) PwC Australia</b>		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	487,095	374,848
<i>Other assurance services</i>		
Audit of rent certificates	48,232	46,002
Total remuneration for audit and other assurance services	535,327	420,850
(ii) Taxation services		
Tax compliance services	2,400	2,100
(iii) Other services		
Legal services	175,855	9,026
Consulting services	343,676	-
Total remuneration of PwC Australia	1,057,258	431,976
<b>(b) Overseas practices of PwC</b>		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	66,888	65,797
(ii) Taxation services		
Tax compliance services	13,620	27,852
Total remuneration for overseas practices of PwC	80,508	93,649

## H6 EVENTS OCCURRING AFTER THE REPORTING PERIOD

### Dividends on the Company's ordinary shares

The directors have determined that no final dividend will be payable for the period ended 28 July 2018.

### Refinancing

On 11 September 2018, the Group entered into a binding term sheet with its financiers in relation to a refinancing of its syndicated facility now totalling \$400 million. The key terms of the binding term sheet, which is only subject to definitive documentation, are noted below:

#### (a) Structure of debt

	Amount	Term	Expiry date
Amortising term loan facility - Tranche A	\$100 million	2.5 years	February 2021
Revolving working capital facility - Tranche B	\$300 million	2.5 years	February 2021
Total syndicated facility	\$400 million		

Tranche A steps down by \$10m semi-annually, to commence after 6 months.

Tranche B steps down to a limit of \$260m, after 18 months.

#### (b) Security

The facility is secured, subject to various representations, undertakings, events of default and review events which are usual for a facility of this nature.

#### (c) Debt covenants

Under the terms of the syndicated facility, the Group is required to comply with the following financial covenants:

	Covenant
Leverage Ratio	≤ 2.25x
Fixed Charges Cover Ratio (0 - 6 months)	≥ 1.40x
Fixed Charges Cover Ratio (7 - 18 months)	≥ 1.45x
Fixed Charges Cover Ratio (19 - 30 months)	≥ 1.50x
Minimum Shareholders' Funds	≥ \$400 million

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

### I. OTHER ACCOUNTING POLICIES

This section provides a list of other accounting policies adopted in the preparation of these consolidated financial statements. Specific accounting policies are disclosed in their respective notes to the financial statements. This section also provides information on the impacts of new accounting standards, amendments and interpretations, and whether they are effective in 2018 or later years.

The principal accounting policies adopted in the preparation of these consolidated financial statements ('financial statements' or 'financial report') are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Myer Holdings Limited and its subsidiaries ('Group').

#### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Myer Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

##### *Compliance with IFRS*

The consolidated financial statements of Myer Holdings Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative instruments), which have been measured at fair value through profit or loss.

##### *Critical accounting estimates*

The preparation of financial statements in conformity with accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in notes A2, B2 and C2.

#### (b) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, except where otherwise stated, amounts in the consolidated financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

#### (c) New accounting standards and interpretations

##### *(i) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time in the annual reporting period commencing 30 July 2017:

- AASB 2016-1 *Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle*

These revised standards did not affect any of the Group's accounting policies or any of the amounts recognised and affected only the disclosures in the notes to the financial statements.

##### *(ii) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the 28 July 2018 reporting period. The Group's assessment of the impact of these new standards and interpretations, that were considered relevant for the consolidated entity, is set out below:

#### **AASB 9 Financial Instruments**

AASB 9 Financial Instruments will replace AASB 139 Financial Instruments: Recognition and Measurement. The new standard is effective for periods beginning on or after 1 January 2018 and therefore will be adopted by the Group for the period ending 27 July 2019.

This standard addresses the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets based on expected credit losses.

##### *Recognition and measurement*

Based on the size and nature of the Group's financial assets, the changes to the expected credit loss model will not have a material impact on the Group's financial statements. The Group is currently accounting for the financial instruments arising from hedging activities, at fair value through profit and loss, therefore no change is required to the Group's accounting policy.

The Group does not expect this new standard to have a material impact on the Group's financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 28 July 2018*

### I. OTHER ACCOUNTING POLICIES (CONTINUED)

#### (c) New accounting standards and interpretations (continued)

##### **AASB 15 Revenue from Contracts with Customers**

AASB 15 Revenue from Contracts with Customers introduces a new five step model to determine when to recognise revenue, and at what amount. The model is based on the concept of recognising revenue for performance obligations only when they are satisfied and control of the goods or services is transferred, for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

##### *Transition*

AASB 15 is effective for periods beginning on or after 1 January 2018 and therefore will be adopted by the Group for the period ending 27 July 2019.

##### *Recognition and measurement*

The majority of the Group's revenue is for goods sold in store or online where there is a single performance obligation and revenue recognition remains at the point of sale or when delivery is provided to the end customer. This is consistent with the Group's current revenue recognition policy.

The Group has performed a detailed assessment on the impact of AASB 15 by assessing all revenue streams across the Group and determined that there is no material impact resulting from AASB 15, except for non-redemption income on gift cards and non-redemption income on rewards cards issued under the Group loyalty program, Myer One. The Group is required to recognise the expected non-redemption amount as revenue in proportion to the pattern in which the gift or reward card is utilised by the customer.

This change will be applied retrospectively with the cumulative effect of initially applying this change expected to result in an increase to the opening balance of retained earnings of approximately \$4m for the period ending 27 July 2019.

##### **AASB 16 Leases**

AASB 16 Leases will replace existing accounting requirements under AASB 117 Leases and related interpretations. AASB 16 eliminates the classification between operating and finance leases and introduces a single lessee accounting model.

Under AASB 16, the Group's accounting for operating leases as a lessee will result in the recognition of a right-of-use (ROU) asset and a corresponding lease liability, with the exception of short-term leases under 12 months and where the underlying ROU is of a low value. The lease liability represents the present value of future lease payments. There will be a separate recognition of the depreciation charge on the ROU asset and interest expense on the lease liability. This will result in the recognition of a front-loaded pattern of expense for most leases, even when constant annual rentals are paid.

##### *Transition*

AASB 16 is effective for periods beginning on or after 1 January 2019 and therefore will be effective in the Group's annual reporting period ending 25 July 2020. The Group will be applying the modified retrospective approach and an adjustment to the opening balance of retained earnings for the period ending 25 July 2020.

##### *Recognition and measurement*

As a lessee with a substantial portfolio of operating leases, the implementation of this standard is expected to have a material impact on the Group's consolidated financial statements at transition and in future years to the extent that leases currently classified as operating leases will need to be recognised on balance sheet. In addition, the current operating lease expense recognised in the income statement will be replaced with a depreciation and interest expense.

The Group has performed a preliminary assessment on the impact of AASB 16, however a reliable estimate of the quantitative impact cannot yet be provided due to unresolved matters, including:

- Determination of the lease term for certain leases with extensive option periods; and
- Conclusion on appropriate discount rates

The Group will provide an estimate of the financial impact of the new standard once these matters are resolved and the financial impact can be assessed.

# DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 48 to 85 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the consolidated entity's financial position as at 28 July 2018 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note G2.

Note I. (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



**GARRY HOUNSELL**

Chairman

Melbourne, 11 September 2018



## *Independent auditor's report*

To the members of Myer Holdings Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Myer Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 28 July 2018 and of its financial performance for the period then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***What we have audited***

The Group financial report comprises:

- the consolidated balance sheet as at 28 July 2018
- the consolidated income statement for the period then ended
- the consolidated statement of comprehensive income for the period then ended
- the consolidated statement of changes in equity for the period then ended
- the consolidated statement of cash flows for the period then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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#### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

#### ***Independence***

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

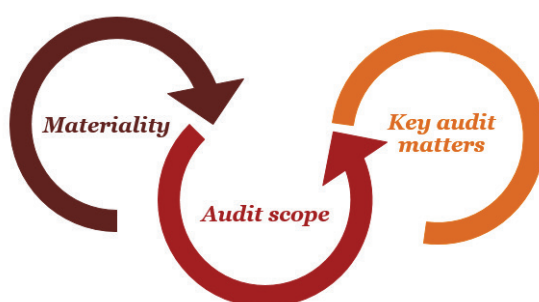
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**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331 MELBOURNE VIC 3001  
T: +61 3 8603 1000, F: +61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$2.3 million, which represents approximately 5% of the Group's profit before tax, adjusted for individually material items separately disclosed as restructuring and store exit costs, onerous lease expense and impairment of assets.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group profit before tax and individually material items separately disclosed because, in our view, it is the metric against which the performance of the Group is most commonly measured by users.</li> <li>We adjusted for individually material items as they are unusual or infrequently occurring items impacting profit and loss.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul>	<ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>The Group is principally involved in retailing through Department Stores across Australia and online. The accounting processes are structured around a Group corporate finance function at the Group's support office in Melbourne.</li> <li>Our audit procedures were mostly performed at the Group support office, along with visits to the Melbourne Distribution Centre and three Department Stores across Australia to perform audit procedures over inventory.</li> </ul>	<p>Amongst other relevant topics, we communicated the following key audit matters to the Audit, Finance and Risk Committee:</p> <ul style="list-style-type: none"> <li>Impairment of intangible assets</li> <li>Accounting estimates and disclosures relating to strategic decisions</li> <li>Inventory valuation and provisions</li> <li>Supplier rebates</li> <li>Refinancing and debt covenants</li> </ul> <p>They are further described in the <i>Key audit matters</i> section of our report.</p>

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

### Key audit matter

### How our audit addressed the key audit matter

#### Impairment of intangible assets

(refer to note C2)

As required by Australian Accounting Standards, the Group assesses annually whether intangible assets that have an indefinite useful life should continue to be recognised or if any impairment is required. Where the carrying value of an intangible asset is higher than its recoverable amount, Australian Accounting Standards require the carrying value of the intangible asset to be written down (impaired).

The Group considers the Myer and sass & bide businesses to be separate cash generating units (CGUs) for the purposes of impairment testing of other intangible assets.

At 27 January 2018, indicators of impairment identified by the Group included the market capitalisation of the Group (the value of the Group derived by multiplying the number of shares currently issued by the share price at period-end) being lower than the net assets of the Group, lower than expected earnings and cash flows, and the competitive retail environment in which the Group operates. As a result, the Group assessed the recoverable amount of the assets using a value-in-use discounted cash flow model that identified the carrying value exceeded the recoverable amount resulting in an impairment charge of \$515.3 million. The impairment was allocated to Myer goodwill (\$465.0 million) and the Myer brand name (\$50.3 million).

No indicators of impairment were identified for the sass & bide CGU at 27 January 2018.

As described in note C2 to the financial statements, after the impairment recorded at 27 January 2018, the Group held \$371.6 million of brand names and trademarks at 28 July 2018. The brand names and trademarks arose on the acquisitions of the Myer, sass & bide and Marcs and David Lawrence businesses.

The Group performed a further impairment assessment for each CGU at 28 July 2018. This involved determining the recoverable amount of the intangible assets based on a value-in-use calculation for each CGU. No further

We considered the methodology applied by the Group in performing the impairment assessment at 27 January 2018 and 28 July 2018, and the judgements applied by the Group in determining the CGUs of the business. We considered whether the division of the Group into CGUs for the impairment testing of intangible assets was consistent with our knowledge of the Group's operations and internal reporting.

We developed an understanding of the key relevant internal controls over the impairment assessment process.

To assess the Group's value-in-use impairment models and calculations we performed the following procedures, amongst others:

- Performed testing over the mathematical accuracy of the value-in-use impairment models.
- Compared the discount rate and long term growth rate applied to the impairment assessments for each CGU to our benchmark data. We found the rates utilised by the Group were consistent with our benchmark data.
- Compared the Group's forecast annual growth rates and cash flow forecasts to Board approved budgets and forecasts, externally available economic data and historical actual results.
- Considered the forecast financial data such as sales, cost of sales, salaries and occupancy costs included in the value-in-use impairment models, noting the consistency with our knowledge and understanding of the business.
- Performed sensitivity analysis over the key assumptions including average EBITDA margin, discount rate and long term growth rate to consider the extent of change in those assumptions that either individually or in combination would be required for the intangible assets to be impaired.
- Evaluated the extent of the Myer Group impairment charge recognised with reference to key assumptions

### Key audit matter

impairment of Myer's intangibles was identified.

We considered this a key audit matter due to the overall impairment indicators applicable to the Group, the significant judgement applied in estimating the future trading cash flows of the CGUs and external evidence that indicated material impairment could exist.

### How our audit addressed the key audit matter

including forecast average EBITDA margins, discount rate and long term growth rates.

- Considered the allocation of the impairment charge to Myer assets.

We considered the disclosures made in note C2, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

### Accounting estimates and disclosures relating to strategic decisions

(Refer to note A3 and C3)

During FY2018 the Group's strategic decisions involved the closure of stores, changes to store sizes following various landlord negotiations, redundancies and cost reductions within the Group's support office in Melbourne.

These decisions resulted in restructuring, redundancy, and store exit costs of \$17 million recognised in the period to 28 July 2018 in accordance with Australian Accounting Standards. The restructuring activity was incomplete at period end, with further judgements and assumptions regarding these strategic decision made by the Group regarding the nature and quantum of restructuring activity in future periods; this activity required the recognition of estimated provisions of \$10 million at 28 July 2018.

We considered this a key audit matter because of the judgements and assumptions applied by the Group in estimating the level of provisioning required to be recognised at 28 July 2018.

To assess the Group's accounting policies for calculating the strategic decision related provisions we performed the following procedures amongst others:

- Considered with reference to Australian Accounting Standards the judgements and assumptions applied by the Group to determine the recognition of provisions based on the status of committed and Board approved strategic action plans.
- Compared the Group's judgements and assumptions used to calculate the strategic decision provision to:
  - Board minutes
  - landlord agreements
  - historic data, including prior store closures and restructuring experience
  - other supporting audit evidence.

We assessed whether there were other provisions which met the Group's recognition criteria, and if they had been recognised at 28 July 2018, by making inquiries of management responsible for strategic decisions and by reading minutes of Board meetings for the full financial period.

We considered the disclosures made in note A3 and C3, in light of the requirements of Australian Accounting Standards.

### Inventory valuation and provisions

(Refer to note B2)

The Group held inventory of \$367 million (2017: \$372 million) at 28 July 2018. As described in note B2 to the financial statements, inventories are valued at the lower of cost and net realisable value.

To assess the Group's judgements and assumptions applied in calculating the value of inventory provisions, we performed the following procedures, amongst others:

The Group recognises a provision where it expects the net

### Key audit matter

realisable value of inventory to fall below its cost price. This will occur where inventory becomes aged, damaged or obsolete and will be sold below its cost price in order to clear. Inventory provisioning is also required where inventory no longer exists due to theft and processing errors.

We considered this a key audit matter because the Group applies judgements and assumptions in:

- Forecasting sell through rates of inventory on hand at period end to estimate the value of inventory likely to sell below cost in the future.
- Estimating inventory shrinkage based on actual losses realised as a result of cycle inventory counts.

### How our audit addressed the key audit matter

- Considered the design and effective operation of a sample of relevant key inventory controls.
- Attended inventory counts at a distribution centre and retail stores.
- Assessed the Group's inventory provisioning policy by considering the levels of aged inventory and the Group's inventory clearance strategy.
- Considered the historical accuracy of the Group's inventory provisioning by comparing the prior period inventory provision to inventory sold below cost or written off in the current period.

We considered the disclosures made in note B2, in light of the requirements of Australian Accounting Standards.

### Supplier rebates

(Refer to note B2)

As described in note B2 to the financial statements, the Group recognises amounts receivable from suppliers (primarily comprising supplier promotional rebates) as a reduction in the cost of inventory purchased and a reduction in the cost of goods sold.

The majority of supplier rebates tend to be small in unit value but high in volume and span relatively short periods of time, although promotional rebates and sell through of related inventory can run across the financial period end.

We considered this to be a key audit matter because:

- Supplier arrangements are complex in nature and highly variable between suppliers.
- Judgement is needed by the Group to determine the amount of supplier rebates that should be recognised in the income statement and the amounts that should be deferred to inventory. This requires a detailed understanding of contractual arrangements with suppliers and accurate purchase and sell through information.

Our procedures over supplier rebate income included:

- Agreeing a sample of supplier rebates recorded to the relevant supplier agreements.
- Comparing a sample of rebate terms used in the Group's supplier rebate calculations to relevant supplier arrangements and the Group's inventory purchase volume data.
- Interviewing a range of the Group's buyers to develop an understanding of:
  - the nature of the rebates negotiated with suppliers.
  - their awareness of Group buying policies.
- Comparing a sample of rebates to relevant supplier arrangements to assess whether they were appropriately allocated to the income statement or capitalised into inventory.

We evaluated the recoverability of the rebates receivable at period end by assessing the ageing of amounts outstanding at 28 July 2018.

We considered the disclosures made in note B2, in light of the requirements of Australian Accounting Standards.

### Refinancing and debt covenants

(Refer to note D3 and H6)

There are external borrowings on the balance sheet at 28 July 2018 of \$149m.

Given the financial significance of the borrowings

We obtained confirmations directly from the Group's banks to confirm the borrowings' balance, tenure and conditions at 28 July 2018.

### *Key audit matter*

balance, the refinancing of facilities and resetting of covenants subsequent to period end, the cyclical financing demands of the business and the importance of capital in supporting the Group's strategy, the accounting for the Group's borrowings was considered a key audit matter.

### *How our audit addressed the key audit matter*

We read the binding term sheet which is subject to definitive documentation between the Group and its lenders to develop an understanding of the terms associated with the facilities and the amount of facility available for drawdown.

We evaluated whether the debt was classified in accordance with Australian Accounting Standards and we also evaluated the adequacy of the disclosures made in note D3 and H6.

### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period ended 28 July 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report and ASX Additional Information. We expect the remaining other information to be made available to us after the date of this auditor's report, including Chairman and CEO Report, Performance Review, Company Snapshot, Shareholder Information and Corporate Directory.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



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### *Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 25 to 47 of the Directors' Report for the period ended 28 July 2018.

In our opinion, the remuneration report of Myer Holdings Limited for the period ended 28 July 2018 complies with section 300A of the *Corporations Act 2001*.

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#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten signature of PricewaterhouseCoopers in a cursive script.

PricewaterhouseCoopers

A stylized, handwritten signature of Jason Perry in a cursive script.

Jason Perry  
Partner

Melbourne  
11 September 2018

# SHAREHOLDER INFORMATION

As at 1 October 2018.

Myer has one class of shares on issue (being ordinary shares). All the Company's shares are listed on the Australian Securities Exchange.

	Number
Issued Capital	821,278,815
Number of Shareholders	46,657
Minimum parcel price	\$0.515
Holders with less than a marketable parcel	20,690

## Distribution of shareholders and shareholdings

Range	Units	%	Holders	%
100,001 and Over	613,134,559	74.65	407	0.87
10,001 to 100,000	134,658,248	16.40	4,641	9.95
5,001 to 10,000	27,531,089	3.35	3,454	7.40
1,001 to 5,000	34,811,636	4.24	15,398	33.00
1 to 1,000	11,143,283	1.36	22,757	48.78
<b>Total</b>	<b>821,278,815</b>	<b>100.00</b>	<b>46,657</b>	<b>100.00</b>

## Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.515 per unit	971	20,690	9,104,975

## Twenty largest shareholders

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	196,646,723	23.94
2	METALGROVE PTY LTD	88,450,664	10.77
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	85,817,108	10.45
4	CITICORP NOMINEES PTY LIMITED	46,835,199	5.70
5	NATIONAL NOMINEES LIMITED	19,613,408	2.39
6	CITICORP NOMINEES PTY LIMITED	10,596,500	1.29
7	WARBONT NOMINEES PTY LTD	6,260,605	0.76
8	GLENN HARGRAVES INVESTMENTS PTY LTD	6,255,000	0.76
9	BNP PARIBAS NOMS PTY LTD	5,488,880	0.67
10	SPACETIME PTY LTD	4,920,000	0.60
11	SABA FAMILY INVESTMENTS PTY LTD	4,500,000	0.55
12	BNP PARIBAS NOMS PTY LTD	4,154,343	0.51
13	SHOREFRONT NOMINEES PTY LTD	4,000,000	0.49
14	ARCHERFIELD AIRPORT CORPORATION	3,800,000	0.46
15	BNP PARIBAS NOMINEES PTY LTD	3,604,651	0.44
16	MR BERNARD JOSEPH BROOKES	3,555,000	0.43
17	MR PAT O'NEILL	3,478,649	0.42
18	SANDHURST TRUSTEES LTD	2,815,000	0.34
19	DR PETER MALCOLM HEYWORTH	2,796,000	0.34
20	MR BERNARD JOSEPH BROOKES & MRS SUSIE HEIDI BROOKES	2,096,060	0.26
<b>Total</b>		<b>505,683,790</b>	<b>61.57</b>
<b>Balance of register</b>		<b>315,595,025</b>	<b>38.43</b>
<b>Grand total</b>		<b>821,278,815</b>	<b>100.00</b>

## Substantial shareholders

As at 1 October 2018, there are five substantial shareholders that Myer is aware of:

	Date of last notice	Number of securities	%
Premier Investments	29 March 2017	88,450,664	10.77
Investors Mutual	19 May 2017	80,897,018	9.85
Dimensional Fund Advisors	2 December 2016	57,539,611	7.01
Wilson Asset Management Group	14 September 2018	44,802,054	5.46
Vinva Asset Management	21 September 2018	44,794,586	5.45
<b>Total</b>			<b>38.54</b>

## VOTING RIGHTS

Shareholders may vote at a meeting of shareholders in person, directly or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company. Subject to any rights or restrictions attaching to shares, on a show of hands each shareholder present in person or by proxy, attorney or representative has one vote and, on a poll, has one vote for each fully paid share held.

Presently, Myer has only one class of fully paid ordinary shares and these do not have any voting restrictions. If shares are not fully paid, on a poll the number of votes attaching to the shares is pro-rated accordingly. Options and performance rights do not carry any voting rights.

## OPTIONS AND PERFORMANCE RIGHTS

Myer has unlisted performance rights on issue. As at 1 October 2018, there were 24 holders of performance rights.

## AMERICAN DEPOSITARY RECEIPT PROGRAM

Myer Holdings has a Sponsored Level I American Depositary Receipt (ADR) program. Myer ADRs are not listed on an exchange and are only traded in the United States over-the-counter (OTC) market under the code: 'MYRSY' and the CUSIP number: 62847V 207. One ADR represents four existing ordinary Myer shares.

Deutsche Bank Trust Company Americas (DBTCA) is the Depositary for the Company's ADR program in the United States. Holders of the Company's ADRs should deal directly with DBTCA on all matters relating to their ADR holdings on the contact details below:

Deutsche Bank Shareholder Services  
American Stock Transfer & Trust Company  
Operations Centre  
6201 15th Avenue  
Brooklyn NY 11219  
Email: DB@amstock.com  
Toll-free number: +1 800 937 5449  
Direct Dial: +1 718 921 8124

# CORPORATE DIRECTORY

## REGISTERED OFFICE

Myer Holdings Limited  
Level 7  
800 Collins Street  
Docklands VIC 3008  
Phone: 1800 811 611 (within Australia)

## MYER POSTAL ADDRESS

Myer Holdings Limited  
PO Box 869J  
Melbourne VIC 3001

## COMPANY SECRETARY

Jonathan Garland  
General Counsel and Company Secretary

## SHAREHOLDER ENQUIRIES: SHARE REGISTRY

Link Market Services Limited  
Postal Address  
Locked Bag A14  
Sydney South NSW 1235

## MYER SHAREHOLDER INFORMATION LINE

Australian Telephone: 1300 820 260  
International Telephone: +61 1300 820 260  
Facsimile: 02 9287 0303  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

## INVESTOR RELATIONS

Investor Relations Manager  
Email: [myer.investor.relations@myer.com.au](mailto:myer.investor.relations@myer.com.au)

## MEDIA RELATIONS

General Manager Corporate Affairs  
Email: [myer.corporate.affairs@myer.com.au](mailto:myer.corporate.affairs@myer.com.au)

## MYER CUSTOMER SERVICE CENTRE

PO Box 869J  
Melbourne VIC 3001  
Phone: 1800 811 611 (within Australia)  
Fax: +61 (0) 3 8667 6091

## AUDITOR

PricewaterhouseCoopers  
Level 19, Freshwater Place  
2 Southbank Boulevard  
Southbank VIC 3006

## SECURITIES EXCHANGE LISTING

Myer Holdings Limited (MYR) shares are listed on the Australian Securities Exchange (ASX)

## WEBSITES

[myer.com.au](http://myer.com.au)  
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## ANNUAL REPORT 2018