MYER

PRELIMINARY FINANCIAL REPORT

of Myer Holdings Limited

ABN 14 119 085 602

For the period ended 26 July 2014

APPENDIX 4E

ASX Listing Rule 4.3A

MYER HOLDINGS LIMITED

ABN 14 119 085 602

PRELIMINARY FINANCIAL REPORT

Current reporting period: **52 weeks ended 26 July 2014**

Previous corresponding period: 52 weeks ended 27 July 2013

Results for announcement to the market				$A'000
Total sales value from ordinary activities	down	(0.06%)	to	3,143,027
Profit attributable to members of Myer Holdings Limited	down	(22.57%)	to	98,499

Dividends	Amount per security	Franked amount per security
Current reporting period		
2014 final dividend (payable 13 November 2014)	5.5 cents	5.5 cents
2014 interim dividend (paid 8 May 2014)	9.0 cents	9.0 cents
Previous corresponding period		
2013 final dividend (paid 14 November 2013)	8.0 cents	8.0 cents
2013 interim dividend (paid 9 May 2013)	10.0 cents	10.0 cents

Record date for determining entitlements to the final dividend: 29 September 2014

Commentary on results for the period

For an explanation of the results refer to the ASX and media release and the notes to the Preliminary Financial Report.

Net tangible assets per ordinary security	26 July 2014	27 July 2013
Net tangible assets per ordinary security	($0.09)	($0.07)

Information on audit

The attached 26 July 2014 Preliminary Financial Report of Myer Holdings Limited and its Controlled Entities is in the process of being audited.

Myer Holdings Limited

ABN 14 119 085 602

Financial Report for the period ended 26 July 2014

Contents

Consolidated income statement

for the period ended 26 July 2014

	Notes	**2014 52 weeks $'000**	2013 52 weeks $'000
Total sales value (excluding GST)	5	**3,143,027**	3,144,904
Concession sales		**(491,482)**	(485,720)
Sale of goods (excluding GST)	5	**2,651,545**	2,659,184
Sales revenue deferred under customer loyalty program		**(39,378)**	(37,942)
Revenue from sale of goods (excluding GST)	5	**2,612,167**	2,621,242
Other operating revenue (excluding finance revenue)	5	**128,769**	126,293
Cost of goods sold		**(1,455,066)**	(1,443,005)
Operating gross profit		**1,285,870**	1,304,530
Other income	5	**6,356**	457
Selling expenses		**(811,718)**	(783,800)
Administration expenses		**(320,204)**	(306,338)
Earnings before interest and tax		**160,304**	214,849
Finance revenue	5	**1,025**	1,417
Finance costs	6	**(22,931)**	(29,782)
Net finance costs		**(21,906)**	(28,365)
Profit before income tax		**138,398**	186,484
Income tax expense	7	**(39,856)**	(56,607)
Profit for the period		**98,542**	129,877
Profit is attributable to:			
Owners of Myer Holdings Limited		**98,499**	127,212
Non-controlling interests		**43**	2,665
		98,542	129,877
Earnings per share attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic earnings per share	35	**16.8**	21.8
Diluted earnings per share	35	**16.6**	21.6

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

Consolidated statement of comprehensive income

for the period ended 26 July 2014

	Notes	2014 52 weeks $'000	2013 52 weeks $'000
Profit for the period		**98,542**	129,877
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cash flow hedges		**(13,320)**	9,241
Exchange differences on translation of foreign operations		**110**	(567)
Income tax relating to components of other comprehensive income	7(d)	**(349)**	800
Other comprehensive income for the period, net of tax		**(13,559)**	9,474
Total comprehensive income for the period		**84,983**	139,351
Total comprehensive income for the period is attributable to:			
Owners of Myer Holdings Limited		**85,078**	136,485
Non-controlling interests		**(95)**	2,866
		84,983	139,351

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

Consolidated balance sheet

as at 26 July 2014

	Notes	2014 $'000	2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**73,564**	81,470
Trade and other receivables and prepayments	9	**30,133**	24,384
Inventories	10	**376,763**	363,880
Derivative financial instruments	11	**-**	9,442
Total current assets		**480,460**	479,176
Non-current assets			
Property, plant and equipment	12	**502,881**	508,974
Deferred tax assets	13	**13,698**	16,846
Intangible assets	14	**932,598**	931,017
Other non-current assets		**3,027**	3,692
Total non-current assets		**1,452,204**	1,460,529
Total assets		**1,932,664**	1,939,705
LIABILITIES			
Current liabilities			
Trade and other payables	15	**428,066**	387,673
Derivative financial instruments	11	**5,253**	-
Current tax liabilities		**7,321**	19,042
Provisions	16	**82,167**	84,304
Deferred income		**6,045**	5,929
Other liabilities	17	**2,029**	31,710
Total current liabilities		**530,881**	528,658
Non-current liabilities			
Borrowings	19	**422,030**	420,824
Derivative financial instruments	11	**3,401**	2,331
Provisions	16	**14,039**	13,243
Deferred income		**68,900**	67,654
Other liabilities	17	**-**	1,353
Total non-current liabilities		**508,370**	505,405
Total liabilities		**1,039,251**	1,034,063
Net assets		**893,413**	905,642
EQUITY			
Contributed equity	20	**524,732**	520,216
Retained earnings	21	**378,751**	379,722
Reserves	21	**(10,070)**	(4,024)
Capital and reserves attributable to owners of Myer Holdings Limited		**893,413**	895,914
Non-controlling interests		**-**	9,728
Total equity		**893,413**	905,642

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

Consolidated statement of changes in equity

for the period ended 26 July 2014

	Notes	Contributed equity $'000	Retained earnings $'000	Reserves $'000	Non-controlling interests $'000	Total $'000
Balance as at 28 July 2012		519,776	363,357	(14,800)	9,347	877,680
Net profit for the period		-	127,212	-	2,665	129,877
Other comprehensive income for the period		-	-	9,273	201	9,474
Total comprehensive income for the period		-	127,212	9,273	2,866	139,351
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	20	440	-	-	-	440
Dividends paid	22	-	(110,847)	-	(2,485)	(113,332)
Employee share schemes	21	-	-	1,503	-	1,503
		440	(110,847)	1,503	(2,485)	(111,389)
Balance as at 27 July 2013		520,216	379,722	(4,024)	9,728	905,642
Net profit for the period		**-**	**98,499**	**-**	**43**	**98,542**
Other comprehensive income for the period		**-**	-	**(13,421)**	**(138)**	**(13,559)**
Total comprehensive income for the period		**-**	**98,499**	**(13,421)**	**(95)**	**84,983**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	20	**4,516**	**-**	**-**	**-**	**4,516**
Acquisition of non-controlling interests		**-**	**-**	**6,029**	**(9,633)**	**(3,604)**
Dividends paid	22	**-**	**(99,470)**	**-**	**-**	**(99,470)**
Employee share schemes	21	**-**	**-**	**1,346**	**-**	**1,346**
		4,516	**(99,470)**	**7,375**	**(9,633)**	**(97,212)**
Balance as at 26 July 2014		**524,732**	**378,751**	**(10,070)**	**-**	**893,413**

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 26 July 2014

	Notes	**2014 52 weeks $'000**	2013 52 weeks $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,042,312**	3,051,474
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,785,366)**	(2,751,713)
		256,946	299,761
Other income		**6,356**	457
Interest paid		**(22,443)**	(26,411)
Tax paid		**(49,283)**	(48,282)
Net cash inflow from operating activities	33	**191,576**	225,525
Cash flows from investing activities			
Payments for property, plant and equipment		**(50,112)**	(54,768)
Acquisition of business		**(2,999)**	-
Payment for brands acquisition		**(1,000)**	(906)
Payments for intangible assets		**(26,157)**	(18,670)
Payment for acquisition of non-controlling interests		**(33,363)**	-
Lease incentives received		**8,375**	5,991
Interest received		**1,006**	1,397
Net cash outflow from investing activities		**(104,250)**	(66,956)
Cash flows from financing activities			
Repayment of borrowings net of transaction costs		**-**	(2,015)
Other		**(278)**	(250)
Proceeds from the issue of shares		**4,516**	440
Dividends paid to equity holders of the parent	22	**(99,470)**	(110,847)
Dividends paid to non-controlling interests		**-**	(2,485)
Net cash outflow from financing activities		**(95,232)**	(115,157)
Net increase in cash and cash equivalents		**(7,906)**	43,412
Cash and cash equivalents at the beginning of the financial period		**81,470**	38,058
Cash and cash equivalents at end of period	8	**73,564**	81,470

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 26 July 2014

1 Summary of significant accounting policies

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' or 'consolidated entity').

(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 note 3.

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 28 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments* together represent a group of related standards covering the accounting and disclosure requirements for consolidated financial statements, associates, joint arrangements and off balance sheet vehicles. The new standards and amendments do not have any impact on the current accounting treatment of the Group's investment in subsidiaries.

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value. The impact of the new standard is not material for the Group and did not affect the Group's accounting policies or the amounts recognised in the financial statements.

- AASB 119 *Employee Benefits* has been amended for disclosure, presentation and accounting changes to defined benefit plans. The amendment removes the options for accounting for the liability and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The impact of the revised standard is not material for the Group and did not impact any of the amounts recognised in the financial statements.

- Other new standards that are applicable for the first time in the financial report are AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*, AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosure - Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 A*mendments to Australian Accounting Standards arising from Annual Improvements from 2009-2011 cycle*. The Group also early adopted AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.* 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.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Myer Holdings Limited ('Company' or 'parent entity') as at 26 July 2014 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those 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 note 1(h)).

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.

Notes to the consolidated financial statements

for the period ended 26 July 2014

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Employee Share Trust

The Group has formed 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.

(c) Segment reporting

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.

(d) Foreign currency translation

(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 recognised in profit or loss on a net basis within other income or other expenses, except when they are deferred in equity as 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.

(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.

(e) Revenue recognition

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

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

Interest income 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.

Customer loyalty program

The Group operates a loyalty program where customers accumulate 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 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 26 July 2014

1 Summary of significant accounting policies (continued)

(f) Income tax

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 arose 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.

(g) Leases

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 (note 28). 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.

(h) 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 and the measurement of all amounts has been reviewed, 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.

(i) Impairment of non-current 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.

(j) Cash and cash equivalents

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.

Notes to the consolidated financial statements

for the period ended 26 July 2014

1 Summary of significant accounting policies (continued)

(k) Trade receivables

Collectibility 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 in the income statement within other expenses. 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.

(l) Inventories

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.

(m) Investments and other financial assets

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 (note 9).

(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.

Notes to the consolidated financial statements

for the period ended 26 July 2014

1 Summary of significant accounting policies (continued)

(m) Investments and other financial assets (continued)

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 2.

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.

(n) Derivatives and hedging activities

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.

Notes to the consolidated financial statements

for the period ended 26 July 2014

1 Summary of significant accounting policies (continued)

(n) Derivatives and hedging activities (continued)

(ii) Cash flow hedge (continued)

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.

(o) Property, plant and equipment

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 their cost net of their residual values, over their estimated useful lives, as follows:

• Buildings	40 years
• Fixtures and fittings	3 - 12.5 years
• Plant and equipment, including leasehold improvements	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 (note 1(i)).

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

(p) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(h). 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.

(ii) 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 5 years using the straight-line method and are carried at cost less accumulated amortisation and impairment losses.

(iii) 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, being 5 to 10 years.

(iv) 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, being 13 to 17 years.

Notes to the consolidated financial statements

for the period ended 26 July 2014

1 Summary of significant accounting policies (continued)

(q) Trade and other payables

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.

(r) 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.

(s) 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.

(t) 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.

(u) 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 national government 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.

Notes to the consolidated financial statements

for the period ended 26 July 2014

1 Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

(iii) Retirement benefit obligations

The Group contributes to a number of superannuation funds that have been established to provide benefits for employees. Apart from one defined benefit fund, with a range of member categories, all funds are defined contribution funds, and contributions to them are recognised as an expense as they become payable.

The defined benefit fund that the Group contributes to is currently administered through Mercer Human Resource Consulting within a Mercer Master Trust arrangement on behalf of Myer. The defined benefit fund provides defined lump sum pension benefits based on years of service and final average salary. Myer defined benefit members who were members of the Coles Myer Defined Benefit Fund were transferred to the Myer Fund effective 2 June 2006. The fund is closed to new members and only existing Defined Benefit members were eligible for membership.

A liability or asset in respect of the defined benefit fund is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of the fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the end of the reporting period, calculated annually by independent actuaries 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 government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside profit or loss directly in the statement of comprehensive income.

(iv) 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.

(v) 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.

(vi) Share-based payments

Share-based compensation benefits are provided to employees via the Myer Equity Incentive Plan. Information relating to these schemes is set out in note 36.

The fair value of options 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 options 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 options 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 options 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 Myer Equity Incentive Plan is administered by the Myer Equity Plan Trust (see note 1(b)(ii)). When options are exercised, 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.

(v) Contributed equity

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.

(w) Dividends

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

for the period ended 26 July 2014

1 Summary of significant accounting policies (continued)

(x) Earnings per share

(i) 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.

(ii) 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.

(y) 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.

(z) Rounding of amounts

The Group has taken advantage of Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 26 July 2014 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.

Reference	Title	Summary	Application date of Standard	Impact on Group's Financial Statements	Application date for Group for financial year ending
AASB 9 Amendments were made to this and other standards via AASB 2010-7, AASB 2010-10 and AASB 2013-9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. The main changes are described below: - The standard will affect the accounting of available for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. - Where the fair value option is used for financial liabilities, the change in fair value is accounted for in other comprehensive income if it relates to changes in credit risk. The remaining change is presented in income statement. In December 2013, a revised Standard was issued and sets out the new rules for hedge accounting. The main changes are described below: - New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. - Expanded disclosure requirements and changes in presentation.	1 January 2017	There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The Group also does not have any available for sale financial assets. The Group has not yet assessed how its hedging arrangements would be affected by the new rules, however it does not expect the impact to be material. Increased disclosures may be required in the financial statements.	28 July 2018
IFRS 15	*Revenue from Contracts with Customers*	The core principle of the new revenue recognition standard is that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.	1 January 2017	The Group does not expect the new accounting standard to have a significant impact.	28 July 2018

Notes to the consolidated financial statements

for the period ended 26 July 2014

1 Summary of significant accounting policies (continued)

(ab) Parent entity financial information

The financial information for the parent entity, Myer Holdings Limited, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investment 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.

(ac) Comparative amounts

Where current period balances have been classified differently when compared to the prior period, comparative disclosures have been restated to ensure consistency of presentation between periods. To better reflect the nature of certain items of income and expense within the Income Statement, certain items previously classified as 'Other Income' within Operating Gross Profit have been reclassified to Other Operating Revenue ($9.9m), Cost of Goods Sold ($7.7m), Selling Expenses ($10.8m) and Administration Expenses (-$4.2m). This resulted in the reduction of 'Other Income' from $24.6m to $0.5m with the remaining balance reclassified below Operating Gross Profit. These adjustments resulted in a net reduction in Operating Gross Profit of $7.1m with a corresponding decrease in items below Operating Gross Profit.

Notes to the consolidated financial statements

for the period ended 26 July 2014

2 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 12 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 25 -100% depending on the period to maturity (up to 12 months).

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

	2014			2013		
	USD $'000	**EURO $'000**	**GBP $'000**	USD $'000	EURO $'000	HKD $'000
Trade payables	**26,425**	**585**	**44**	21,873	863	82
Forward exchange contracts	**183,151**	**-**	**-**	108,982	-	-

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 the US dollar denominated financial instruments held at 26 July 2014, 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 $14.4 million lower/$17.0 million higher (2013: $6.3 million lower/$7.8 million higher) had the Australian dollar strengthened/weakened by 10% against the US dollar, 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. During the period, the Group policy was to fix the rates between 0 to 50% of its average gross debt. The Group complied with this policy during the period.

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 that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Notes to the consolidated financial statements

for the period ended 26 July 2014

2 Financial risk management (continued)

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

	2014		2013	
	Weighted average interest rate %	**Balance $'000**	Weighted average interest rate %	Balance $'000
Borrowings - variable	**4.1%**	**422,030**	4.2%	420,824
Interest rate swaps (notional principal amount)	**4.7%**	**(200,000)**	4.9%	(200,000)
Net exposure to cash flow interest rate risk		**222,030**		220,824

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 (c) below.

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 26 July 2014, if interest rates had changed by +/- 10% from the period end rates with all other variables held constant, post-tax profit for the period would have been $0.4 million lower/$0.4 million higher (2013: $0.4 million lower/$0.4 million higher), mainly as a result of higher/lower interest expense on borrowings.

Other components of equity would have been $0.6 million higher/$0.6 million lower (2013: $0.6 million higher/$0.6 million lower) mainly 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 8, 9, and 11.

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.

	2014 $'000	2013 $'000
Cash at bank and short-term bank deposits		
AAA	**-**	-
AA	**73,564**	81,470
A	**-**	-
	73,564	81,470
Derivative financial assets		
AAA	**-**	-
AA	**-**	9,442
A	**-**	-
	-	9,442

Notes to the consolidated financial statements

for the period ended 26 July 2014

2 Financial risk management (continued)

(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 due 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:

	2014	2013
	$'000	$'000
Floating rate		
Expiring within one year (revolving cash advance facility)	**-**	-
Expiring beyond one year (revolving cash advance facility)	**200,000**	200,000
	200,000	200,000

The long-term revolving cash advance facility comprises the following 3 tranches totalling $625 million with $425 million drawn at period end:
Tranche A $75 million, fully drawn expires on 21 August 2015
Tranche B $275 million, fully drawn expires on 22 August 2016
Tranche C $275 million, $75 million drawn expires on 21 August 2017

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**
2014							
Non-derivatives							
Non-interest bearing	**326,840**	**-**	**-**	**-**	**-**	**326,840**	**326,840**
Variable rate	**8,449**	**7,533**	**89,817**	**357,576**	**-**	**463,375**	**422,030**
Fixed rate	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total non-derivatives	**335,289**	**7,533**	**89,817**	**357,576**	**-**	**790,215**	**748,870**
Derivatives							
Net settled (interest rate swaps)	**596**	**766**	**1,329**	**925**	**-**	**3,616**	**3,401**
Gross settled							
- (inflow)	**(106,066)**	**(71,539)**	**-**	**-**	**-**	**(177,605)**	**-**
- outflow	**110,108**	**73,043**	**-**	**-**	**-**	**183,151**	**5,253**
Total derivatives	**4,638**	**2,270**	**1,329**	**925**	**-**	**9,162**	**8,654**
2013							
Non-derivatives							
Non-interest bearing	316,859	-	-	-	-	316,859	316,859
Variable rate	8,992	8,290	18,118	452,161	-	487,561	420,824
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	325,851	8,290	18,118	452,161	-	804,420	737,683
Derivatives							
Net settled (interest rate swaps)	761	992	649	-	-	2,402	2,331
Gross settled							
- (inflow)	(80,436)	(38,038)	-	-	-	(118,474)	(9,442)
- outflow	72,947	36,035	-	-	-	108,982	-
Total derivatives	(6,728)	(1,011)	649	-	-	(7,090)	(7,111)

Notes to the consolidated financial statements

for the period ended 26 July 2014

2 Financial risk management (continued)

(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 26 July 2014 and 27 July 2013.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014				
Assets				
Derivatives used for hedging	**-**	**-**	**-**	**-**
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Derivatives used for hedging	**-**	**8,654**	**-**	**8,654**
Total liabilities	**-**	**8,654**	**-**	**8,654**
2013				
Assets				
Derivatives used for hedging	-	9,442	-	9,442
Total assets	-	9,442	-	9,442
Liabilities				
Derivatives used for hedging	-	2,331	-	2,331
Total liabilities	-	2,331	-	2,331

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.

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3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(i) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises tax assets and liabilities based on its best estimate of the tax implications of the underlying transactions. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax provision and deferred tax assets and liabilities in the period in which the final determination is made.

(ii) Impairment

The Group tests annually whether goodwill and indefinite lived intangibles have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amount of cash generating units have been determined based on value in use calculations at a store level. Goodwill and certain intangibles can only be tested for impairment at the level of the Group as a whole. These calculations require the use of assumptions. Refer to note 14 for details of these assumptions. Should assumptions about future cash flows prove incorrect, the Group may be at risk of impairment write-downs.

(iii) Recoverable amount of inventory

Management have 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.

4 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 FSS Retail Pty Ltd. On the basis that this aspect of the business represents less than 10% of the total Group's operations, it has not been disclosed as a separate reporting segment.

5 Revenue and other income

	2014 52 weeks $'000	2013 52 weeks $'000
Revenue		
Sales revenue		
Total sales value (excluding GST)	**3,143,027**	3,144,904
Concession sales	**(491,482)**	(485,720)
Sale of goods (excluding GST)	**2,651,545**	2,659,184
Sales revenue deferred under customer loyalty program	**(39,378)**	(37,942)
Revenue from sale of goods (excluding GST)	**2,612,167**	2,621,242
Other operating revenue		
Concessions revenue	**116,616**	116,302
Other	**12,153**	9,991
	128,769	126,293
Finance revenue		
Interest revenue	**1,025**	1,417
Total revenue	**2,741,961**	2,748,952

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

Other income		
Other	**6,356**	457
	6,356	457

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6 Expenses

	2014 52 weeks $'000	2013 52 weeks $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Defined contribution superannuation expense	**40,002**	37,706
Other employee benefits expenses	**435,099**	423,876
Total employee benefits expenses	**475,101**	461,582
Depreciation, amortisation and write-off expense	**92,320**	89,760
Finance costs		
Interest and finance charges paid/payable	**21,408**	26,808
Fair value losses on interest rate swap cash flow hedges, transferred from equity	**1,523**	768
Loss/(gain) on remeasurement of financial liability	**-**	2,206
Finance costs expensed	**22,931**	29,782
Rental expense relating to operating leases		
Minimum lease payments	**216,084**	202,655
Contingent rentals	**5,339**	6,557
Total rental expense relating to operating leases	**221,423**	209,212
Net foreign exchange (gains)/losses	**(1,377)**	(4,285)
Impairment of assets		
Inventory	**9,779**	14,148

7 Income tax expense

	2014 52 weeks $'000	2013 52 weeks $'000
(a) Income tax expense		
Current tax	**37,058**	51,454
Deferred tax	**2,798**	5,153
Income tax expense	**39,856**	56,607
Deferred income tax expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 13)	**2,140**	9,765
(Decrease) increase in deferred tax liabilities (note 18)	**658**	(4,612)
	2,798	5,153
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**138,398**	186,484
Tax at the Australian tax rate of 30% (2013: 30%)	**41,520**	55,945
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable (gain) loss on remeasurement of financial liability	**-**	662
Sundry items	**(1,777)**	(601)
	39,743	56,006
Adjustments for current tax of prior periods	**113**	601
Income tax expense	**39,856**	56,607
(c) Deferred tax relating to items recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Net deferred tax - debited (credited) directly to equity (note 21(b))	**(504)**	(594)
(d) Deferred tax relating to items charged or credited directly to other comprehensive income		
Cash flow hedges (note 21(b))	**(349)**	800

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8 Cash and cash equivalents

	2014 $'000	2013 $'000
Cash on hand	**2,837**	2,845
Cash at bank	**70,727**	78,625
	73,564	81,470

Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9 Trade and other receivables and prepayments

	2014 $'000	2013 $'000
Trade receivables	**5,357**	4,353
Provision for impairment of receivables (note (a))	**(1,120)**	(718)
	4,237	3,635
Other receivables	**12,615**	10,186
Prepayments	**13,281**	10,563
	25,896	20,749
	30,133	24,384

(a) Impaired trade receivables

As at 26 July 2014, current trade receivables of the Group with a nominal value of $1.1 million (2013: $0.7 million) were impaired. The amount of the provision was $1.1 million (2013: $0.7 million).

The ageing of these receivables is as follows:

	2014 $'000	2013 $'000
Up to 3 months	**25**	57
Over 3 months	**1,095**	661
	1,120	718

Movements in the provision for impairment of receivables are as follows:		
Carrying amount at beginning of period	**718**	411
Provision for impairment recognised during the period	**406**	360
Receivables written off during the period as uncollectible	**(4)**	(53)
Unused amount reversed	**-**	-
Carrying amount at end of period	**1,120**	718

The creation and release of the provision for impaired receivables has been included in 'administration expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As of 26 July 2014, trade receivables of $0.2 million (2013: $0.2 million) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2014 $'000	2013 $'000
Up to 3 months	**153**	65
Over 3 months	**-**	104
	153	169

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

(c) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

(d) Fair values and credit risk

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. Refer to note 2 for more information on the financial risk management policy of the Group and the credit quality of the entities' trade receivables.

Notes to the consolidated financial statements

for the period ended 26 July 2014

10 Inventories

	2014 $'000	2013 $'000
Retail inventories	**376,763**	363,880

11 Derivative financial instruments

	2014 $'000	2013 $'000
Current assets		
Forward foreign exchange contracts (i)	**-**	9,442
Total current derivative financial instrument assets	**-**	9,442
Current liabilities		
Forward foreign exchange contracts (i)	**5,253**	-
Total current derivative financial instrument liabilities	**5,253**	-
Non-current liabilities		
Interest rate swap contracts (ii)	**3,401**	2,331
Total non-current derivative financial instrument liabilities	**3,401**	2,331

(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 2).

(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.

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.

During the period ended 26 July 2014 nil (2013: nil) was reclassified from equity and included in the cost of inventory. There was no hedge ineffectiveness in the current or prior period.

(ii) Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 4.12% (2013: 4.25%). 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 47.1% (2013: 47.1%) of the Group's debt facility (refer to note 19 for details of the Group's borrowings). The notional principal amounts used in the swap agreements match the terms of the debt facilities. In relation to the debt facilities the fixed interest rates range between 2.97% and 3.99% (2013: 2.908% and 3.99%) and the variable rates under the swap agreements are the Bank Bill Swap Rate bid (BBSY Bid).

The contracts require settlement of net interest receivable or payable each 3 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 26 July 2014 $1.5 million was reclassified in profit and loss (2013: $0.8 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 2. 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

for the period ended 26 July 2014

12 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
At 28 July 2012						
Cost	10,100	19,500	384,220	334,140	20,343	768,303
Accumulated depreciation	-	(3,006)	(146,879)	(102,936)	-	(252,821)
Net book amount	10,100	16,494	237,341	231,204	20,343	515,482
Period ended 27 July 2013						
Carrying amount at beginning of period	10,100	16,494	237,341	231,204	20,343	515,482
Additions	-	-	3,198	5,787	49,663	58,648
Transfer between classes	-	-	25,598	19,137	(44,821)	(86)
Assets written off - cost	-	-	(2,549)	(1,199)	-	(3,748)
Assets written off - accumulated depreciation	-	-	1,683	888	-	2,571
Depreciation charge	-	(488)	(36,955)	(26,539)	-	(63,982)
Exchange differences	-	-	7	(63)	145	89
Carrying amount at end of period	10,100	16,006	228,323	229,215	25,330	508,974
At 27 July 2013						
Cost	10,100	19,500	410,474	357,863	25,330	823,267
Accumulated depreciation	-	(3,494)	(182,151)	(128,648)	-	(314,293)
Net book amount	10,100	16,006	228,323	229,215	25,330	508,974
Period ended 26 July 2014						
Carrying amount at beginning of period	**10,100**	**16,006**	**228,323**	**229,215**	**25,330**	**508,974**
Additions	**-**	**-**	**7,391**	**8,542**	**43,787**	**59,720**
Additions - acquisition	**-**	**-**	**162**	**-**	**-**	**162**
Transfer between classes	**-**	**-**	**16,012**	**22,679**	**(38,136)**	**555**
Assets written off - cost	**-**	**-**	**(11,831)**	**(7,401)**	**-**	**(19,232)**
Assets written off - accumulated depreciation	**-**	**-**	**10,584**	**6,467**	**-**	**17,051**
Assets disposal	**(500)**	**-**	**-**	**-**	**-**	**(500)**
Depreciation charge	**-**	**(488)**	**(34,605)**	**(28,592)**	**-**	**(63,685)**
Exchange differences	**-**	**-**	**1**	**(4)**	**(161)**	**(164)**
Carrying amount at end of period	**9,600**	**15,518**	**216,037**	**230,906**	**30,820**	**502,881**
At 26 July 2014						
Cost	**9,600**	**19,500**	**422,209**	**381,679**	**30,820**	**863,808**
Accumulated depreciation	**-**	**(3,982)**	**(206,172)**	**(150,773)**	**-**	**(360,927)**
Net book amount	**9,600**	**15,518**	**216,037**	**230,906**	**30,820**	**502,881**

13 Deferred tax assets

	2014 $'000	2013 $'000
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits	**20,076**	21,232
Non-employee provisions and accruals	**12,609**	9,706
Amortising deductions	**837**	4,280
Trading stock	**4,990**	4,946
Other	**-**	1,245
Tax losses	**1,521**	1,463
Total deferred tax assets	**40,033**	42,872
Set off of deferred tax liabilities pursuant to set off provisions (note 18)	**(26,335)**	(26,026)
Net deferred tax assets	**13,698**	16,846
Deferred tax assets expected to be recovered within 12 months	**26,507**	25,933
Deferred tax assets expected to be recovered after more than 12 months	**13,526**	16,939
	40,033	42,872

Notes to the consolidated financial statements

for the period ended 26 July 2014

13 Deferred tax assets (continued)

	2014	2013
	$'000	$'000
Movements:		
Carrying amount at beginning of period	**42,872**	51,403
Credited (charged) to income statement (note 7)	**(2,140)**	(9,765)
Credited (charged) to other comprehensive income	**(699)**	1,234
Carrying amount at end of period	**40,033**	42,872

14 Intangible assets

	Goodwill $'000	Brand names and trademarks $'000	Software $'000	Lease rights $'000	Total $'000
At 28 July 2012					
Cost	376,631	428,115	183,560	48,540	1,036,846
Accumulated amortisation	-	(2,205)	(66,089)	(32,403)	(100,697)
Net book amount	376,631	425,910	117,471	16,137	936,149
Period ended 27 July 2013					
Carrying amount at beginning of period	376,631	425,910	117,471	16,137	936,149
Additions	-	406	18,860	-	19,266
Transfer between classes	-	-	86	-	86
Assets written off - cost	-	-	(1,991)	-	(1,991)
Amortisation charge *	-	(14)	(20,984)	(1,612)	(22,610)
Exchange differences	-	-	117	-	117
Carrying amount at end of period	376,631	426,302	113,559	14,525	931,017
At 27 July 2013					
Cost	376,631	428,520	200,632	48,540	1,054,323
Accumulated amortisation	-	(2,218)	(87,073)	(34,015)	(123,306)
Net book amount	376,631	426,302	113,559	14,525	931,017
Period ended 26 July 2014					
Carrying amount at beginning of period	**376,631**	**426,302**	**113,559**	**14,525**	**931,017**
Additions	**-**	**-**	**27,234**	**-**	**27,234**
Additions - acquisition	**-**	**1,438**	**-**	**-**	**1,438**
Transfer between classes	**-**	**-**	**(555)**	**-**	**(555)**
Assets written off - cost	**-**	**-**	**(2,822)**	**-**	**(2,822)**
Assets written off - accumulated amortisation	**-**	**-**	**918**	**-**	**918**
Amortisation charge *	**-**	**(14)**	**(20,853)**	**(3,683)**	**(24,550)**
Exchange differences	**-**	**-**	**(82)**	**-**	**(82)**
Carrying amount at end of period	**376,631**	**427,726**	**117,399**	**10,842**	**932,598**
At 26 July 2014					
Cost	**376,631**	**429,958**	**224,489**	**48,540**	**1,079,618**
Accumulated amortisation	**-**	**(2,232)**	**(107,090)**	**(37,698)**	**(147,020)**
Net book amount	**376,631**	**427,726**	**117,399**	**10,842**	**932,598**

* Amortisation of $24.5 million (2013: $22.6 million) is included in administration and selling expenses in the income statement.

(a) Impairment tests for goodwill and intangibles with an indefinite useful life

The goodwill arising on the acquisition of the Myer business amounting to $349.5 million cannot be allocated to the Group's individual cash generating units (the Group's stores), and hence has been allocated to the business as a whole. Similarly, brand names which have an indefinite useful life and amounting to $402.8 million have been allocated to the business as a whole.

The goodwill arising on the acquisition of the sass & bide business amounting to $27.1 million cannot be allocated to the individual cash generating units (the sass & bide stores), and hence has been allocated to the sass & bide business as a whole. Similarly, the sass & bide brand name, which has an indefinite useful life and amounting to $23.5 million has been allocated to the sass & bide business as a whole.

AASB 136 *Impairment of Assets* requires goodwill and intangible assets with an indefinite useful life to be tested annually for impairment. In testing these assets for impairment, the recoverable amount of each business has been determined using a value in use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond five-year periods are extrapolated using a terminal growth rate of 2.5%. Key assumptions used in the calculation were as follows:

- discount rate (pre tax) 14.4% (2013: 14.4%)
- terminal growth rate 2.5% (2013: 2.5%)
- operating gross profit margin 41% (2013: 41%)

Neither goodwill nor indefinite lived intangibles were impaired at the end of the reporting period. Sensitivity analysis on reasonably possible changes in assumptions did not result in an outcome where an impairment would be required.

Notes to the consolidated financial statements

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15 Trade and other payables

	2014 $'000	2013 $'000
Trade payables	**203,473**	189,856
Other payables	**224,593**	197,817
	428,066	387,673

Trade and other payables are non-interest bearing.

16 Provisions

	2014 $'000	2013 $'000
Current		
Employee benefits	**60,802**	61,261
Workers' compensation (a)	**15,883**	18,781
Sales returns (b)	**2,763**	2,763
Other	**2,719**	1,499
	82,167	84,304
Non current		
Employee benefits	**5,811**	5,961
Fixed lease rental increases (c)	**8,186**	7,266
Other	**42**	16
	14,039	13,243

(a) Workers' compensation

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

(b) Sales returns

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

(c) 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.

(d) Movement in provisions

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

	Workers' compensation $'000	Sales returns $'000	Other $'000	Fixed lease rental increases $'000	Total $'000
2014					
Carrying amount at beginning of period	**18,781**	**2,763**	**1,515**	**7,266**	**30,325**
Additional provisions recognised during the period	**1,559**	**2,763**	**10,603**	**1,049**	**15,974**
Amounts utilised during the period	**(4,457)**	**(2,763)**	**(9,357)**	**(129)**	**(16,706)**
Carrying amount at end of period	**15,883**	**2,763**	**2,761**	**8,186**	**29,593**

(e) 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 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.

	2014 $'000	2013 $'000
Current long service leave obligations expected to be settled after 12 months	**28,301**	28,615

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17 Other liabilities

	2014	2013
	$'000	$'000
Current		
Financial liability (note 21(b) (iii))	**-**	29,758
Short-term payable	**2,029**	1,952
	2,029	31,710
Non current		
Long-term payable	**-**	1,000
Retirement benefit obligations	**-**	353
	-	1,353

18 Deferred tax liabilities

	2014	2013
	$'000	$'000
Deferred tax liabilities comprise temporary differences attributable to:		
Property, plant, equipment and software	**13,118**	14,523
Brand names	**8,465**	8,465
Deferred income	**2,594**	1,202
Sundry items	**2,158**	1,836
	26,335	26,026
Set off of deferred tax liabilities pursuant to set off provisions (note 13)	**(26,335)**	(26,026)
Net deferred tax liabilities	**-**	-
Deferred tax liabilities expected to be recovered within 12 months	**731**	845
Deferred tax liabilities expected to be recovered after more than 12 months	**25,604**	25,181
	26,335	26,026
Movement:		
Carrying amount at beginning of period	**26,026**	30,288
Charged (credited) to income statement (note 7)	**658**	(4,612)
Charged (credited) to other comprehensive income	**(349)**	350
Carrying amount at end of period	**26,335**	26,026

19 Borrowings

	2014	2013
	$'000	$'000
Non-current borrowings		
Bank loans	**422,030**	420,824
Total borrowings	**422,030**	420,824

(a) Structure of debt

The debt funding of the Group at 26 July 2014 comprised of a revolving cash advance syndicated facility of $625 million. This facility was established on 29 October 2009, drawn down on the 6 November 2009 and amended and restated on 3 June 2011. On 9 July 2013 the facility went through a second amendment and restatement which included extending the tenure and changing the facility to be entirely a revolving cash advance facility. At balance date the following amounts were drawn:

	2014	2013
	$'000	$'000
Bank loans	**425,000**	425,000
Less transaction costs	**(2,970)**	(4,176)
Borrowings	**422,030**	420,824

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	$ 75 million	2 years	21 August 2015
Revolving cash advance facility - Tranche B	$275 million	3 years	22 August 2016
Revolving cash advance facility - Tranche C	$275 million	4 years	21 August 2017

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

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for the period ended 26 July 2014

19 Borrowings (continued)

(b) Security

The revolving cash advance facility in place at 26 July 2014 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 2.

20 Contributed equity

	2014	2013	**2014**	2013
	Number of shares	Number of shares	**$'000**	$'000
Opening balance	**583,594,551**	583,384,551	**558,728**	558,107
Shares issued to Myer Equity Plans Trust at market value	**2,090,000**	210,000	**5,518**	621
	585,684,551	583,594,551	**564,246**	558,728
Treasury shares				
Opening balance	**(29,700)**	(25,200)	**(38,512)**	(38,331)
Shares issued to Myer Equity Plans Trust at market value	**(2,090,000)**	(210,000)	**(5,518)**	(621)
Shares allocated on exercise of options at $2.14	**2,110,500**	205,500	**4,516**	440
Closing balance of Treasury shares	**(9,200)**	(29,700)	**(39,514)**	(38,512)
Closing balance	**585,675,351**	583,564,851	**524,732**	520,216

(a) 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.

(b) 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 (see note 36 for further information).

(c) Employee share and option schemes

Information relating to the employee share-based payment schemes, including details of shares issued under the schemes, is set out in note 36.

(d) 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 26 July 2014 and 27 July 2013 were as follows:

	2014	2013
	$'000	$'000
Total borrowings (note 19)	**422,030**	420,824
Less: cash and cash equivalents (note 8)	**(73,564)**	(81,470)
Net debt	**348,466**	339,354
Total equity	**893,413**	905,642
Total capital	**1,241,879**	1,244,996
Gearing ratio	**28%**	27%

The increase in the gearing ratio during 2014 was primarily driven by a decrease in cash and a decrease in equity associated with dividends paid during the year being marginally higher than profits and adverse movement in the cash flow hedge reserve.

Notes to the consolidated financial statements

for the period ended 26 July 2014

21 Retained earnings and reserves

(a) Retained earnings

	2014	2013
	$'000	$'000
Movement in retained earnings were as follows:		
Balance at beginning of period	**379,722**	363,357
Profit for the period	**98,499**	127,212
Dividends	**(99,470)**	(110,847)
Balance at end of period	**378,751**	379,722

(b) Reserves

Share-based payments (i)	**23,531**	22,185
Cash flow hedges (ii)	**(7,469)**	6,039
Other reserve (iii)	**(25,621)**	(31,650)
Foreign currency translation (iv)	**(511)**	(598)
	(10,070)	(4,024)
Movement in reserves were as follows:		
Share-based payments		
Balance at beginning of period	**22,185**	20,682
Share-based payments expense recognised	**1,850**	2,097
Income tax (note 7)	**(504)**	(594)
Balance at end of period	**23,531**	22,185
Cash flow hedges		
Balance at beginning of period	**6,039**	(3,837)
Net gain (loss) on revaluation	**(17,190)**	12,305
Transfer to net profit	**4,031**	(3,229)
Deferred tax (notes 13 and 18)	**(349)**	800
Balance at end of period	**(7,469)**	6,039
Other reserve		
Balance at beginning of period	**(31,650)**	(31,650)
Acquisition of non-controlling interests	**6,029**	-
Balance at end of period	**(25,621)**	(31,650)
Foreign currency translation		
Balance at beginning of period	**(598)**	5
Currency translation differences arising during the period	**87**	(603)
Balance at end of period	**(511)**	(598)

(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 36.

(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 1(n). Amounts are recognised in income statement when the associated hedged transaction affects profit or loss.

(iii) Other reserve

Under the shareholders' agreement entered into with the non-controlling shareholders at the time of acquisition in 2011, the Group held a call option over the non-controlling shareholders' 35% interest in Boogie & Boogie Pty Ltd, the owner of sass & bide, and the non-controlling shareholders had a corresponding put option. These options became exercisable in 2014, two years from acquisition date, at a market value of the shares at that time based on a formula contained within the shareholders' agreement. The potential liability of the Group under the put option was estimated at acquisition date based on expectations on the timing of exercise and the exercise price at that future point in time, discounted to present value using the Group's incremental borrowing rate. The recognition of the put option liability at acquisition date resulted in the recognition of an amount to the other reserve within shareholders' equity and a financial liability within non-current liabilities other, reclassified to current liabilities in 2013 when it became payable.

On acquisition of the remaining 35% of sass & bide, the cash payment of $33.4 million 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 as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to income statement when the net investment is disposed of.

Notes to the consolidated financial statements

for the period ended 26 July 2014

22 Dividends

	2014 **$'000**	2013 $'000
(a) Ordinary shares		
Final fully franked dividend for the period ended 27 July 2013 of 8.0 cents (2012: 9.0 cents) per fully paid share paid 14 November 2013 (2012: 14 November 2012)	**46,759**	52,502
Interim fully franked dividend for the period ended 26 July 2014 of 9.0 cents (2013: 10.0 cents) per fully paid share paid 8 May 2014 (2013: 9 May 2013)	**52,711**	58,345
Total dividends paid	**99,470**	110,847

(b) Dividends not recognised at the end of the reporting period

In addition to the above dividends, since period end the directors have recommended the payment of a final dividend of 5.5 cents per fully paid ordinary share, (2013: 8.0 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 13 November 2014, but not recognised as a liability at period end, is:	**32,212**	46,685

(c) Franked dividends

The franked portions of the final dividends recommended after 26 July 2014 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 25 July 2015.

	2014 **$'000**	2013 $'000
Franking credits available for subsequent financial periods based on a tax rate of 30% (2013 : 30%)	**17,175**	19,094

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 $14 million (2013: reduction of $20 million).

23 Key Management Personnel disclosures

(a) Loans

Details of loans made to directors of Myer Holdings Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below.

(i) Aggregates for Key Management Personnel

In 2014 and 2013 there were no loans to individuals at any time.

(ii) Individuals with loans above $100,000 during the financial period

In 2014 and 2013 there were no loans to individuals that exceeded $100,000 at any time.

(b) Other transactions

There were no transactions with Key Management Personnel or entities related to them, other than compensation.

Notes to the consolidated financial statements

for the period ended 26 July 2014

24 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:

	2014	2013
	$	$
(a) PwC Australia		
(i) Assurance services		
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**392,530**	396,510
Other assurance services		
Audit of rent certificates	**44,250**	43,125
Other services	**-**	6,150
Total remuneration for other assurance services	**44,250**	49,275
Total remuneration for assurance services	**436,780**	445,785
(ii) Taxation services		
Tax consulting and tax advice	**46,900**	183,253
(iii) Other services	**-**	-
Total remuneration of PwC Australia	**483,680**	629,038
(b) Overseas practices of PwC		
(i) Assurance services		
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**68,109**	65,857
(ii) Taxation services		
Tax consulting and tax advice	**25,331**	28,786
(iii) Other services	**-**	-
Total remuneration for overseas practises of PwC	**93,440**	94,643

25 Acquisition of non-controlling interests

On 24 September 2013, the parent entity acquired the remaining 35% of the issued share capital of Boogie & Boogie Pty Ltd, the owner of sass & bide, for $33.4 million ($30.2 million, net of cash acquired), resulting in 100% ownership. Prior to this, Myer Holdings Limited owned 65% in Boogie & Boogie Pty Ltd.

26 Business combination

(a) Summary of acquisition

On 6 July 2014, Myer Pty Ltd acquired the business assets of Charlie Brown, a successful women's fashion brand.

Details of the purchase consideration and the net assets acquired are as follows:

	$'000
Purchase consideration	
Cash paid	**2,999**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value $'000
Intangible assets	**1,438**
Inventories	**1,434**
Plant and equipment	**162**
Provisions	**(35)**
Net identifiable assets acquired	**2,999**

There were no acquisitions in the period ended 27 July 2013.

Notes to the consolidated financial statements

for the period ended 26 July 2014

26 Business combination (continued)

(b) Purchase consideration - cash outflow

	$'000
Outflow of cash to acquire business assets, net of cash acquired	**2,999**

27 Contingencies

Contingent liabilities

The Group had contingent liabilities at 26 July 2014 in respect of:

Guarantees

The Group has issued bank guarantees amounting to $49.4 million (2013: $51.5 million), of which $30.5 million (2013: $33.9 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 31 and 34.

While the amount and timing of any contingencies are uncertain, no material losses are anticipated in respect of the above contingent liabilities.

28 Commitments

(a) Capital commitments

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

	2014	2013
	$'000	$'000
Property, plant, equipment and software		
Payable:		
Within one year	**10,553**	16,754
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	10,553	16,754

(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.

	2014	2013
	$'000	$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**225,526**	209,975
Later than one year but not later than five years	**880,983**	798,279
Later than five years	**2,145,696**	1,936,273
	3,252,205	2,944,527

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.

Notes to the consolidated financial statements

for the period ended 26 July 2014

29 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 30.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 23.

(d) Transactions with other related parties

There were no transactions with other related parties during the current period.

30 Subsidiaries and transactions with non-controlling interests

(a) Investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Notes	Country of incorporation	Class of shares	Equity holdings (4) 2014 %	Equity holdings (4) 2013 %
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	(1), (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**	65
sass & bide Pty Ltd	(2), (3)	Australia	Ordinary	**100**	65
sass & bide Retail Pty Ltd	(2), (3)	Australia	Ordinary	**100**	65
sass & bide Retail (NZ) Pty Ltd	(2), (3)	Australia	Ordinary	**100**	65
sass & bide UK Limited		United Kingdom	Ordinary	**100**	65
sass & bide USA inc.		USA	Ordinary	**100**	65
sass & bide inc.		USA	Ordinary	**100**	65
FSS Retail Pty Ltd	(2), (3)	Australia	Ordinary	**100**	-

Notes:

(1) Each of these entities has been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission (ASIC).

(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 note 31.

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

(b) Transactions with non-controlling interests

On 24 September 2013, the parent entity acquired the remaining 35% of the issued share capital of Boogie & Boogie Pty Ltd, the owner of sass & bide, from the non-controlling shareholders for $33.4 million ($30.2 million, net of cash acquired) (Refer to note 25). There were no transactions with non-controlling interests in 2013.

Notes to the consolidated financial statements

for the period ended 26 July 2014

31 Deed of cross guarantee

Myer Holdings Limited, NB Elizabeth Pty Ltd, NB Collins Pty Ltd, NB Russell Pty Ltd, Myer Group Pty Ltd, NB Lonsdale Pty Ltd, Warehouse Solutions Pty Ltd, Myer Group Finance Limited, Myer Pty Ltd and The Myer Emporium Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. FSS Retail Pty Ltd, Boogie & Boogie Pty Ltd, sass & bide Pty Ltd, sass & bide Retail Pty Ltd and sass & bide Retail (NZ) Pty Ltd joined the deed of cross guarantee on 16 July 2014.

The Group already owned and controlled Boogie & Boogie Pty Ltd, sass & bide Pty Ltd, sass & bide Retail Pty Ltd and sass & bide Retail (NZ) Pty Ltd prior to the companies joining the Deed of Cross Guarantee. The companies were added to the Deed of Cross Guarantee following the acquisition of the remaining 35% of the issued share capital of Boogie & Boogie Pty Ltd, the owner of sass & bide on 24 September 2013 (Refer to note 25). The sass & bide results have been included in 2014 as if they were in the Deed of Cross Guarantee since the beginning of the financial year. Prior year comparatives do not include sass & bide as they did not form part of the Deed in 2013.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Each of the members of the extended 'closed group' are considered to be solvent at 26 July 2014.

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

The above companies represent a 'closed group' for the purposes of the Class Order, 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'.

As certain Group entities are not members of the closed group additional disclosure has been made in relation to the closed group.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 26 July 2014 of the closed group.

Income statement	**2014 52 weeks $'000**	2013 52 weeks $'000
Total sales value (excluding GST)	**3,141,961**	3,100,100
Concession sales	**(491,482)**	(501,692)
Sale of goods (excluding GST)	**2,650,479**	2,598,408
Sales revenue deferred under customer loyalty program	**(39,378)**	(37,942)
Revenue from sale of goods (excluding GST)	**2,611,101**	2,560,466
Other operating revenue (excluding finance revenue)	**128,769**	129,537
Cost of goods sold	**(1,454,015)**	(1,423,329)
Dividend received	**-**	4,615
Operating gross profit	**1,285,855**	1,271,289
Other income	**6,356**	457
Selling expenses	**(810,112)**	(768,241)
Administration expenses	**(319,771)**	(291,388)
Earnings before interest and tax	**162,328**	212,117
Finance revenue	**991**	1,379
Finance costs	**(22,930)**	(29,767)
Net finance costs	**(21,939)**	(28,388)
Profit before income tax	**140,389**	183,729
Income tax expense	**(40,106)**	(54,246)
Profit for the period	**100,283**	129,483
Profit is attributable to:		
Deed of Cross Guarantee group	**100,240**	129,483
Non-controlling interests	**43**	-
	100,283	129,483
Statement of comprehensive income		
Profit for the period	**100,283**	129,483
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedges	**(13,320)**	7,704
Exchange differences on translation of foreign operations	**248**	-
Income tax relating to components of other comprehensive income	**(349)**	1,235
Other comprehensive income for the period, net of tax	**(13,421)**	8,939
Total comprehensive income for the period	**86,862**	138,422

Notes to the consolidated financial statements

for the period ended 26 July 2014

31 Deed of cross guarantee (continued)

Summary of movements in retained earnings

Opening balance	**379,398**	360,762
sass & bide opening retained earnings	**3,854**	-
Profit for the period	**100,240**	129,483
Dividends paid	**(99,470)**	(110,847)
Closing balance	**384,022**	379,398

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 26 July 2014 of the closed group.

	2014 $'000	2013 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**71,185**	69,555
Trade and other receivables	**42,497**	33,273
Inventories	**372,853**	356,268
Derivative financial instruments	**-**	8,438
Total current assets	**486,535**	467,534
Non-current assets		
Other financial assets	**1,462**	41,374
Property, plant and equipment	**502,327**	504,559
Deferred tax assets	**12,001**	21,265
Intangible assets	**932,138**	879,544
Other	**2,932**	3,310
Total non-current assets	**1,450,860**	1,450,052
Total assets	**1,937,395**	1,917,586
LIABILITIES		
Current liabilities		
Trade and other payables	**427,167**	381,180
Derivative financial instruments	**5,253**	-
Current tax liabilities	**7,516**	17,165
Provisions	**81,616**	82,506
Other	**2,029**	30,802
Total current liabilities	**523,581**	511,653
Non-current liabilities		
Borrowings	**422,030**	420,824
Derivative financial instruments	**3,401**	2,331
Provisions	**13,997**	12,763
Deferred income	**74,945**	73,583
Other	**-**	1,354
Total non-current liabilities	**514,373**	510,855
Total liabilities	**1,037,954**	1,022,508
Net assets	**899,441**	895,078
EQUITY		
Contributed equity	**524,732**	520,216
Retained earnings	**384,022**	379,398
Reserves	**(9,313)**	(4,536)
Total equity	**899,441**	895,078

32 Events occurring after the reporting period

Subsequent to 26 July 2014, the directors have determined to pay a final dividend of 5.5 cents per share, fully franked at the 30% corporate income tax rate, payable on 13 November 2014. The record date for this dividend is 29 September 2014.

The financial effect of the final ordinary dividend for 2014 has not been recognised in the annual financial statements for the period ended 26 July 2014 and will be recognised in subsequent financial statements.

There have been no other subsequent events.

Notes to the consolidated financial statements

for the period ended 26 July 2014

33 Reconciliation of profit after income tax to net cash inflow from operating activities

	2014 52 weeks $'000	2013 52 weeks $'000
Profit for the period	**98,542**	129,877
Depreciation and amortisation, including lease inducements	**86,305**	83,559
Interest income	**(1,025)**	(1,402)
Interest expense	**1,233**	1,646
Share-based payments expense	**1,850**	2,097
Net exchange differences	**110**	(567)
Change in operating assets and liabilities		
Decrease (increase) in trade and other receivables	**(6,418)**	(2,289)
Decrease (increase) in inventories	**(11,049)**	22,002
Decrease (increase) in deferred tax asset	**2,294**	4,475
Decrease (increase) in derivative financial instruments	**1,924**	(2,168)
(Decrease) increase in trade and other payables	**31,151**	(13,768)
(Decrease) increase in current tax payable	**(11,721)**	3,850
(Decrease) increase in provisions	**(1,345)**	(3,849)
(Decrease) increase in other liabilities	**(275)**	2,062
Net cash inflow from operating activities	**191,576**	225,525

34 Parent entity financial information

(a) Summary financial information

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

	2014 $'000	2013 $'000
Balance sheet		
Current assets	**208,420**	211,255
Total assets	**1,129,970**	1,104,911
Current liabilities	**29,136**	69,960
Total liabilities	**454,567**	493,116
Shareholders' equity		
Issued capital	**524,732**	520,216
Reserves		
Cash flow hedges	**(3,418)**	(1,648)
Other reserve	**(1,891)**	(31,650)
Share-based payments	**17,133**	15,282
Retained earnings	**138,847**	109,595
Profit for the period	**128,721**	136,264
Total comprehensive income	**126,952**	136,953

(b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities	**-**	-
	-	-

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 a deed of cross guarantee entered into on 10 May 2010. The details of the deed of cross guarantee are set out in note 31. 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 26 July 2014 or 27 July 2013. For information about guarantees given by the parent entity, please see above.

(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 26 July 2014 or 27 July 2013.

(e) Event subsequent to balance date

Refer to Note 32 for additional events which have occurred after the financial reporting date.

Notes to the consolidated financial statements

for the period ended 26 July 2014

35 Earnings per share

	2014 cents	2013 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**16.8**	21.8
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**16.6**	21.6
	$'000	$'000
(c) Reconciliation of earnings used in calculating earnings per share		
Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders	**98,499**	127,212
	Number	Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**585,253,946**	583,425,804
Adjustments for calculation of diluted earnings per share:		
Options	**6,748,120**	5,996,592
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**592,002,066**	589,422,396

(e) Information concerning the classification of securities

Options and performance rights

Options granted to employees under the Myer Equity 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 options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 36.

1,936,093 options outstanding at period end are not included in the calculation of diluted earnings per share because they are antidilutive for the period ended 26 July 2014. These options could potentially dilute basic earnings per share in the future.

Notes to the consolidated financial statements

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36 Share-based payments

(a) Equity Incentive Plans

The Myer Equity Incentive Plan (MEIP) and Executive Equity Incentive Plan (EEIP) were established to help ensure retention of senior management and key staff and to provide incentives for the delivery of both short and long term shareholder returns.

Options and rights are granted under the plan for no consideration, and carry no dividend or voting rights. When exercisable, each option or right is convertible into one ordinary share in the Company. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Set out below is a summary of options and rights granted under the plan:

Grant type / Grant date	Expiry date	Exercise price ($)	Balance 27 July 2013	Granted	Exercised	Expired and lapsed	Balance 26 July 2014	Vested and exercisable
2014								
Option 17 Dec 2008	**24 Oct 2013**	**$2.14**	**2,310,313**	**-**	**(2,110,500)**	**(199,813)**	**-**	**-**
Option 30 Jun 2009	**24 Oct 2014**	**$2.34**	**2,634,650**	**-**	**-**	**(403,000)**	**2,231,650**	**315,600**
Option CEO EPS 06 Nov 2009	**31 Dec 2013**	**$4.10**	**5,152,671**	**-**	**-**	**(5,152,671)**	**-**	**-**
Option CEO share price 06 Nov 2009	**31 Dec 2013**	**$5.74**	**2,227,723**	**-**	**-**	**(2,227,723)**	**-**	**-**
Right EPS 21 Oct 2011	**31 Oct 2014**	**$0.00**	**1,089,102**	**-**	**-**	**(237,125)**	**851,977**	**-**
Right TSR 21 Oct 2011	**31 Oct 2014**	**$0.00**	**1,683,874**	**-**	**-**	**(366,646)**	**1,317,228**	**-**
Right CEO EPS 9 Dec 2011	**31 Oct 2014**	**$0.00**	**808,383**	**-**	**-**	**-**	**808,383**	**-**
Right CEO TSR 9 Dec 2011	**31 Oct 2014**	**$0.00**	**1,250,000**	**-**	**-**	**-**	**1,250,000**	**-**
Right EPS 25 Jan 2013	**31 Oct 2015**	**$0.00**	**419,114**	**-**	**-**	**(143,381)**	**275,733**	**-**
Right TSR 25 Jan 2013	**31 Oct 2015**	**$0.00**	**419,120**	**-**	**-**	**(143,383)**	**275,737**	**-**
Right 25 Jan 2013	**31 Oct 2015**	**$0.00**	**1,330,318**	**-**	**-**	**(192,307)**	**1,138,011**	**-**
Right EPS 27 Nov 2013	**31 Oct 2016**	**$0.00**	**-**	**198,838**	**-**	**(70,803)**	**128,035**	**-**
Right TSR 27 Nov 2013	**31 Oct 2016**	**$0.00**	**-**	**397,684**	**-**	**(141,609)**	**256,075**	**-**
Right Business Transfor-mation 27 Nov 2013	**31 Oct 2016**	**$0.00**	**-**	**198,841**	**-**	**(70,804)**	**128,037**	**-**
Right CFO 27 Nov 2013	**31 Oct 2016**	**$0.00**	**-**	**73,426**	**-**	**-**	**73,426**	**-**
Total			**19,325,268**	**868,789**	**(2,110,500)**	**(9,349,265)**	**8,734,292**	**315,600**
Weighted average exercise price			**$2.33**	**$0.00**	**$2.14**	**$3.77**	**$0.60**	**$2.34**

Notes to the consolidated financial statements

for the period ended 26 July 2014

36 Share-based payments (continued)

Grant type / Grant date	Expiry date	Exercise price ($)	Balance 28 July 2012	Granted	Exercised	Expired and lapsed	Balance 27 July 2013	Vested and exercisable
2013								
Option 23 Jan 2008	21 Dec 2012	$3.00	6,221,180	-	-	(6,221,180)	-	-
Option 17 Dec 2008	24 Oct 2013	$2.14	3,016,663	-	(205,500)	(500,850)	2,310,313	512,500
Option 30 Jun 2009	24 Oct 2014	$2.34	3,153,900	-	-	(519,250)	2,634,650	168,800
Option 06 Nov 2009	31 Dec 2012	$4.10	2,521,009	-	-	(2,521,009)	-	-
Option CEO EPS 06 Nov 2009	31 Dec 2013	$4.10	5,152,671	-	-	-	5,152,671	-
Option CEO share price 06 Nov 2009	31 Dec 2013	$5.74	2,227,723	-	-	-	2,227,723	-
Right EPS 21 Oct 2011	31 Oct 2014	$0.00	1,297,858	-	-	(208,756)	1,089,102	-
Right TSR 21 Oct 2011	31 Oct 2014	$0.00	2,006,646	-	-	(322,772)	1,683,874	-
Right CEO EPS 9 Dec 2011	31 Oct 2014	$0.00	808,383	-	-	-	808,383	-
Right CEO TSR 9 Dec 2011	31 Oct 2014	$0.00	1,250,000	-	-	-	1,250,000	-
Right EPS 25 Jan 2013	31 Oct 2015	$0.00	-	486,987	-	(67,873)	419,114	-
Right TSR 25 Jan 2013	31 Oct 2015	$0.00	-	486,994	-	(67,874)	419,120	-
Right 25 Jan 2013	31 Oct 2015	$0.00	-	1,334,843	-	(4,525)	1,330,318	-
Total			27,656,033	2,308,824	(205,500)	(10,434,089)	19,325,268	681,300
Weighted average exercise price			$2.78	$0.00	$2.14	$3.00	$2.33	$2.19

The number of options which expired during the period was 158,813 (2013: 8,267,021).

The weighted average share price at the date of exercise of options exercised during the period ended 26 July 2014 was $2.61 (2013: $3.04).

The weighted average remaining contractual life of share options and rights outstanding at the end of the period was 0.6 years (2013: 0.9 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:

	2014 EEIP Rights (EPS)	2014 EEIP Rights (TSR)	2014 EEIP Rights (Business Transfor-mation)	2014 EEIP Rights CFO
a) Fair value of performance rights granted	$2.36	$1.57	$2.36	$2.36
b) Exercise price at grant date	$0.00	$0.00	$0.00	$0.00
c) Grant date	27-Nov-13	27-Nov-13	27-Nov-13	27-Nov-13
d) Expiry date	31-Oct-16	31-Oct-16	31-Oct-16	31-Oct-16
e) Share price at grant date	$2.84	$2.84	$2.84	$2.84
f) Expected price volatility of the Group's shares	32%	32%	32%	32%
g) Expected dividend yield	6.3%	6.3%	6.3%	6.3%
h) Risk-free interest rate	3.04%	3.04%	3.04%	3.04%

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.

Notes to the consolidated financial statements

for the period ended 26 July 2014

36 Share-based payments (continued)

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payments transactions recognised during the period as part of employee benefit expense were as follows:

	2014	2013
	$'000	$'000
Options and rights issued under the MEIP and EEIP	**1,850**	2,097

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 options or 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.