ASX Release

21 October 2014

Myer Holdings Limited 2014 Annual Report
Myer Holdings Limited 2014 Notice of Annual General Meeting

Myer Holdings Limited today released the following documents:

- Annual Report for the year ended 26 July 2014
- Notice of Meeting for the 2014 Annual General Meeting (including Proxy Form) which will be held at Mural Hall, located on Level 6 of the Myer Melbourne store, Bourke Street Mall, Melbourne on Friday, 21 November 2014 at 11.00am

These documents will be dispatched today to shareholders who have elected to receive hard copies.

The 2014 Annual Report is available for download from myer2014.annual-report.com.au.

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MYER

Annual Report 2014

Our customers are at the core of our business

Myer strives to be customers' number one destination when it comes to fashion, cosmetics, and the home. Our strategy provides a clear direction for us to continually delight our customers when they engage with us, whether it is in a store or online.

Contents

Annual General Meeting

The fifth Annual General Meeting of Myer Holdings Limited will be held on Friday 21 November 2014 at 11.00am (Melbourne time).
Mural Hall
Level 6, Myer Melbourne Store
Bourke Street Mall, Melbourne VIC 3000

Myer Holdings Limited ABN 14 119 085 602

Front cover image: Myer Adelaide
Left page top to bottom: Team member and customer; Homewares, Myer Adelaide; Childrenswear, Myer, Emporium Melbourne.

CHAIRMAN AND CEO REPORT

Paul McClintock AO and Bernie Brookes


Paul McClintock AO (left) and Bernie Brookes (right)

During the past year Myer has continued to evolve our strategy, and in parallel, invest in the business to lay strong foundations for future growth. We have a long history of serving Australians in stores across the country from Cairns to Bendigo and a solid track record of nurturing Australian fashion and design. With our ongoing investment in key areas such as our store network, online capability, merchandise offer, and brand portfolio, we are well placed to build on our position as a world class department store in an increasingly global market place.

Financial performance

The full year sales result for the financial year (ended 26 July 2014) was encouraging in a challenging year impacted by significant planned investment to reposition the business. The investment was focused in the areas of our store network, omni-channel, and Myer Exclusive Brands. As expected, our investment in the business during the year adversely affected performance and profitability; however, we look forward to the benefits of our investments beginning to be realised in FY2015.

The external environment was characterised by subdued consumer sentiment throughout the year due in part to the change in Federal Government and uncertainty surrounding subsequent budget measures. In addition, there continued to be strong competition from both international and online retailers, along with the depreciation in the value of the Australian dollar which impacted margins.

Despite four of our top 25 stores undergoing major refurbishment and two store closures at Dandenong (Victoria) and Elizabeth (South Australia), the business was able to maintain total sales of $3,143 million. On a comparable store sales basis, sales increased by 1.2 percent. It is encouraging that comparable store sales have now grown in eight of the last nine quarters, which points to our ability to successfully execute our strategy. Best performing categories for the year were Cosmetics, Women's Footwear and Handbags, Miss Shop (Youth), and Appliances. Myer Exclusive Brands grew by a further 1.7 percent to $638.2 million.

We reported a 22.6 percent fall in net profit after tax (NPAT), reflecting a drop in operating gross profit and a previously flagged increase in the cash cost of doing business (cash CODB). The 57 basis point reduction in operating gross profit margin was predominantly driven by the impact of the depreciation of the Australian dollar on Myer Exclusive Brands, as well as our increased investment in product development. The competitive nature of the market, particularly during the second half, restricted our ability to pass on these cost increases. Cash CODB increased by 3.3 percent to $1,033 million. This increase partly reflects the annualisation of the transition of our store wages penalty structure in accordance with the Fair Work Act, as well as a targeted investment in additional store labour hours.

The results include the acquisition in the first half of the remaining 35 percent of the sass & bide business for $33 million. We now own 100 percent of the sass & bide business, which once again delivered sales growth during the year.

Recognising Myer's continued strong cash generation and stable balance sheet, the Board has determined a fully franked final dividend of 5.5 cents per share, taking the full year dividend to 14.5 cents per share. This represents a payout ratio of 86 percent and reflects the Board's confidence in the outlook for the business in FY2015.

Myer made a confidential and conditional proposal to David Jones in October 2013 for a merger of equals, which at the time we believed had strategic merits and potential value accretion for both sets of shareholders. The bid subsequently became public; however Myer withdrew in April 2014, following the announcement of Woolworths' (South Africa) bid for David Jones.

Evolving our strategy

During the year we continued to invest in our strategy, which places the customer at the core of our business. Our customer service offer was further strengthened with the addition of a new digital customer feedback program, the expansion of personal shopping services from 14 to 29 stores and into menswear, the delivery of enhanced in-store theatre and experiences, the launch of online booking services, and additional team member training programs. Another exciting initiative was the rollout of customised iPads to all stores, enabling our team members to offer customers a significantly expanded product range via a Myer app on the iPads.

During the year we were delighted to attract a significant number of exciting new Australian and international brands to Myer including Alex Perry, Scotch & Soda, White Suede, M.J. Bale, and Herringbone, further reinforcing our position as customers' first choice for fashion. Our Myer Exclusive Brands remain an integral part of our merchandise strategy, and we have optimised the range for our customers by consolidating some brands, developing key master brands, exiting some smaller brands, and enhancing our design, speed to market, and product development capabilities.

In August 2014 our loyalty program MYER one celebrated its 10th anniversary. The program is a key competitive advantage for Myer, with more than five million loyalty cards distributed since the program commenced and sales from MYER one members representing more than $2 billion of overall sales in FY2014. This year, we again distributed a total of over $50 million in Rewards Cards to members, with the average spend on redemption reaching a new high of four times the card value.

We invested significantly in improving our omni-channel capability to provide customers with more choice in when, where, and how they shop with us. This investment delivered positive results, with online sales growth of more than 100 percent during the year, supported by improved fulfilment with the opening of our dedicated online distribution centre in Melbourne (Victoria).

During the year we continued to invest in our store network to enhance our customers' experience. The major refurbishments at our stores in Adelaide (South Australia), Indooroopilly (Queensland), and Macquarie (New South Wales) are now complete, and in May 2014 we opened our new space at Emporium Melbourne (Victoria), which adjoins our CBD flagship store. The refurbishment at the Miranda (New South Wales) store is expected to be completed by Christmas this year. In FY2015, we look forward to realising the benefits from our completed refurbishments and new stores at Mt Gravatt (Queensland) which opened in October 2014 and Joondalup (Western Australia), which is scheduled to open before Christmas 2014.

Our people and community

Our 13,000 team members continue to be our greatest strength. Their commitment and dedication is absolutely critical to our business, and we would like to thank our team for their continued hard work throughout the year.

In February 2014 the Board announced the reappointment of Bernie Brookes as Myer CEO and Managing Director. The Board considers that Bernie's passion for Myer and his strong leadership will ensure the business is well placed to achieve its potential. In February 2014 we appointed two new directors to the Board, Ian Cornell and Bob Thorn, who both have extensive retail expertise. In July 2014 we announced the retirement of Peter Hay from the Board, and we would like to thank him for his valuable contribution during the past four years. We also continued to strengthen our leadership team with the appointments of Daniel Bracken as Chief Merchandise and Marketing Officer, Richard Umbers as Chief Information and Supply Chain Officer, and Gary Williams as Executive General Manager Strategic Planning and Business Development, who will support the successful execution of our strategy. We look forward to leveraging the valuable insights of our strengthened leadership team as we continue to evolve our strategy.

This year marks 80 years since the passing of our founder Sidney Myer. We have ensured that his strong philanthropic legacy continues throughout the Myer business today. Through the Myer Stores Community Fund, we have supported more than 100 local and national charities this year. The Myer Board and management team continue to foster the well established relationships that exist within our local communities, and we remain committed to minimising our impact on the environment. Our Sustainability Report is available from our website, myer.com.au/investor, and contains further information about our community involvement and sustainable business practices.

We were delighted to re-sign Jennifer Hawkins as the Face of Myer, and Kris Smith as a Myer brand ambassador. We also announced international model and television personality, Kate Peck, as a new Myer brand ambassador.

FY2015 and beyond

As we move into FY2015 we expect to begin realising the benefits of recent investments and a number of strategic initiatives. We see this as a time of opportunity and will continue to invest in the important areas of omni-channel, our people, Myer Exclusive Brands, customer service innovation, and refreshing the Myer brand, to position Myer at the forefront of a rapidly changing and competitive retail environment.

We remain confident in the strength of Myer, the quality of the Myer team, and in our ability to capitalise on the significant opportunities ahead.

We thank all our shareholders for their ongoing support and look forward to seeing you at our Annual General Meeting in November.

Paul McClintock AO
Chairman

Bernie Brookes
Chief Executive Officer and Managing Director

OPERATING AND FINANCIAL REVIEW

About Myer

Myer is an iconic Australian brand with a rich heritage of style, fashion, and community engagement spanning over 100 years.

Myer department stores

We pride ourselves on our strong Australian heritage, having been an essential part of our customers' lives for over 100 years with a committed history of philanthropy and community engagement.

Our merchandise offer includes: Womenswear; Menswear; Miss Shop (Youth); Childrenswear; Intimate apparel; Cosmetics; Women's Footwear, handbags and accessories; Homewares; Entertainment; Toys; Furniture; and General merchandise.

With 67 stores located in prime retail locations across Australia, 13,000 team members, an engaged and loyal customer base, and complementary e-commerce, digital and mobile platforms, we are well placed to build on our position as a leading department store group.

sass & bide

Myer Holdings Limited has owned 100 percent of the sass & bide business since September 2013. **sass & bide** is an exciting womenswear brand offering unique and individual designs through a full range of ready-to-wear apparel, denim, and intimates in 26 standalone boutiques and in 22 Myer stores. The range is also available overseas in selected department stores, specialised boutiques, and global e-tailers, while the online store delivers to New Zealand, the United Kingdom, and the United States.

With a strong wholesale business established in key international markets, our focus is on enhancing and leveraging the **sass & bide** e-commerce offer and expanding the retail business across new markets and categories.

Womenswear - Myer Adelaide

67

MYER stores across Australia

INDICATIVE NEW STORES

Anticipated opening (subject to variation and review)

• FY2015 • FY2016 • FY2017

STORE CLOSURES

Dandenong, Victoria (Oct 2013)

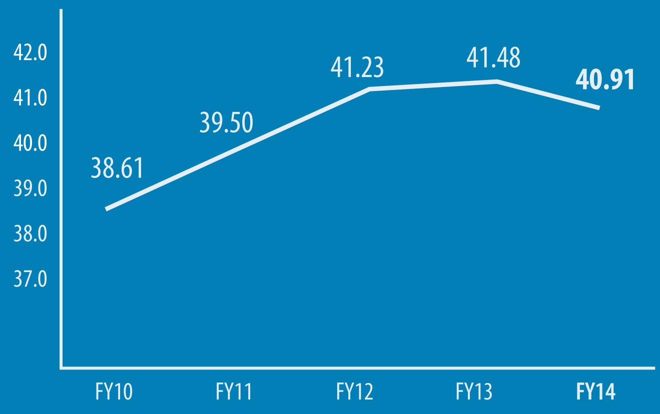
Elizabeth, South Australia (Feb 2014)

Hurstville, New South Wales (early 2015)

• Existing stores

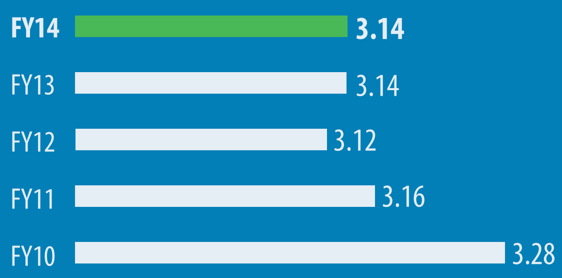
• Recently opened

Operating gross profit margin (%)*

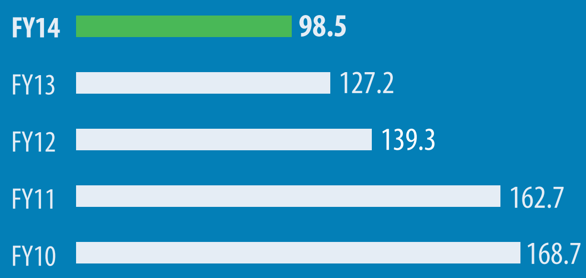


SALES IN FY2014
+1.2%
ON A COMPARABLE STORES BASIS

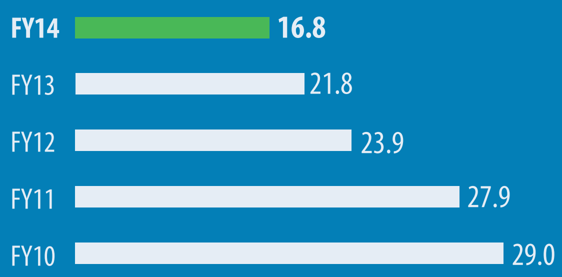
Total sales ($b)



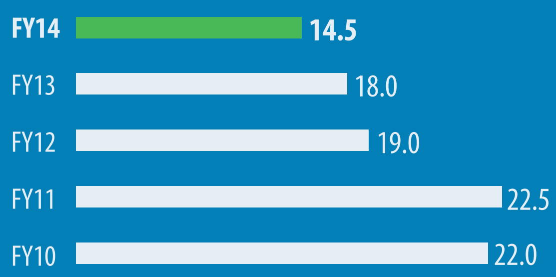
Net profit after tax ($m)



Earnings per share (cents)



Full year dividends (cents)



Financial summary (million)	FY2014	FY2013	Change
Sales	$3,143.0	$3,144.9	-0.06%
Operating gross profit*	$1,285.9	$1,304.5	-1.43%
Operating gross profit margin*	40.91%	41.48%	-57bps
Cash cost of doing business (cash CODB)*	$1,033.3	$999.9	+3.33%
Earnings before interest, tax, depreciation, amortisation (EBITDA)	$252.6	$304.6	-17.07%
Earnings before interest and tax (EBIT)	$160.3	$214.8	-25.37%
Net profit after tax (NPAT) after non-controlling interest	$98.5	$127.2	-22.56%

*To better reflect the nature of certain items of income and expense, the income statement includes a reclassification of those items from operating gross profit to cash cost of doing business. Please refer to page 82 for further information.

Financial performance

Continued comparable store sales growth and significant investment for future growth.

Sales

Total sales for the full year (ending 26 July 2014) were maintained at $3,143 million, up 1.2 percent on a comparable stores basis. Total sales benefited from new stores opened in FY2013: Fountain Gate (Victoria) in September 2012; Townsville (Queensland) in October 2012; and Shellharbour (New South Wales) in May 2013. This was offset by the negative impact of the refurbishments in four of our top 25 stores: Adelaide (South Australia); Indooroopilly (Queensland); Miranda (New South Wales); and Macquarie (New South Wales); as well as the closure of two stores: Dandenong (Victoria) in October 2013; and Elizabeth (South Australia) in February 2014.

Cosmetics continued to be the top performing category, driven by the excellent customer response to the introduction of leading make-up brand **Napoleon Perdis** in all stores and strong performances by **M.A.C Cosmetics**, **Benefit** and **Chanel**. Women's Footwear and Handbags, Miss Shop (Youth) and Appliances also performed strongly. The continued growth in Myer Exclusive Brands was led by some of our larger brands including **Miss Shop**, **Trent Nathan**, and **Australian House & Garden**, as well as new brands such as **Baker by Ted Baker**. There was solid growth in concession brands including **Marcs**, **R.M. Williams**, **Politix**, and **Sunglass Hut**. There were a number of national brands that performed well, including **Lego**, **Seafolly**, and **Wish**; however, these were offset by a disappointing performance in tablet sales, as well as the continued rationalisation of audio-visual. Online sales growth of more than 100 percent and an increase in average online transaction value during the year were driven by greater customer engagement.

Margins and costs

The EBIT result reflected a drop in operating gross profit and a previously flagged increase in cash CODB.

The 57 basis point reduction in operating gross profit margin was predominantly driven by the impact of the depreciation of the Australian dollar on Myer Exclusive Brands, as well as the increased investment in product development. The competitive nature of the market, particularly during the second half, restricted our ability to pass on these cost increases. Operating gross profit margin was also impacted by the strong customer response to loyalty initiatives such as MYER one bonus points promotions and bounce-back offers. Some of the impact on gross margin was recovered through a further reduction in shrinkage, improved sourcing and, where possible, adjustments to selling prices.

Cash CODB increased by 3.3 percent to $1,033 million. This increase partly reflects the annualisation of the transition of our store wages penalty structure in accordance with the Fair Work Act, as well as a targeted investment in additional store labour hours. Also contributing to the increased costs were occupancy, Myer Exclusive Brands initiatives, ongoing investment in delivering the omni-channel strategy, and space optimisation initiatives.

Depreciation, net finance costs, and tax

Capital investments made in previous years, as well as the impact from new and closed stores, resulted in a 2.8 percent increase in depreciation to $92.3 million (FY2013: $89.8 million). Despite the $33 million payment for the remaining 35 percent of the sass & bide business during the first half, net interest expense reduced by 16.1 percent from $26.1 million to $21.9 million. This was predominantly due to lower interest rates, the ongoing benefit from the refinancing of our debt facilities in July 2013, and disciplined cash flow management. The tax expense of $39.9 million represents an effective tax rate of 28.8 percent (FY2013: 30.0 percent). The lower tax rate was due to the impact of the full consolidation of the sass & bide business during the year.

Cash generation and working capital

The business continues to be highly cash generative despite a 12.3 percent reduction in operating cash flow to $263 million during the year (FY2013: $300 million). A working capital inflow of $10 million was underpinned by our disciplined focus on inventory management, with inventory turns up and aged inventory down. These improvements reflect the continuing benefits of our significant investment in merchandise and point-of-sale systems.

Balance sheet

Net debt finished the year slightly up at $348 million (FY2013: $340 million). Excluding the $33 million payment for the remaining 35 percent stake in the sass & bide business in October 2013, net debt would have dropped 7.3 percent to $315 million. The Board has determined a final dividend of 5.5 cents per share, taking the full year dividend to 14.5 cents per share fully franked (FY2013:18.0 cents). This represents a payout ratio of 86 percent, above the Board's target dividend payout ratio of 70-80 percent of NPAT, reflecting the Board's confidence in the outlook for the business in FY2015.

Strategy, prospects and risks

Strategy overview

Myer's strategy underpins our activities and decision-making. We continually seek to adapt and evolve our strategy, ensuring that we are well placed to respond to the competitive and increasingly global retail environment and meet changing customer preferences.

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Enhance our merchandise offer
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Strengthen our loyalty offer
Page 16

Build a leading omni-channel offer
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Optimise our store network
Page 20

Prospects

Our focus will remain on delivering improved shareholder value through the execution of our strategy. We see this as a time of opportunity and will continue to invest to position Myer at the forefront of a rapidly changing retail environment.

As we progress through FY2015 we expect to begin realising the benefits from recent investments and a number of strategic initiatives. We anticipate our performance will be assisted by a number of factors including the benefits of completed store refurbishments and openings; growth of the online business supported by an enhanced customer experience; new partnerships with Australian designer brands; continued growth in Myer Exclusive Brands, sass & bide, and other new national and international brands; as well as a new Christmas merchandise and marketing strategy.

We will continue to invest in the business in FY2015 with a focus on accelerating our omni-channel strategy, investing in our people, optimising the Myer Exclusive Brands strategy, customer service innovation, and refreshing the Myer brand. These investments are important to deliver the operational improvements and capabilities required to underpin long-term, sustainable growth.

The recent strengthening of the leadership team with a number of senior appointments will contribute to the evolution of Myer's strategy as we continue to build on our strengths and position the business for future growth.

The material risks that may affect our ability to realise these prospects are detailed below.

Material risks and mitigating strategies

Myer's strategy takes into account expected operating and retail market conditions, together with the general economic conditions, which are inherently uncertain. Myer has structured and proactive risk management and internal control systems in place to manage risks and offset any negative impact.

A detailed discussion of the Company's risk management, including financial risk management, is set out in the Corporate Governance Statement (Part 4, on page 35) and in the Financial Report (at note 2, on page 82).

Known risks that could have a material impact on Myer, the ability to successfully implement our strategy and which could adversely impact on future growth prospects for FY2015 and beyond, have been discussed on the following page.

External economic environment risks

Macro-economic factors such as the fluctuation of the Australian dollar, poor consumer confidence, changes to government policies, and weakness in the global economy could adversely impact the Company's ability to achieve sales growth. Myer regularly analyses and uses economic data to help mitigate the future impact on sales, and has also implemented conservative hedging, capital management, and marketing and merchandise initiatives to combat the cyclical nature of the business.

Competitive landscape risks

The Australian retail industry in which Myer operates is highly competitive. The Company's competitive position may be negatively impacted by new international and domestic entrants to the market, existing competitors, and increased online competition, which could impact sales. To mitigate these risks, Myer has invested in key areas of customer service, store network, omni-channel, and merchandise and marketing to continue to provide a compelling offer for our customers.

Technology risks

With Myer's increasing reliance on technology in a rapidly changing technological environment, outages, online disruptions and a failure to upgrade and improve our IT systems, could have a detrimental effect on our sales, business efficiencies, and brand reputation. To offset these risks, Myer continues to invest and develop our in-house IT capabilities and engage with reputable third party IT service providers to be able to adapt to rapidly changing technology and and ensure we have reliable IT systems.

Brand reputation risks

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

People management risks

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

Myer needs to attract and retain talented senior managers to ensure that our leadership team has the right skills and experience to evolve our strategy. Failure to do so may adversely affect Myer's reputation, performance, and growth. We are increasing the skills of our people through enhanced training and development programs and the utilisation of our Human Resources and Remuneration Committee, which provides oversight and advice. During the year we made a number of appointments to our Board and Executive Management Group, which have further strengthened our leadership team.

Regulatory and compliance risks

Myer operates in a regulated environment, and failure to comply with changes to applicable laws such as mandatory compliance standards, disclosure requirements, consumer protection, and the Privacy Act could impact on our financial performance and brand reputation.

Myer's Audit, Finance and Risk Committee and in-house Legal and Assurance teams provide crucial business advice and training in legislation and compliance. Board reporting and continuous disclosure processes are also in place.

Strategic and business plan risks

A failure to execute our strategy could impact sales, share price, and our reputation. We continue to evolve our strategy in line with changing customer preferences, with a strong focus on key performance indicators such as return on capital, inventory management, and operating gross profit to ensure that strategic business plans are achieved and financial performance is met.

Store refurbishments, new openings, and other capital investments are closely managed to ensure that expected benefits are delivered, and we continue to make improvements in inventory management and shrinkage reduction, security requirements, and inventory systems and processes.

“Paula was friendly, greeting myself and my three-year-old with the best smile, engaging both of us in conversation.”

– Myer Werribee customer

Personal shopping service - Myer Adelaide

Paula Razumic - Intimate apparel, Myer Werribee

Herringbone (Menswear) - Myer Melbourne

Improve customer service

Providing excellent service across all channels remains key to ensuring that we delight our customers every time they engage with us.

Service initiatives

We were pleased to deliver a number of improvements in customer service during FY2014. In particular, significant progress was made across store operations to ensure that our teams are better able to focus on serving customers. Productivity and efficiency gains from a number of initiatives continue to be reinvested into providing additional service and selling team hours.

The customer feedback program launched in 2013 has now received more than 40,000 individual customer comments about our team members' service which enables us to benchmark and improve our progress. We are delighted with the improved trend in our Net Promoter Score (which measures customer satisfaction), reflecting our customers' recognition of our investment and innovation in enhancing customer service.

Following the success of our women's personal shopping service, we extended the service to include menswear, with 29 stores now offering this service. Positive customer feedback demonstrates the value in providing a dedicated one-on-one service, and team member sales productivity in this area is consistently higher than the team member average for these departments.

An exciting new initiative changing the way our customers shop in our stores was the rollout of 1,400 iPads across the store network from July 2014. The iPads have a customised app, 'MyCustomer Orders', that allows customers to check product availability and order from a significantly expanded range from any Myer store.

During the year we trialled a new convenient in-store destination at Highpoint (Victoria). 'The Hub' enables customers to access in-store services such as 'Click and Collect', lay-by, gift registry, free Wi-Fi, and iPads to shop our online range. We plan to deliver similar concepts at our new stores in Mt Gravatt (Queensland) and Joondalup (Western Australia).

Visits to see Santa in Myer stores continue to be a strong driver of foot traffic during the Christmas period. We successfully piloted our online booking service during Christmas 2013, with more than 5,000 customers booking their visit with Santa online. We are progressively implementing this service in other areas including personal shopping, cosmetic appointments, intimate apparel fittings, and back to school shoe fittings which will reduce customer waiting times.

To further enhance the in-store experience for customers, from September 2014 we are progressively introducing more than 160 dedicated service manager roles in stores to lead our team members.

The improvements we have delivered in customer service continue to be recognised locally and internationally. During the year the International Customer Service Professionals awarded Myer the People Choice Business Category Award for Department Stores, as well as the overall platinum winner award.

For the second year in a row, Myer was awarded the Department Store of the Year by Roy Morgan Research in its 2013 Customer Satisfaction Awards, and we were pleased to be recognised as a finalist in the Australian Retailers Association's Retail Awards.

Targeted investment improves customer service

Efficiency initiatives

During the year we continued to focus on identifying areas where we can improve our productivity across the business. Our fitting rooms in selected stores are undergoing upgrades to provide more modern environments, and we have implemented dedicated service models to improve the customer experience and increase sales productivity.

Our initiative to improve the flow of stock from our receiving docks to the selling floor continues to deliver positive gains. An initial trial in three stores has been expanded to 13 stores, improving our product availability and enabling our frontline team to provide better customer service.

Enhance our merchandise offer

Myer is focused on inspiring and delighting our customers, and we strive to be the first choice for customers shopping for fashion, cosmetics, and the home.

Our extensive range of national brands, Australian and international designers, and Myer Exclusive Brands, reflects our focus on inspiring and delighting our customers.

The key categories of Cosmetics, Miss Shop (Youth), Women's Footwear and Handbags, and Appliances performed strongly in FY2014. Cosmetics in particular has been a consistently strong performer, delivering nine consecutive quarters of growth. High quality service, the exceptionally strong customer response to the introduction of leading make-up brand **Napoleon Perdis** and solid growth across key brands including **M.A.C Cosmetics**, **Chanel**, and **Benefit** underpinned the performance in Cosmetics.

Some of the best performing brands during the year were **Politix**, **Trent Nathan**, **Marcs**, **Wish**, **Seafolly**, **M.A.C Cosmetics**, and **Lego**.

As part of our commitment to newness and fashionability, we also launched a number of exciting new brands in store including **YYTRIUM by Aurelio Costarella**, **One Tru Luv**, **Dita Von Teese**, **Baker by Ted Baker**, **Tome**, **Lancel**, **Napoleon Perdis**, **Nike**, **Kurt Geiger**, and **Peter Alexander**.

We have an ongoing focus on attracting new leading womenswear brands to our strong Australian and international designer offering, and we are delighted to welcome well-known brands such as **Alex Perry**, **by Johnny**, **White Suede**, and **Little Joe Women** to Myer.

Work is underway to significantly enhance our menswear offering through an improved product range, enhanced in-store shopping environments, and targeted marketing. As part of this drive, we are welcoming international menswear brand **Superdry** and men's footwear brand **Aquila** to our stores, as well as **M.J. Bale**, **Herringbone**, and **Scotch & Soda**.

In FY2014, we were excited to welcome a range of international designer homewares and gifting brands including **Orla Kiely**, **kate spade new york**, **LSA**, and **Jonathan Adler**. Our market share in small appliances continued to grow, with particularly strong results in the food preparation and personal care categories.

Myer Exclusive Brands are an important driver of growth and profitability for our business, and we have a number of initiatives planned to ensure that our brands continue to inspire and delight our customers. During the year we optimised our range of Myer Exclusive Brands by developing master brands such as **Basque**, **Blaq**, **Vue**, and **Trent Nathan**, consolidating some brands, and exiting some smaller brands. We are also enhancing the merchandise offer for our customers by increasing our design, speed to market, and product development capabilities in key Myer Exclusive Brands.

We continue to attract an exciting range of Australian and international designers

In FY2014 our Myer Exclusive Brands womenswear offer was strengthened by the acquisition of leading Australian fashion brands **Charlie Brown** and **Howard Showers** and our partnership with Lisa Ho to design a ready-to-wear range exclusive to Myer, **L Lisa Ho**.

The volume of Myer Exclusive Brands merchandise sourced through our global sourcing offices in Hong Kong and Shanghai grew further in 2014. With a strong governance framework in place, these offices will continue to support the growth in Myer Exclusive Brands.

Since Myer acquired the remaining 35 percent stake in **sass & bide** in September 2013, this unique Australian women's fashion brand has continued to deliver solid growth, and we are exploring additional opportunities including overseas expansion and the introduction of new categories.

Peter Alexander (Apparel) - Myer Melbourne


Australian House & Garden (Myer Exclusive Brand) - Myer Adelaide


Peter Pilotto (International Designer) - Myer Melbourne

More than 3,000 MYER one Platinum members enjoy unique 'money can't buy' experiences including private shopping nights

MYER one Platinum membership card

Strengthen our loyalty offer

Our MYER one loyalty program continues to be one of Australia's leading loyalty programs and provides an important competitive advantage for the business.

Sales from the MYER one program were in excess of $2 billion this year and we have distributed more than five million membership cards since the program began.

Throughout the year, MYER one members received more than $50 million in Rewards Cards and the average spend on redemption reached a new high of four times the card value.

This program is a highly effective tool to evaluate key aspects of our business including stores, brands, space, product, service, and marketing.

We have continued to focus on an engagement and retention program for our 3,000 premium MYER one Platinum members. This includes the opportunity to participate in 'money can't buy' experiences such as private shopping nights, exclusive event invitations, and their own personal concierge. For Christmas 2013, we launched exclusive premium shopping nights for our Platinum and Gold members and another exclusive event for our top 100,000 Silver members across 20 stores.

We continue to deliver improvements to the overall program, with members now able to receive tailored electronic direct marketing materials specific to their individual shopping interests. Over 400,000 members have now downloaded the MYER one app, and there has been a strong uptake of members using their app to receive digital Rewards Cards. Plans are underway to release an update in FY2015.

MYER one's popularity is underpinned by the strength of the Myer brand and by our MYER one affiliates program with well known brands such as IGA Supermarkets, Air New Zealand, and helloworld (formerly Harvey World Travel). Our new affiliate, Caltex has been particularly successful this year, with a significant number of MYER one Shopping Credits being generated by members making purchases at Caltex during the period.

The implementation of a new customer relationship management (CRM) system will enable us to consolidate our customer information, and will deliver a single comprehensive view of our customers that will enable us to engage and communicate with them more effectively.

The MYER one program celebrated its 10th anniversary in August 2014 with a number of events and offers for our members. As we seek to grow the program beyond this milestone, we are developing exciting initiatives in data analytics and CRM that will leverage the strength of the existing program, and identify new opportunities for growth and innovation.

We are also very proud of the continued success of our world class *Emporium* magazine, which was internationally recognised as a finalist for the Pearl Awards by the Content Council in the United States. The digital version of *Emporium* magazine continues to be very popular with MYER one members, with 53,000 iPad issues downloaded. More than 250,000 copies of the magazine are also distributed to stores and members each quarter.

Over $2 billion in sales through MYER one

The Myer Visa Card continues to be an important loyalty offer for our customers and remains one of the most competitive cards in the market.

The Commonwealth Bank of Australia 'pay-with-points' collaboration resonates strongly with customers as market-leading technology allows instant redemption of Commonwealth Awards points at Myer point-of-sale terminals. This channel has driven significant sales since the partnership began.

The Myer Wine Club is now in its second year and offers members a wide selection of wines, while earning MYER one Shopping Credits on their purchases. The Myer Wine Club continues to be popular with members' earning approximately 45 million Shopping Credits since the program launched.

MyCustomer Orders app


Scanning product for online fulfilment

Dispatching product for online orders

Build a leading omni-channel offer

As technology and customer shopping habits continue to evolve, Myer is investing in technology platforms to provide a seamless customer experience across all channels.

We made considerable improvements to our omni-channel capabilities this year in order to provide customers with more choice in the way they shop with us.

Our online business represents an important growth platform, as customers increasingly choose to research and purchase products via our website. We are pleased with the continued acceleration in all key customer metrics including sales, average monthly visits, basket size, and online order value.

Investing in improving the performance and stability of our website has been a key priority in FY2014. A number of innovative initiatives have been implemented to improve the overall online experience including optimising website functionality, enhancing product information pages, simplifying the checkout process, and expanding delivery options. These initiatives have made it easier for our customers to browse the online store, find products, and make their purchases.

Changing the way our customers can shop in-store and online

As the significant growth in mobile commerce continues, we have also optimised the performance of our online store for tablet and smart phone devices to ensure that customers can enjoy a seamless experience across these channels. Coupled with the continued growth in mobile driven social media, this channel is proving an important way to enhance customer engagement.

In October 2013 we opened a dedicated online distribution centre in Victoria, significantly improving our online fulfilment capability. The distribution centre is stocked with our most popular online products, and enables us to achieve improved dispatch times for customer orders. The distribution centre has delivered solid productivity gains for the business with associated cost savings.

Our store network also provides a key competitive advantage in the execution of our omni-channel strategy. 'Click and Collect' delivery is now available in all Myer stores, and an increasing number of customers are opting for the convenience of this service, which enables them to purchase a product online and collect it from a nominated store.

We also recently introduced iPads to all stores, with a customised app, 'MyCustomer Orders'. With this technology, we can now bring a significantly expanded product range to customers across our physical store network.

We have invested in our in-house digital capabilities by expanding the digital services team, which continues to set a high standard in the delivery of innovative digital content and marketing campaigns.

Our integrated marketing approach reflects our omni-channel business model as we engage with customers through traditional media as well as digital channels. Social media plays a significant role in enabling us to interact with customers and build brand awareness. The live streaming of our seasonal fashion launch parades, which provides our customers with a unique experience, is growing in popularity, with the content also distributed across other social media channels.

The strength of Myer's brand represents a significant competitive advantage in omni-channel, and our social media presence on Facebook, Twitter, Instagram, YouTube, and Pinterest supports our strategy of inspiring more customers every day.

In August 2014 we launched our Myer blog, which provides a platform for our customers to discover new trends, products, and brands, and receive fashion advice. The blog can be accessed at blog.myer.com.au.

Footwear and accessories - Myer Adelaide

Womenswear - Myer, Emporium Melbourne

Napoleon Perdis (Cosmetics) - Myer Adelaide

Optimise our store network

Our network of 67 stores across the country is a key strength as we engage with our customers across a variety of channels.

The 2014 financial year has been a period of significant investment and revitalisation for our store network, with four of our top 25 stores under major refurbishment and two new stores under construction.

Maximising returns per square metre continues to be a key objective for the business, and we have improved productivity through optimised store layouts, refurbishments, space handbacks, the opening of new stores, and the closure of some stores.

Approximately 12 percent of our total space was under refurbishment or being expanded during FY2014. Although this represented a significant disruption for our customers and the business, it is an important investment in our future growth.

In May 2014 we unveiled the final piece of our transformed flagship Melbourne (Victoria) store with the opening of an additional 7,000 square metres within the new Emporium Melbourne development. The new space further cements our reputation as a world class retailer and includes the Myer MYKIDS Emporium, which offers exclusive concept areas by major international toy brands.

During the year we completed two major refurbishments at the Adelaide (South Australia) store and the Indooroopilly (Queensland) store. As well as improved fixtures and fittings, both stores now include reinvigorated beauty halls, the addition of new brands, lifestyle themed homewares areas, and personal shopping services in womenswear and menswear.

The refurbishment of the Macquarie (New South Wales) store was completed in October 2014, and the Miranda (New South Wales) store refurbishment is on track to be completed by Christmas 2014.

With the completion of the Macquarie (New South Wales) refurbishment, 18 of our 67 stores have now been refurbished since Myer was divested from the Coles Myer Group in 2006.

In October 2014 we opened the Mt Gravatt (Queensland) store, and the Joondalup (Western Australia) store is scheduled to open before Christmas 2014. We closed the Dandenong (Victoria) store in October 2013 and the Elizabeth (South Australia) store in February 2014.
Our MYER one data shows that the majority of customers in those areas where a store is closed, continue to engage with us by choosing to shop at nearby stores or online.

We recently announced the closure of the Hurstville (New South Wales) store, which is scheduled to occur in early 2015. The decision was also made not to progress with the planned new store at Woden (Australian Capital Territory).

Myer's selling space as a percentage of overall space has increased steadily in recent years. We constantly monitor and review space optimisation opportunities in all existing and planned stores in our portfolio and engage in proactive lease negotiations, ahead of lease expiry, to ensure that we optimise our store network.

We have now refurbished 18 of our 67 stores since 2006

During the year our space optimisation initiatives were completed at five stores: Chatswood (New South Wales); Doncaster (Victoria); Karrinyup (Western Australia); Perth (Western Australia); and Sydney (New South Wales). These initiatives have realigned space predominantly for the key categories of womenswear and menswear.

SUSTAINABILITY

Myer is committed to building a socially responsible business and integrating sustainability into everyday business activities.

My customer	My team	My community	My environment	My business
• Customer service and satisfaction • MYER one loyalty rewards	• Attraction and retention • Capability and development • Reward and recognition • Workplace safety	• Myer Stores Community Fund • Volunteering • Strategic community partnerships	• Energy and emissions • Packaging stewardship • Waste and recycling	• Ethical sourcing • Code of Conduct • Shrinkage • Product responsibility

At Myer, we define sustainability as responsible business growth and development that considers and addresses the environmental, ethical, economic, and social impacts of our operations and strategies. Our aim is to maximise the positive outcomes and influences we have on our stakeholders including customers, the community, suppliers, investors, and the environment. Our strategy focuses on five pillars of sustainability, which have been informed by our business activities and impacts, internal risk assessment processes, and stakeholder areas of interest within our Australian operations.

Following the acquisition of the sass & bide business in September 2013, for this report we have included sass & bide numbers in our staff numbers and diversity figures, and their Australian stores are included in our energy and emissions reporting. We are progressively integrating sass & bide information into other sustainability data.

Further information about sustainability at Myer is provided in our Sustainability Report, which is available from myer.com.au/investor.

My customer

Myer's customers are crucial to the success of our business. A key element of our business strategy is to continue to inspire and delight our customers with our service and reward them for their loyalty.

Customer service and satisfaction

In FY2014 we launched our customer feedback program, which provides our store management with individual customer comments about our service. MYER one members have the opportunity to provide feedback on their Myer in-store experience through the use of digital technology. From this data, a 'Net Promoter Score' is calculated and is used to benchmark and improve our customer service offer.

In the first year of the program we exceeded our targets for our Net Promoter Scores, and we will strive to improve our results.

MYER one loyalty rewards

We continued to build our strong engagement with MYER one members during the year.
Key highlights included:

- A substantial increase in the number of digital Rewards Cards issued via the MYER one app in FY2014 compared with the previous year.
- The enhancement of our premium MYER one Platinum tier, which now has more than 3,000 members who are able to enjoy private shopping events, a Christmas shopping night and invitation-only events.
- Continued success of our affiliates program, with a significant number of MYER one members purchasing at our key affiliate, Caltex, during its first full year in the program.
- A successful second year for our Myer Wine Club, which continues to attract new members.

My team

Myer's team members are our most important resource. We are committed to providing our team members with a supportive, challenging, and rewarding workplace that enables them to contribute and develop to their full potential.

Attraction and retention

At the end of the financial year, Myer had more than 13,000 team members and, with additional casual employees over the peak Christmas trading period, total team member numbers increased to over 15,000.

Having a motivated team is essential to the success of our business, and we were pleased to achieve a retention rate for the year of approximately 75.0 percent.

The business continues to focus on providing a rewarding and encouraging workplace which supports gender, age, language, disability, and cultural diversity. In FY2014, women made up 79.6 percent of our total team members.

Capability and development

In FY2014 we continued to build a customer-focused culture in our stores through the 'Delivering Delightful Service and Selling' program for all store team members.

Capability and development opportunities are offered through 'on-the-job' training, instructor-led training, and online courses. During the year, team members took part in instructor-led training, and online training courses.

Reward and recognition

We recognise and celebrate individual and team performance through a range of recognition programs. The annual Myer Inspirational People Awards recognise individuals and teams who have contributed to achieving our Company goals. The CEO's High Performers Club recognises excellence in sales performance, and 45 team members were inducted this year, with a total of 833 members now in the program. The Myer 25 Year Club celebrates the loyalty of our long-serving team members, with over 3,000 members made up of both current and former team members.

Workplace safety

Safety is a key priority for our team members, our customers, and our suppliers. Our Lost Time Injury Frequency Rate (LTIFR) has shown a consistent reduction over the past five years, from 14.5 in FY2010 down to 7.0 this year. We continue to maintain a strong focus on safety through the management of safety hazards at our sites, management and team member awareness, safety committees at all sites, induction and ongoing training programs, and effective early intervention and return-to-work processes.

Total team members

>13,000

% Female

79.6%

Retention rate

75.0%

LTIFR

7.0

My community

Myer has a long history of local community support and engagement. We continue to maintain strong and meaningful relationships with our local communities.

In FY2014, Myer worked with our stakeholders to contribute approximately $2.3 million to our local communities, including approximately $1.3 million in fundraising and $340,000 in direct cash donations.

Myer Stores Community Fund

The Myer Stores Community Fund is committed to continuing Myer's tradition of philanthropic support to the community since 1924. The Fund supports charitable projects for sick and disadvantaged children and youth, and projects which support women's health.

In FY2014, the Myer Stores Community Fund supported over 100 charities nominated by Myer store team members.

Volunteering

As part of Myer's ongoing paid volunteer leave initiative, Myer team members provided almost $600,000 worth of volunteer hours to support the Myer Stores Community Fund and other charity partners.

Strategic community partnerships

Fitted for Work

Fitted for Work assists disadvantaged women in finding employment by providing free personal corporate styling, interview coaching, mentoring, and transition to work programs. Myer assists Fitted for Work by offering mentoring, team member clothing donations, assistance in retail employment, and team member volunteering leave opportunities, and by engaging with our suppliers to promote donations.

Myer and The Salvation Army

With the aim of reducing textile waste and increasing clothing recycling, in FY2014, Myer and Salvos Stores launched a national initiative encouraging customers to donate clothing in Salvos Stores to receive a $10 Myer voucher. In the first six months of the program, over 8,000 vouchers were given to customers who donated more than 92,000 clothing items nationally.

Myer stores also support the work of The Salvation Army by donating all proceeds from the sales of the Spirit of Christmas CD, which raised more than $350,000 during Christmas 2013.

My business

Myer is committed to conducting itself as a responsible organisation, having regard to the reasonable expectations of all our stakeholders including customers, the community, investors, and suppliers.

Ethical sourcing

Myer's Ethical Sourcing Policy underpins our commitment to source merchandise that is produced in safe working conditions, where the human rights of workers are respected and environmental impacts are managed. Myer manages our supply chain closely, including monitoring and auditing suppliers regularly.

Code of Conduct

Myer is committed to the highest levels of integrity and ethics in our business operations and interactions with stakeholders. As part of this focus, team members are required to complete the Myer Code of Conduct training regularly, and the Myer confidential whistleblower hotline service is also communicated to team members, contractors, and suppliers.

Shrinkage

Shrinkage is the loss of merchandise, and associated profit, due to product theft or loss through product handling processes. Myer has a dedicated shrinkage reduction program with processes and education aimed at reducing these losses. In FY2014, Myer produced our sixth consecutive year of improved results, and we continue to focus on reducing shrinkage across the business.

Product responsibility

Myer works with our suppliers to source and develop quality and safe products, and we take our responsibilities regarding product safety and compliance seriously. We have a team of merchandise compliance specialists to monitor our product range for safety and labelling compliance. Checks undertaken in FY2014 showed a conformance rate of over 95 percent.

My environment

Myer is committed to minimising the impact of our operations on the environment, with our priority being to integrate environmental management and accountability throughout our business. In particular, we focus our efforts on the environmental impacts of energy use and associated carbon emissions, packaging and waste management, and recycling of packaging materials.

Energy and emissions

In FY2014, Myer delivered a 2.9 percent reduction in energy use. This was achieved through various measures such as the implementation of system upgrades, and also via an internal education campaign on energy use and the introduction of reporting requirements in stores. In addition, our carbon emissions reduced by 5.0 percent compared to last financial year. Further reductions in energy use continue to be a strong focus for the business.

Packaging stewardship

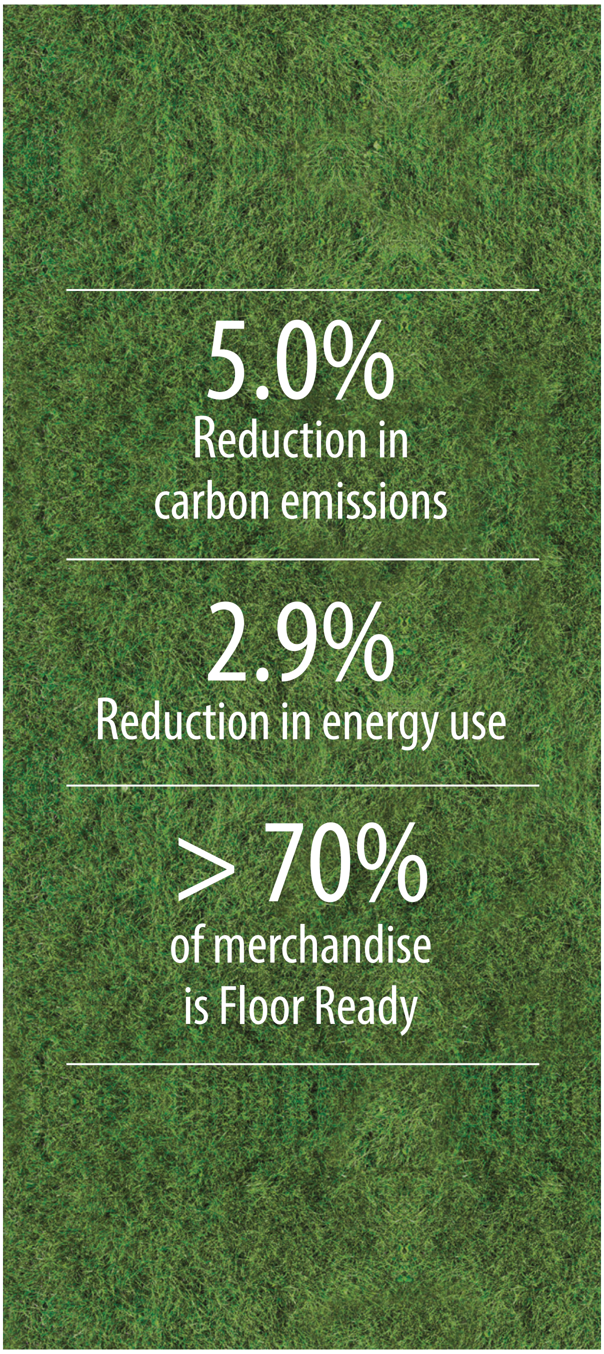
As a signatory to the Australian Packaging Covenant, we continue to focus on reducing consumer packaging and using recyclable packaging materials. We are also working to improve our supply chain and reduce the transport required to deliver our stock to stores.

Our 'Floor Ready' program aims to achieve store product handling efficiencies, drives improved packaging design, and aims to reduce packaging waste. As at July 2014, the majority of Myer's direct suppliers have signed the Floor Ready agreement and more than 70 percent of merchandise was compliant with our Floor Ready standards. We continue to work with our suppliers to increase merchandise compliance with these standards.

Waste and recycling

Myer has extensive recycling programs in place across our network of stores, distribution centres, and support office. This includes specialised recycling programs for retail-specific products such as security tags, clothes hangers, paper, cardboard, plastic film, pallets, pallet sheets, and metals. Our support office also recycles organics, paper towels, and commingled containers.

Excess merchandise, damaged merchandise, samples, and returns are recycled and reused through a third party supplier, which enabled the on-selling of more than 353.2 tonnes of merchandise and the recycling of a further 72.6 tonnes in FY2014.



BOARD OF DIRECTORS

Left to right: Ian Cornell, Anne Brennan, Paul McClintock AO, Bernie Brookes, Rupert Myer AM, Chris Froggatt, and Bob Thorn in Myer, Emporium Melbourne

Paul McClintock AO
Chairman
Independent non-executive director

Member of the Board since 8 August 2012
Appointed Chairman 10 October 2012
Chairman – Nomination Committee

Paul has considerable experience as a director, having held significant chairman and advisory positions across a broad range of industries, as well as government. He is highly regarded for his wide and varied experience, including his role as the Secretary to Cabinet and Head of the Cabinet Policy Unit reporting directly to the Prime Minister and acting as the Prime Minister's most senior personal adviser on strategic directions in policy formulation.

Paul's former positions include Chairman of Medibank Private Limited, the COAG Reform Council, the Expert Panel of the Low Emissions Technology Demonstration Fund, Intoll Management Limited, Symbion Health, Affinity Health, Ashton Mining, Plutonic Resources, and the Woolcock Institute of Medical Research. He was also a Director of the Australian Strategic Policy Institute and Perpetual Limited, a Commissioner of the Health Insurance Commission, and a member of the Australia-Malaysia Institute Executive Committee. Paul graduated in Arts and Law from the University of Sydney and is an honorary fellow of the Faculty of Medicine of the University of Sydney and a Life Governor of the Woolcock Institute of Medical Research. Paul resides in New South Wales and is 65 years of age.

Other current directorships

Paul is Chairman of Thales Australia, NSW Ports, I-MED Australia, and O'Connell Street Associates. He is also a director of St Vincent's Health Australia and The George Institute for Global Health.

Rupert Myer AM
Deputy Chairman
Independent non-executive director

Member of the Board since 12 July 2006
Appointed Deputy Chairman 8 August 2012
Member – Audit, Finance and Risk Committee
Member – Human Resources and Remuneration Committee
Member – Nomination Committee

Rupert serves as a non-executive chairman and director of a number of public, private, and government entities. His background includes roles in the retail and property sector, healthcare, e-commerce, investment, family office, wealth management, philanthropy services, and the community sector. Rupert serves as a Board member of The Myer Foundation, Creative Partnerships Australia, and Jawun. Rupert is a member of the Business and Economics Advisory Board of the University of Melbourne. Rupert holds a Bachelor of Commerce (Honours) degree from the University of Melbourne, and a Master of

Arts from the University of Cambridge, and is a Fellow of the Australian Institute of Company Directors. He became a Member of the Order of Australia in January 2005 for service to the arts, and for his support of museums, galleries, and the community through a range of philanthropic and service organisations. Rupert resides in Victoria and is 56 years of age.

Other current directorships

Rupert is Chairman of the Australia Council for the Arts and Nuco Pty Ltd. He is a Director of AMCIL Limited, Healthscope Limited, and eCargo Holdings Limited (Hong Kong).

Bernie Brookes

Chief Executive Officer and Managing Director

Member of the Board since 12 July 2006

Bernie was appointed Chief Executive Officer and Managing Director of Myer in June 2006 and has more than 36 years of retail industry experience from roles in Australia and overseas. Prior to Myer, Bernie held numerous executive positions with Woolworths, as well as a variety of general management positions across buying, IT, marketing, and operations. He brings industry knowledge from executive roles at organisations including the Retail Traders Association in Queensland and in Victoria, and as President of the Queensland Grocery Association. Bernie has received the Sir Charles McGrath award for marketing excellence from the Australian Marketing Institute, the William Booth Medal from The Salvation Army, and the Paul Harris Fellow for Service to the Community from the Rotary Club, Sydney. He is part of the Australian Retailers Association Hall of Fame and is currently the Australian representative judge of the World Retail Awards. Bernie supports a number of charity organisations including The Salvation Army, and is patron of the Myer Stores Community Fund, as well as the Australian Joe Berry Memorial Award. Bernie divides his time between Victoria and New South Wales and is 54 years of age.

Other current directorships

Bernie is a Territorial Advisory Board Member of The Salvation Army Australia and on the Advisory Board of Inghams Enterprises. He is Chairman of Towncars Australia and a Director of Intercontinental Group of Department Stores.

Anne Brennan

Independent non-executive director

Member of the Board since 16 September 2009
Chairman – Audit, Finance and Risk Committee
Member – Human Resources and Remuneration Committee
Member – Nomination Committee

Anne brings strong financial credentials and business acumen to Myer, including her experience from senior management roles in both large corporate organisations and professional services firms. Anne has more than 20 years of experience in audit, corporate finance, and transaction services including executive roles as the CFO at CSR, and Finance Director at the Coates Group. Prior to her executive roles, Anne was a partner in three professional services firms: KPMG, Arthur Andersen, and Ernst & Young. During her time at Ernst & Young, Anne was a member of the national executive team and a board member. Anne was formerly a director of Cuscal Limited. Anne holds a Bachelor of Commerce (Honours) degree from University College Galway. She is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Anne resides in New South Wales and is 54 years of age.

Other current directorships

Anne is currently the Deputy Chair of Echo Entertainment Group Limited, and is a Director of Argo Investments Limited, Charter Hall Group, Nufarm Limited, and Rabobank Limited (Australia and New Zealand). Anne will retire from the Board of Echo Entertainment Group Limited, effective from 1 November 2014.

Ian Cornell

Independent non-executive director

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

Ian has extensive experience in the retail industry across a number of senior retail roles including 11 years at Westfield. During his time at Westfield, Ian was Head of Human Resources for seven years and also responsible for retailing relationships in Australia and New Zealand. He also spent three years as the Head of Management and Marketing for Westfield's shopping centres in Australia and New Zealand and has extensive experience in large scale retail operations and responding to changing consumer trends. Prior to joining Westfield, Ian was Chairman and CEO of supermarket chain, Franklins, and earlier spent 22 years at Woolworths, including his role as Chief General Manager supermarkets. Ian is also a Fellow of the Institute of Management, a Fellow of the Human Resources Institute, member of the Institute of Company Directors, and a graduate of the Advanced Management Programme at Harvard. Ian resides in New South Wales and is 60 years of age.

Other current directorships

Ian is a Director of Goodman Fielder Limited and Inglis Bloodstock.

Chris Froggatt

Independent non-executive director

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

Chris has a broad industry background, including experience in consumer branded products, retailing, and hospitality across numerous industries such as beverages, food, and confectionery. She has over 20 years of executive experience as a human resources specialist in leading international companies including Brambles Industries, Whitbread Group, Mars, Diageo, and Unilever NV. Chris has served on the boards of Britvic and Sports Direct International, and as an independent trustee director of Berkeley Square Pension Trustee Company Limited. Chris holds a Bachelor of Arts (Honours) in English Literature from the University of Leeds (United Kingdom). Chris is a Fellow of the Chartered Institute of Personnel Development, and a member of the Australian Institute of Company Directors. Chris resides in New South Wales and is 56 years of age.

Other current directorships

Chris is a Director of Goodman Fielder Limited, the Australian Chamber Orchestra, and the Australian Chamber Orchestra Instrument Fund.

Bob Thorn

Independent non-executive director

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

Bob brings considerable senior retail management experience to Myer from his nine years as Managing Director of Super Retail Group. During his time at the company, Bob drove Australia and New Zealand expansions and led the creation of the Boating Camping Fishing (BCF) business, the market leader in camping and leisure. Prior to Bob's 13 years with Super Retail Group, he was previously General Manager at Lincraft, and held senior roles at other major retailers including nine years with David Jones. Bob has also been the Chairman of Cutting Edge, and a Director at WOW Sight and Sound, Babies Galore, and Unity Water. Bob resides in Queensland and is 59 years of age.

Other current directorships

Bob is a Director of B Mag Pty Ltd.

MANAGEMENT TEAM

Back row: Bernie Brookes, Daniel Bracken, Timothy Clark, Richard Umbers, and Gary Williams
Front row: Tony Sutton, Marion Rodwell, Mark Ashby, and Louise Tebbutt

Bernie Brookes

Chief Executive Officer and Managing Director

Bernie was appointed Chief Executive Officer and Managing Director of Myer in June 2006. He has been responsible for the turnaround and rebuilding of the Myer business. Bernie has led the development and implementation of the Myer strategic plan, repositioning the business to meet today's challenges and investing for the future. He has more than 36 years of experience working within the retail industry in local and international roles.

Mark Ashby

Chief Financial Officer

Mark was appointed Chief Financial Officer (CFO) of Myer in January 2008. As CFO, Mark's responsibilities cover all financial planning, accounting, treasury management, taxation, compliance and internal audit, and procurement aspects of the business. Prior to joining Myer, Mark was CFO of Mitre 10, the Finance Director of Motorola and held Finance Director roles in a number of domestic and international organisations in retail and technology. Mark is a fellow of CPA Australia and a graduate of the Australian Institute of Company Directors.

Tony Sutton

Executive General Manager Stores

Tony oversees all of the operations of the Myer store network, including our customer service strategy, and has a focus on operational efficiencies. Tony is a career retailer, joining Myer in 1992, and was appointed to lead the stores team in September 2012. He has worked cross-functionally in a number of roles including store management, merchandise and marketing. Tony has held a number of senior roles in store management, including his most recent role leading the State General Manager stores team.

Timothy Clark

Executive General Manager Property, Store Development and Services

Tim was appointed as Group General Manager Property, Store Development and Services in January 2011 and is responsible for Myer's property network. This includes our new and refurbished stores development program, in-store design developments, optimising the productivity returns of Company space, and the execution of all facilities management requirements. More recently, Tim was appointed as Executive General Manager with the additional responsibilities of the Company Project Management Office. Tim has also held executive roles at Gazman Menswear and Crown Ltd.

Louise Tebbutt

Executive General Manager Human Resources, Risk and Safety

Louise is the Executive General Manager leading the Human Resources function and has over 20 years of industry experience. Louise is responsible for all aspects of Myer's human resources including organisational development, recruitment and training, and employee relations, as well as having accountability for risk and safety for the organisation. Louise joined Myer from the Coles Group in 2006, where she held senior roles in a number of businesses including Coles Supermarkets and Target. Louise is also a director of the Myer Stores Community Fund and Chair of the Myer Superannuation Policy Committee.

Marion Rodwell

Chief General Counsel and Group Company Secretary

Marion is the Company Secretary of Myer Holdings Limited and all companies in the Group. Marion was appointed Group General Counsel and Company Secretary in 2008. Marion has over 25 years of corporate, commercial, litigation, and governance experience. Prior to joining Myer, Marion held General Counsel and Company Secretary roles in the financial services, gaming, and retail industries, including roles with Tattersall's and IOOF. Marion holds a Bachelor of Laws and a Bachelor of Economics from Monash University, and is a member of the Law Institute of Victoria and the Australian Corporate Lawyers Association. In 2010, Marion was awarded ACLA Australian Corporate Lawyer of the Year.

Daniel Bracken

Chief Merchandise and Marketing Officer

Daniel joined Myer in September 2014 as Chief Merchandise and Marketing Officer. In this role, he manages the merchandise areas of design, sourcing, buying, and manufacturing, as well as advertising, digital, marketing, events, and the execution of the Myer brand strategy. Daniel has extensive experience in retail including more than 15 years at Burberry London and prior to joining Myer was the CEO of The Apparel Group, owner of Sportscraft, Saba, Willow, and Jag.

Richard Umbers

Chief Information and Supply Chain Officer

Richard joined Myer in September 2014 as Chief Information and Supply Chain Officer. In this role, Richard manages the key areas of Myer online services, information technology including payment systems, supply chain, and the MYER one loyalty program. Richard has extensive retail, logistics, and IT experience and has held senior roles at Aldi in Europe and Woolworths in Australia and New Zealand. He joined Myer from Australia Post, where he was the Executive General Manager for Parcel and Express Services and CEO of StarTrack.

Gary Williams

Executive General Manager Strategic Planning and Business Development

Gary joined Myer as Executive General Manager Strategic Planning and Business Development in August 2014. He began his career in retail and brings significant global experience across leading brands including time as Managing Director at Coca-Cola Australia and South Africa, global roles at Puma and Reebok, and more than nine years at Westfield in Australia and five years at Westfield in the USA.

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of the Company is committed to achieving the highest standards of corporate governance. The Board is concerned to ensure that the Group is properly managed to protect and enhance shareholder interests, and that the Company, its directors, officers and employees operate in an appropriate environment of corporate governance.

The Board has adopted a corporate governance framework comprising principles and policies that are consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (2nd edition) (ASX Principles). This framework is designed to promote responsible management and assists the Board to discharge its corporate governance responsibilities on behalf of the Company's shareholders.

The Group regularly reviews its policies and charters to ensure that they remain consistent with the Board's objectives, current laws and best practice.

The policies and charters referred to in this statement are available from the Corporate Governance page in the Investor Centre section of Myer's website (myer.com.au/investor).

This Corporate Governance Statement outlines the Group's main corporate governance practices and policies in place throughout the financial year. It is structured as follows:

- the Board and management;
- Board composition and director tenure;
- Board Committees;
- risk management;
- key governance policies; and
- diversity at Myer.

The Company has followed the recommendations set out in the ASX Principles (2nd edition) during the reporting period. The table on page 41 indicates where specific ASX Principles are discussed in this statement.

The 3rd edition of the ASX Principles will apply to the Company from its FY2015. The Company will therefore report against the recommendations of the ASX Principles (3rd edition) in its 2015 Annual Report. Unless otherwise stated, the commentary in this statement is in relation to the ASX Principles (2nd edition).

Part 1 – The Board and management

Relevant documents – available from myer.com.au/investor

- Board Charter and relationship with management
- Audit, Finance and Risk Committee Charter
- Human Resources and Remuneration Committee Charter
- Nomination Committee Charter

1.1 Role and responsibilities of the Board

The Board has ultimate responsibility for setting policy regarding the business and affairs of the Company for the benefit of shareholders and other stakeholders.

The role of the Board is to:

- represent and serve the interests of shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise Company performance and build sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure that shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The Board has adopted the 'Board Charter and relationship with management' (Board Charter) to provide a framework for its effective operation. The Board Charter outlines the manner in which the Board's constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, best practice, and applicable laws.

The Board Charter addresses the following:

- Board composition and process;
- the role and responsibilities of the Board, the directors, the Chairman and the CEO;
- matters which are specifically reserved for the Board or the Board Committees;
- the relationship between the Board and management; and
- delegation by the Board to Board Committees and management.

As set out in the Board Charter, the responsibilities and functions of the Board include:

- selecting, appointing and evaluating the performance of, determining the remuneration of, and planning the succession of the CEO;
- on recommendation of the CEO, selecting, appointing and reviewing the performance of the Chief Financial Officer (CFO) and other senior executives;
- setting the remuneration policy for the Company, within which the CEO has authority to operate;
- contributing to and approving management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestments, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing and reviewing corporate governance principles and policies;
- in respect of ethical sourcing:
  - approving and reviewing the Company's ethical sourcing policy; and
  - reviewing and monitoring ethical sourcing risks;
- in respect of diversity:
  - approving and reviewing the Company's diversity policy; and
  - establishing measurable objectives for achieving diversity across the Group, and annually assessing both the objectives and progress towards achieving them.

1.2 The Chairman, CEO and management

The roles of Chairman and CEO are separate, and the Board Charter sets out the responsibilities of each office. The roles of Chairman and CEO are not exercised by the same individual.

The Board Charter states that the Chairman should be an independent non-executive director. The Company's Chairman, Mr Paul McClintock AO, is an independent non-executive director.

The Chairman's responsibilities include:

- chairing meetings of the Board and shareholders, including the Annual General Meeting;
- ensuring that the Board's decisions have been implemented;
- ensuring that the Board fulfils its obligations under the Board Charter and relevant legislation;
- representing the Board to shareholders and communicating the Board's position;
- providing leadership to the Board and Myer;
- leading the Board to ensure that it operates efficiently and effectively; and
- promoting constructive and respectful relationships between the Board and management.

The management of the Company is conducted by, or under the supervision of, the CEO as directed by the Board. The CEO is responsible for implementing strategic objectives, plans and budgets approved by the Board. The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO.

Management is accountable to the Board, and is required to provide the Board with information in a form, timeframe and quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information at any time that they consider appropriate.

1.3 Performance assessments

Review of the Board, Board Committees and individual directors

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of the Company. Accordingly, the Board has committed to reviewing and evaluating:

- the performance of the Board, including against the requirements of the Board Charter;
- the performance of the Board Committees; and
- the performance of individual directors,

on an annual basis against both measurable and qualitative indicators.

The review and evaluation undertaken in relation to the reporting period is described below.

The Board and each Board Committee has conducted a review of their effectiveness and performance. The Board is implementing the recommendations arising out of this review. The Board and each Board Committee have reviewed their respective Charters, and have adopted new Charters, effective from the commencement of FY2015.

The Chairman has conducted an annual review of individual directors in relation to the reporting period. Each director completed a Board review and assessment document, and met privately with the Chairman to discuss the assessment. In addition to the annual review, the Chairman regularly provides informal feedback to individual directors. The Deputy Chairman is responsible for the performance review of the Chairman. As with each other director, the Chairman also completed a Board review and assessment document. The Chairman met privately with the Deputy Chairman to discuss the assessment.

The Nomination Committee assists the Board as required in relation to the performance evaluation of the Board, its Committees and individual directors. It also assists in developing and implementing plans for identifying, assessing and enhancing director competencies.

The Human Resources and Remuneration Committee assists in the review and recommendation of arrangements for directors, the CEO and executives in relation to remuneration and benefits, and reviews the performance assessment processes for those individuals and the reward structure. The Committee also reviews all significant human resource issues, including development and succession planning.

Review of senior executives

The Human Resources and Remuneration Committee is responsible for the review of the senior management assessment processes from time to time to ensure that they remain consistent with the Board's overall objectives for the business.

All senior executives undergo a performance and development review on an annual basis. This review process involves the following:

- each senior executive is assessed against a set of key performance criteria which include both financial and non-financial performance measures;
- at the end of each financial year, all senior executives meet with their manager to discuss their performance over the previous year; and
- upon the completion of the performance appraisal meeting, each senior executive is provided with feedback on their performance, and a rating is determined based on that performance. As well as the review of performance, where appropriate, a development plan is also agreed to support the ongoing contribution of the executive to the needs of the business.

A performance evaluation for senior executives which accords with the process described above has taken place during this reporting period.

It is the role of the Board to review the performance of the CEO and to review the assessments made by the CEO of the performance of his direct reports. In February 2014, the Company announced the renewal of Mr Bernie Brookes' contract as the Company's CEO and Managing Director. The Board's positive assessment of Mr Brookes' performance as CEO was an important factor in its decision to renew Mr Brookes' contract.

1.4 Remuneration arrangements

The remuneration of each director is set out in the Remuneration Report, which forms part of the Directors' Report and is presented on pages 47 to 67.

The Company distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company does not have any schemes for retirement benefits for non-executive directors.

Please refer to the Remuneration Report for further information.

1.5 Board and Board Committee meetings

The number of meetings of the Board and of each Board Committee held during the period ended 26 July 2014, and the number of meetings attended by each director and committee member are set out in the Directors' Report, at page 43.

1.6 Independent professional advice

Under the Board Charter, the Board collectively and each director individually has the right to seek independent professional advice, subject to the approval of the Chairman or the Board.

Under their respective Charters, each Board Committee is entitled to seek the advice of the Company's auditors, solicitors or other independent advisers as to any matter pertaining to the powers, duties or responsibilities of the Committee.

1.7 Company Secretary

Marion Rodwell (Chief General Counsel and Group Company Secretary) is the Company Secretary of the Company and all companies in the Group. Marion's experience and qualifications are set out on page 29 of this Annual Report.

The Company Secretary has an important role in supporting the effectiveness of the Board by monitoring that Board policy and procedures are followed. The Company Secretary is accountable to the Board. All directors have direct access to the Company Secretary.

The Company Secretary is responsible for coordination of all Board business, including agendas, Board papers and minutes. The Company Secretary is responsible for communication with regulatory bodies and the ASX, and all statutory and other filings.

Part 2 – Board composition and director tenure

Relevant documents – available from myer.com.au/investor
- Board Charter and relationship with management
- Nomination Committee Charter

2.1 Composition of the Board

As at the date of this Report, the Board comprises seven directors. The majority of the Board are independent non-executive directors.

Name	Position	Appointed
Paul McClintock AO	Chairman Independent non-executive director	8 August 2012
Rupert Myer AM	Deputy Chairman Independent non-executive director	12 July 2006
Bernie Brookes	CEO and Managing Director	12 July 2006
Anne Brennan	Independent non-executive director	16 September 2009
Ian Cornell	Independent non-executive director	6 February 2014
Chris Froggatt	Independent non-executive director	9 December 2010
Bob Thorn	Independent non-executive director	6 February 2014

Ian Cornell and Bob Thorn were appointed as directors on 6 February 2014. Peter Hay retired from the Board with effect from 14 July 2014. All other directors served as directors for the entire reporting period.

Details of the skills, qualifications, experience, expertise and special responsibilities of each current director are set out on pages 26 and 27 of this Annual Report.

2.2 Skills, experience, expertise and diversity of directors

The Board, together with the Nomination Committee, determines the size and composition of the Board, subject to the Company's Constitution. The Company's Constitution states that the minimum number of directors is four and the maximum is fixed by the directors, but may not be more than 12.

The Board, together with the Nomination Committee, reviews the composition of the Board and the skills, experience, expertise and diversity represented by the directors on the Board, and determines whether the composition and mix of those skills remain appropriate for the Company's strategy. Additional information about the Nomination Committee's responsibilities in relation to the size and composition of the Board is set out in section 3.4.

The Board recognises that a board comprising directors with a diverse range of backgrounds, skills and experience facilitates robust discussion and decision-making, and enables the Board to discharge its responsibilities effectively. It is intended that the Board will comprise a majority of independent non-executive directors and comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. This will ensure that the composition of the Board continues to reflect a range of expertise, experience and diversity appropriate to the Group's business and strategies.

On 6 February 2014 Mr Ian Cornell and Mr Bob Thorn were appointed as independent non-executive directors, bringing deep and varied retail experience and significantly strengthening the Board's existing skills. Mr Cornell and Mr Thorn have significant combined skills spanning merchandise, online retail, store operations, property, commercial transactions, supply chain, people and inventory management.

The range of backgrounds, skills and expertise currently represented on the Board includes experience in senior roles in retail, finance, property, government, human resources, law, and mergers and acquisitions, as well as qualifications across a range of fields, including commerce, law and the humanities. The directors also have expertise in brand building and marketing, as well as international experience.

2.3 Appointment of new directors and re-election of directors

The Company's policy and procedure for selection and appointment of new directors and re-election of directors is set out in the Nomination Committee Charter.

When identifying potential candidates for Board appointment, factors that may be considered include:
- the skills, experience, expertise and personal qualities that will best complement Board effectiveness;
- the capability of the candidate to devote the necessary time and commitment to the role; and
- potential conflicts of interest and independence.

The identification of potential director candidates may be assisted by the use of external search organisations as appropriate. All directors are consulted and provided with detailed information about potential new directors. Any new appointment is approved by the Board in accordance with the Company's Constitution. Any new directors appointed by the Board must retire at the next Annual General Meeting (AGM) after their appointment and offer themselves for election by the Company's shareholders.

The Board invested resources to identify, select and appoint each of Mr Cornell and Mr Thorn as new directors of the Company. In respect of each appointment, the Board undertook a formal selection process and engaged an executive search firm to assist in this process. The Board considered the requisite criteria for director candidates, including formal qualifications and expertise, and the mix of experience, personal qualities and diversity that would best complement the Board's existing diverse skills and experience, thus ensuring that the Board continues to operate and discharge its duties effectively. The Board also considered the independence and potential conflicts of interest of director candidates. Mr Cornell and Mr Thorn will each offer themselves for election as directors by the Company's shareholders at the 2014 AGM.

There is no specific term of office for non-executive directors. In accordance with the ASX Listing Rules and the Company's Constitution, no director other than the CEO may hold office without re-election beyond the third AGM following their last election. Where eligible, a director may stand for re-election at the AGM. The CEO will not retire by rotation.

Prior to each AGM, the Board determines whether to recommend to shareholders to vote in favour of the election or re-election of each director standing for election or re-election, or any other candidate standing for election, having regard to any matters that the Board considers relevant.

Induction and education

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities and rights and the terms and conditions of their tenure.

All new directors and senior executives participate in an induction program. New directors receive an induction appropriate to their experience to enable them to actively participate in decision-making as soon as possible, including familiarisation with the operation of the Board and its Committees and the Company's financial, strategic, operations and risk management issues. In addition, the Company arranges continuing education and training for the directors.

The Nomination Committee is responsible for ensuring that an effective induction process is in place for any newly appointed director, and for regularly reviewing its effectiveness.

2.4 Independence of directors

The Board considers the independence of its non-executive directors each year.

Guidelines and materiality thresholds for determining independence

The Board Charter sets out guidelines and materiality thresholds that the Board has adopted to assist in determining the independence of directors.

The Board only considers directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement.

As a guideline for determining the independence of directors, the Board has regard to the relationships set out in Box 2.1 of the ASX Principles (2nd edition). In general, directors will be considered to be 'independent' if they are not members of management and they:

- are not a substantial shareholder of the Company, or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- have not within the last three years been employed in an executive capacity by the Company or another Group member;
- except in connection with reorganisations within the Group, have not within the last three years been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- are not a material supplier to or customer of the Company or another Group member or an officer of or otherwise associated directly or indirectly with a material supplier or customer of the Company; and
- have no material contractual relationship with the Company or another Group member, other than as a director of the Company.

The Board considers thresholds of materiality for the purposes of assessing 'independence' on a case-by-case basis, having regard to both quantitative and qualitative principles. Without limiting the Board's discretion, the Board has adopted the following guidelines:

- The Board will determine the appropriate base to apply (e.g. revenue, equity or expenses) in the context of each situation.
- In general, the Board will consider an affiliation with a business that accounts for less than five percent of the relevant base to be immaterial for the purposes of determining independence. Where this threshold is exceeded, the Board will review the materiality of the particular circumstance with respect to the independence of the particular director.
- The Board will review any holding of five percent or more of the Company's shares, and will generally consider a holding of 10 percent or more of the Company's shares to be material.

The Board will also undertake a qualitative assessment of independence, which is an overriding requirement for independence. Specifically, the Board will consider whether there are any factors or considerations which may mean that the director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Effective from 27 July 2014, the Board has adopted a revised Board Charter, which is consistent with the relevant corporate governance principles and recommendations in the ASX Principles (3rd edition). Notably, the revised Board Charter includes updated guidelines for assessing the independence of the Company's directors. Those guidelines are consistent with the guidelines in Box 2.3 of the ASX Principles (3rd edition).

Assessment of the independence of the Company's directors

The Board currently comprises seven directors. Each of those directors are non-executive directors, other than Mr Brookes, who is an executive director.

The Board has assessed the independence of its non-executive directors against the guidelines and materiality thresholds consistent with both:

- the guidelines in the ASX Principles (2nd edition); and
- the guidelines in the ASX Principles (3rd edition) for the period commencing 27 July 2014 and ending on the date of the Directors' Report.

It is the Board's view that each of its non-executive directors was independent during the reporting period. At the date of signing the Directors' Report, it is the Board's view that each of its non-executive directors remains independent.

Directors did not participate in deliberations about or vote in relation to their own independence.

Part 3 – Board Committees

Relevant documents – available from myer.com.au/investor

- Board Charter and relationship with management
- Audit, Finance and Risk Committee Charter
- Human Resources and Remuneration Committee Charter
- Nomination Committee Charter

3.1 Introduction

The Board has established three Committees to streamline the discharge of its duties and responsibilities. The current Board Committees are:

- the Audit, Finance and Risk Committee;
- the Human Resources and Remuneration Committee; and
- the Nomination Committee.

Each Board Committee has a written Charter that sets out its role and responsibilities, composition and membership requirements, and the manner in which the Committee is to operate.

Each Charter requires that the Committee consist only of non-executive directors, with a majority of independent directors. The current members of all three Board Committees are all independent non-executive directors.

Details of Committee members' attendance at Committee meetings are set out in the Directors' Report at page 43.

All directors are invited to attend Committee meetings. Most Board Committee meetings are attended by all directors.

Non-Committee members, such as members of management, may also attend all or part of a meeting of the Committee at the invitation of the Committee Chairman.

3.2 Audit, Finance and Risk Committee

Composition

The current composition of the Audit, Finance and Risk Committee is:

Chairman	Anne Brennan
Members	Rupert Myer AM
	Bob Thorn (from 19 March 2014)

Peter Hay was a member of the Committee until his retirement from the Board on 14 July 2014.

All Committee members are financially literate and have an appropriate understanding of the industries in which the Group operates. The Chairman of the Committee is an independent non-executive director, and is not the Chairman of the Board.

Role and responsibilities

The Committee's key responsibilities and functions are to:

- oversee the Company's relationship with the external auditor and the external audit function generally;
- oversee the Company's relationship with the internal auditor and the internal audit function generally;
- oversee the preparation of financial statements and reports;
- oversee the Company's financial controls and systems; and
- manage the process of identification and management of risk.

Further information about the Company's risk management framework, external auditor, internal audit and Board assurances on financial reporting risks is set out in Part 4.

Rights of access and authority

The Committee has rights of access to management and to auditors (external and internal) without management present, and rights to seek explanations and additional information from both management and auditors. Whilst the internal audit function reports to the CFO, it is acknowledged that the internal auditors also report directly to the Committee.

In addition, the Committee is entitled to seek independent professional advice (discussed at section 1.6 above).

3.3 Human Resources and Remuneration Committee

Composition

The current composition of the Human Resources and Remuneration Committee is:

Chairman	Chris Froggatt
Members	Anne Brennan
	Ian Cornell (from 19 March 2014)
	Rupert Myer AM

Role and responsibilities

The responsibilities of the Committee include:

- in relation to human resources policies:
  - to review the Company's policies and performance to assess the effectiveness of the policies and their compliance with relevant legislative, regulatory and governance requirements;
  - to review and report to the Board on the diversity-related measurable objectives for the Company and the Company's progress against objectives;
- in relation to organisational effectiveness and capability, to undertake an annual review of how the human resources strategy is supporting the business strategy;
- in relation to superannuation, to review and recommend to the Board superannuation arrangements for the Company, having regard to matters of compliance and legislative change;
- in relation to remuneration and incentives:
  - to review and recommend to the Board remuneration arrangements for the CEO, executives reporting to the CEO, and senior management;
  - to review major changes and developments in the Company's remuneration framework, recruitment, retention and termination policies and procedures for senior management, remuneration policies, superannuation arrangements, human resource practices and employee relations strategies for the Group;
  - to review performance assessment processes for the CEO and the CEO's direct reports, and the annual results of those assessments;
  - to review and recommend to the Board in respect of the Company's employee equity incentive plans;
  - to review and recommend to the Board the remuneration arrangements for the Chairman and the non-executive directors;
  - to review and recommend to the Board the Remuneration Report;
  - to review and facilitate shareholder and other stakeholder engagement in relation to the Company's remuneration policies and practices;
  - at least annually, to review and report on the relative proportion of women and men in the workforce at all levels of Myer; and
  - to review remuneration by gender and consider whether, as a result of gender difference, any recommendations to the Board should be made in relation to gender-based reward.

Remuneration policy

In discharging its responsibilities, the Committee must have regard to the following policy objectives:

- to ensure that the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders;
- to attract and retain skilled executives;
- to structure short and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
- to ensure that any termination benefits are justified and appropriate.

Access to senior executives

In addition to access to independent advisers (discussed at section 1.6 above), the Committee may seek input from senior executives of the Company on human resource and remuneration policies, subject to the principle that no senior executive should be directly involved in deciding their own remuneration.

3.4 Nomination Committee

Composition

The current composition of the Nomination Committee is:

Chairman	Paul McClintock AO
Members	Anne Brennan Chris Froggatt Rupert Myer AM

Role and responsibilities

The responsibilities of the Committee include:

- to review and recommend to the Board the size and composition of the Board, including the succession of the Chairman and the CEO, and to review whether Board succession plans are in place to maintain an appropriate mix of skills, experience, expertise and diversity on the Board;
- to review and recommend to the Board, the criteria for Board membership, including assessment of necessary and desirable competencies of Board members to maintain an appropriate mix of skills, experience, expertise and diversity on the Board;
- to review and recommend to the Board, membership of the Board including recommendations for the appointment and re-election of directors, and where necessary to propose additional candidates for consideration by the Board;
- to assist the Board in relation to the performance evaluation of the Board, its Committees and individual directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies; and
- to ensure that an effective induction process is in place for any newly appointed director and regularly review its effectiveness.

Part 4 – Risk management

Relevant documents – available from myer.com.au/investor

- Audit, Finance and Risk Committee Charter (including External Audit Policy)
- Risk Management Policy

4.1 Recognition and management of risk

The Company recognises risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives.

The Board is ultimately responsible for identifying and assessing internal and external risks that may impact the Company in achieving its strategic objectives. The Board is responsible for determining the Company's risk appetite, overseeing the development and implementation of the risk management framework and maintaining an adequate monitoring and reporting mechanism.

The Board has delegated coordination of risk oversight to the Audit, Finance and Risk Committee. The Committee's risk management responsibilities are to review and report to the Board as to whether:

- the Company's ongoing risk management program effectively identifies all areas of potential risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

The Company has adopted a Risk Management Policy that applies to all Group employees, and to contractors and consultants working on behalf of the Group. Management monitors and reports on material risks identified through the internal and external audit process.

4.2 Risk management framework

The Company has adopted an enterprise-wide framework that incorporates a system of risk oversight, risk management and internal control designed to identify, assess, monitor and manage risks consistent with AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines and the Committee of Sponsoring Organizations (COSO) and provides Myer management with a consistent approach to recognising and managing risks. The Company applies risk management in a well-defined, integrated framework that promotes awareness of risks and an understanding of the Company's risk tolerances. This enables a systematic approach to risk identification and leverage of any opportunities, and provides treatment strategies to manage, transfer and avoid risks.

The Board reviews and approves the risk management framework and risk appetite on an annual basis to determine whether there have been any changes in the material business risks. Economic, environmental and social sustainability risks have been considered and controls appropriately applied.

4.3 External auditor

The Audit, Finance and Risk Committee is responsible for overseeing the Company's External Audit Policy. The Committee has the responsibility and authority for the appointment, removal or reappointment and remuneration of the external auditor, as well as evaluating its effectiveness and independence.

The Committee reviews the appointment of the external auditor annually. In addition, the Committee reviews and assesses the independence of the external auditor, including any relationships with the Company or any other entity that may impair, or appear to impair, the external auditor's independent judgement or independence in respect of the Company.

The external audit engagement partner is required to rotate at least once every five years. PricewaterhouseCoopers (PwC) was reappointed as the external auditor in 2012.

The external auditor will attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

4.4 Internal audit

A separate internal audit division has been established and is overseen by a National Assurance Manager who reports to the CFO and liaises directly with the Audit, Finance and Risk Committee.

The internal audit division carries out regular systematic monitoring of control activities and reports to relevant business unit management and the Audit, Finance and Risk Committee.

4.5 Board assurances on financial reporting risks

The Board has received assurance from the CEO and the CFO that the declaration provided in accordance with section 295A of the *Corporations Act 2001* (Cth) (Corporations Act) is founded on a sound system of risk management and internal compliance and control systems, and that the systems are operating effectively in all material respects in relation to financial reporting risks.

The CEO and the CFO made declarations to the Board (among other things) to the following effect:

- that, in their opinion, the Group's financial statements and notes for the financial year give a true and fair view of the financial position and the performance of the Company and the Group and are in accordance with the Corporations Act and relevant accounting standards;

- that the above statement is founded on a sound system of risk management and internal compliance and control systems which implement the policies adopted by the Board (either directly or through delegation to senior executives); and
- that the Company's risk management and internal compliance and control systems, to the extent that they relate to financial reporting, are operating efficiently and effectively in all material respects.

Part 5 – Key governance policies

Relevant documents – available from myer.com.au/investor

- Code of Conduct
- Continuous Disclosure Policy
- Guidelines for Dealing in Securities
- Shareholder Communication Strategy

5.1 Code of Conduct

The Company is committed to the highest level of integrity and ethical standards in all business practices. All Group employees, directors and contractors must comply with the Company's Code of Conduct (Code). The Code applies to all business activities and dealings with employees, customers, suppliers, shareholders and other external stakeholders.

The objectives of the Code are to:

- provide clear guidance on and benchmarks for appropriate professional and ethical behaviour;
- reinforce the requirement for compliance with Company policies and legal requirements;
- support Myer's business reputation through the behaviour of its people; and
- make directors and employees aware of their responsibilities and consequences if they breach the Code.

The Code outlines how the Group expects its directors and employees to behave and conduct business in a range of circumstances, including actual or potential conflicts of interest. The Code requires awareness of, and compliance with, laws and regulations relating to the Group's operations, including fair trading, occupational health and safety, equal opportunity and anti-discrimination, privacy, and securities trading.

The Code encourages employees to report unethical practices, or breaches of the Code, Company policies or the law. The Company has whistleblower protections for those who report unacceptable behaviour in good faith.

The Company regularly reviews the Code. Team members are required to undertake training and acknowledge acceptance of the Code on an annual basis.

5.2 Continuous disclosure

The Company's policy is to strictly comply with its obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities. The Company discharges these obligations by releasing information in ASX announcements and by disclosure of other relevant documents to the ASX and to shareholders (e.g. Annual Reports).

The Company's Continuous Disclosure Policy is designed to ensure the timely release of material price-sensitive information to the market. This policy establishes procedures to ensure that directors and management are aware of the Company's disclosure obligations and procedures, and have accountability for the Company's compliance with those obligations.

The Company provides continuous disclosure training to all directors and senior management. It is a standing agenda item at all Board meetings, Board Committee meetings and senior management meetings to consider whether any matters reported to or discussed at the meeting should be disclosed to the market pursuant to the Company's continuous disclosure obligations.

All general managers and divisional heads are required to have appropriate procedures in place within their areas of responsibility to ensure that all relevant information is reported to them immediately to be considered in accordance with the Continuous Disclosure Policy.

The Company has established a Continuous Disclosure Committee, which is comprised of the CEO, the CFO, and the Chief General Counsel and Group Company Secretary. The role of the Continuous Disclosure Committee is to:

- review all potentially material price-sensitive information of which management or the Board become aware;
- determine whether any of that information is required to be disclosed to the ASX;
- co-ordinate the actual form of disclosure with the relevant members of management; and
- review and respond to any infringement notice or written statement of reasons issued to the Company by ASIC.

All deliberations of the Committee are shared without delay with the Chairman or, in the Chairman's absence, the Chairman of the Audit, Finance and Risk Committee.

The Company has nominated the Group Company Secretary as the person with the primary responsibility for all communication with the ASX.

The Board regularly reviews the Continuous Disclosure Policy.

5.3 Securities trading

The Company's Guidelines for Dealing in Securities (Guidelines) apply to all directors and employees of the Group. The purpose of the Guidelines is to:

- explain the types of conduct prohibited under the Corporations Act in relation to dealing in securities; and
- establish a best practice procedure for dealing in the Company's securities.

As an overriding principle, directors, employees and their associates must not deal in the Company's securities if they are in possession of price-sensitive or 'inside' information.

In addition, directors, specified senior executives and their associates (Relevant Persons) must not deal in the Company's securities during 'blackout periods'. 'Blackout periods' include periods prior to the release of the Company's half year and full year results.

Relevant Persons are permitted to deal in the Company's securities during certain 'trading windows', subject to complying with notification requirements. 'Trading windows' include periods following the release of the Company's half year and full year results, and the AGM. Outside of 'trading windows', Relevant Persons may only deal in the Company's securities in exceptional circumstances and subject to obtaining prior approval.

The Guidelines prohibit directors, senior executives and their closely related parties from entering into hedging arrangements with respect to securities in the Company (including any shares, options and rights). Hedging arrangements include entering into transactions in financial products that operate to limit the economic risk associated with holding Company securities.

The Board regularly reviews the Guidelines.

5.4 Shareholder communication

As set out in the Company's Shareholder Communication Strategy, the Company aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company.

The Company aims to promote communication with shareholders and to encourage effective participation at general meetings. In addition, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company.

To achieve this, the Company communicates information to shareholders and other stakeholders through a range of forums and publications.

One of the Company's key communication tools is the Myer website (myer.com.au). The Company has a dedicated investor section of its website (myer.com.au/investor). The Myer investor website includes information about the Company relevant to shareholders, including:

- all announcements lodged with the ASX within the last three years, including annual and half year financial results;
- the Board and Board Committee Charters, the Company's Constitution, and key corporate governance policies;
- the Company's Annual Reports and sustainability reports;
- information about the Company's AGM (including the Notice of Meeting, and a webcast of the meeting); and
- financial information about the Company.

The Company provides a telephone helpline facility and an online email enquiry service to assist shareholders with any queries. Information is also communicated to shareholders via periodic mail-outs, or by email to shareholders who have provided their email address.

Part 6 – Diversity at Myer

Relevant documents – available from myer.com.au/investor

- Diversity Policy

The Company's Diversity Policy outlines our approach to creating and maintaining an inclusive and collaborative workplace culture. The Diversity Policy sets out the Company's diversity principles. In this context, diversity covers gender, age, ethnicity, cultural background, language and disability. It also includes differences in backgrounds, education and life experiences.

Having a diverse range of employees better enables the Company to provide the best service to its customers. It enables the Company to foster greater innovation, stronger problem solving capability, greater customer connection, increased morale, motivation and engagement.

The Company's diversity and inclusion framework has five core tenets:

- meritocracy;
- fairness and equality;
- contribution to commercial success;
- that it's everyone's business; and
- for Myer, it's a part of who we are.

6.1 Key principles

The Company's approach to diversity is underpinned by key principles including:

- maintaining a safe and inclusive working environment that is respectful of individual differences and attributes (including family responsibilities);
- eliminating artificial barriers to career progression by providing support and mentoring, and by developing flexible work practices to meet the differing needs of employees in the context of business requirements;
- recruiting and retaining a skilled and diverse workforce;
- employing a fair and effective process for appointment to roles based on relative ability, performance and potential; and
- fostering a culture, including through education and training, that rewards people for furthering diversity.

6.2 Diversity objectives

The Company's diversity objectives are to ensure that Myer:

- has an inclusive workplace where every individual can thrive regardless of gender, cultural identity, age, disability, work style or approach;
- leverages the value of diversity for all our stakeholders to deliver the best customer experience, improved financial performance and a stronger corporate reputation; and
- continues to take a leadership position on diversity practices.

To achieve these objectives, the Company:

- has determined measurable objectives for achieving gender diversity. The Board has endorsed these objectives and both the objectives and progress in achieving them will be assessed annually;
- will assess pay equity on an annual basis;
- will encourage and support the application of workplace flexibility policy into practice across the business; and
- will meet our commitment to the Australian Employment Covenant to assist Indigenous Australians to access employment.

6.3 Female representation

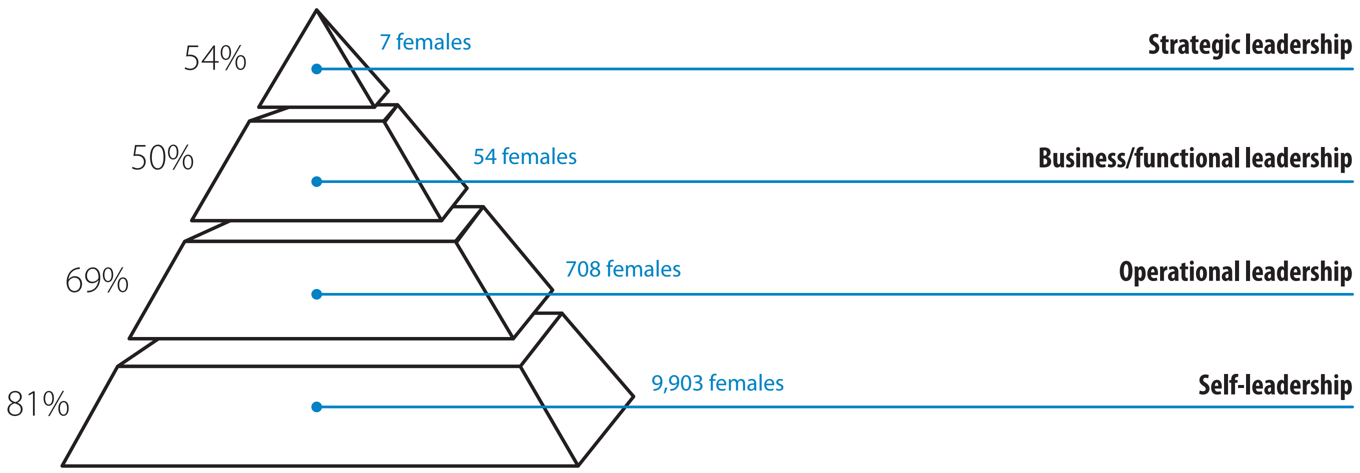
At 26 July 2014, representation of females employed by the Group was as follows:

Board of Directors	28.5%
Leadership roles	66.8%
Total workforce	79.6%

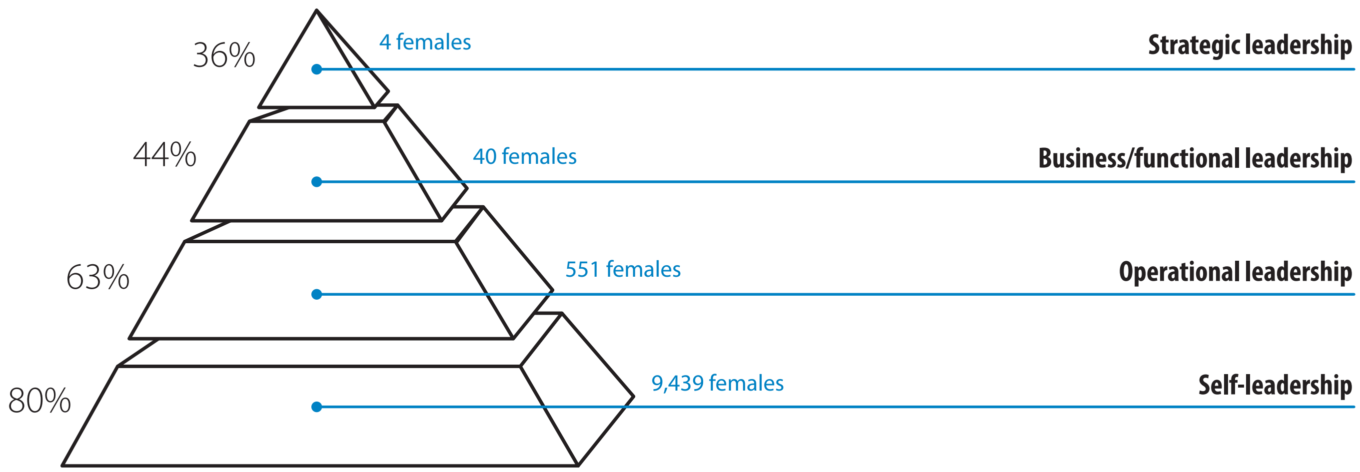
In May 2014 the Company lodged its Workforce Profile report with the Workplace Gender Equity Agency (WGEA). A copy of this report is available at myer.com.au/investor.

The following charts outline female leadership representation across the Group.

Females in leadership positions at Myer as at 26 July 2014



Females in leadership positions at Myer as at 27 July 2013*



*FY2013 was prior to the 100% acquisition of the sass & bide business.

6.4 Measurable objectives

The Board has assessed the Company's performance against the measurable objectives established by the Board in respect of FY2014 for achieving diversity at all levels of the Company. Details on the Company's progress in achieving those objectives, and the measurable objectives which have been set by the Board in respect of FY2015, are outlined below:

FY2014 and FY2015 measurable objectives

Objective	Progress
The Company aims to maintain a 50% proportion of female candidates identified in succession plans. We aim to ensure that within each job grade level there are an equal number of senior women who are ready to move into leadership roles.	The career development plans of all female middle management employees are assessed annually to ensure their appropriateness in developing and retaining the Company's female talent. › The percentage of females represented in the Company's 'Top Talent Group' is 50%, up from 46.1% in FY2013. › At store level, females represent 48.9% of those identified as having potential for further leadership positions.
The Company aims to maintain a return rate of more than 70% for team members returning from parental leave.	The Company is committed to ensuring that any team member returning to work after a period of parental leave can do so under a graduated return program. Regardless of any other business need, returning team members have a minimum six month period of graduated return to enable their re-introduction to the workplace. › During the reporting period, 77.8% of the Company's team members who commenced parental leave returned from previous parental leave periods.
The Company aims for senior managers to meet or formally contact women on parental leave at least quarterly.	The Company has had a formal 'keeping in touch' program in place since 2010, which continues to apply. It aids both employees and managers with the transition to and back from parental leave, and specifically provides flexibility for women to determine the level of contact they wish to be maintained while on parental leave. This has meant women can set contact levels they are comfortable with, which may be greater or less than quarterly, dependent upon their wishes.
The Company aims to maintain 50/50 gender balance in its Managers in Training Programs to facilitate the creation of a pool of qualified female candidates for manager role opportunities.	The Management Development Program (MDP) and Graduate Development Program (GDP) continue to be our two main internal development programs for entry-level management positions. The programs are aimed at recognising and rewarding internal team members by supporting their career goals, as well as assisting, retaining and promoting entry level female team members through comprehensive training and skills development. › During the reporting period, 58.3% of participants in the MDP program were female. › The RMIT intern program currently has 100% female representation. › The GDP was not run in 2014. Our Merchandise In Training Program is our key middle management program, which has continued throughout the reporting period and is aimed at developing team members for senior roles within our merchandise areas. During the reporting period, 94% of the participants in this program were female.

6.5 Other initiatives - Our people strategy

The Company continues to invest in human resource systems and tools to support and facilitate more flexible ways of working.

The Company has continued its commitment to, and work in, other areas of diversity and inclusion during FY2014 resulting in achievements in each of the following areas:

- Leadership development
  During the year the Company launched the Interaction Management program to equip the Company's leaders with coaching skills to empower their teams and embed a positive and consistent coaching culture across the Company.
  This coaching program is currently being deployed to frontline managers across Myer.
- Employee engagement
  A highly engaged workforce is a key part of success for Myer. Research shows that a highly engaged workforce correlates to better customer service, reduced health and safety incidents, as well as higher productivity and profitability. In 2013 Myer's 'Your Say' engagement survey reported our employee engagement at 83 percent. This was the first survey that was run since 2006 and sets an excellent benchmark for the Company. This result reflects substantial work that we have undertaken to address employee feedback in the areas of acknowledgement, communication, and development. Across Myer, teams have identified priorities specific to their team members and have developed plans to drive and build engagement.
- Indigenous participation
  The Company continues to look at identifying opportunities to increase Indigenous career pathways and job readiness programs.
- Flexible arrangements and parental leave
  Diversity has always been valued and encouraged at the Company. With a workforce comprising predominantly female team members, the Company was proud to be the first major Australian retailer to introduce paid parental leave in 2009 and has maintained this level of support in addition to more recent Federal Government initiatives regarding parental leave. The nature of retail requires the Company to have a flexible and responsive workforce that is available to meet the variable shopping habits of our customers. This flexibility has afforded team members the opportunity to balance work and family responsibilities, including a graduated return to work from parental leave, whilst establishing a long and fulfilling career at the Company.
  We recognise that periods of parental leave represent an interruption in career progression. The Company has introduced a number of initiatives to encourage our team members to return to work and to enable them to balance their family and work responsibilities.
  The Company offers flexible work arrangements for all team members returning from parental leave. This includes targeted support in special circumstances to help balance life priorities with work and to manage careers including compressed work weeks (where employees work the usual number of hours in fewer days), flexible start and finish times, job sharing, telecommuting, part-time work arrangements, and unpaid leave for any purpose.

These policies provide a platform for further promotion of flexible work and careers and active practice of inclusion, particularly for team members with caring responsibilities.

The Company believes that the benefits of our activities and initiatives around diversity and inclusion accrue in many ways in our business. Most importantly, improving diversity and flexibility within the workforce has seen increased employee engagement, which is a key driver for productivity and providing great customer service. It also helps the Company remain innovative in the ever-changing markets in which we operate. In addition, improving the diversity of our workforce and being an inclusive place to work, has meant that the Company has been able to build stronger connections in the communities we serve and in which employees live. The Company's plans in these areas are focused on continuing to connect with our diverse customer base, contribute within the community and encourage diversity, engagement, and productivity in delivering against the Company's strategy.

Compliance with ASX Principles

The table below is provided to facilitate your understanding of the Company's compliance with the recommendations in the ASX Principles (2nd edition) and indicates where each recommendation is discussed in this statement.[1]

Recommendation	Reference in Corporate Governance Statement
Principle 1 – Lay solid foundations for management and oversight	
1.1 Disclose the functions reserved to the Board and those delegated to senior executives	See sections 1.1 and 1.2
1.2 Disclose the process for evaluating the performance of senior executives	See section 1.3
Principle 2 – Structure the Board to add value	
2.1 A majority of the Board should be independent directors	See sections 2.1 and 2.4
2.2 The chair should be an independent director	See sections 1.2 and 2.1
2.3 The roles of chair and CEO should not be exercised by the same individual	See sections 1.2 and 2.1
2.4 The Board should establish a nomination committee	See sections 3.1 and 3.4
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors	See section 1.3
Principle 3 – Promote ethical and responsible decision-making	
3.1 Establish a code of conduct which sets out the Company's key rules, values and guidelines to guide the directors, the CEO, the CFO and any other senior executives	See section 5.1
3.2 Establish and disclose a diversity policy which requires the Board to establish measurable objectives for achieving gender diversity for the Board	See part 6, sections 6.1 and 6.2
3.3 Disclose the Company's measurable objectives for achieving gender diversity set by the Board and progress towards achieving them	See section 6.4
3.4 Disclose the proportion of women employees in the whole organisation, in senior executive positions and on the Board	See section 6.3
Principle 4 – Safeguard integrity in financial reporting	
4.1 Establish an audit committee	See sections 3.1 and 3.2
4.2 The audit committee should have at least three members, consist only of non-executive directors (a majority of whom should be independent) and be chaired by an independent chair who is not the chair of the Board	See sections 3.1 and 3.2
4.3 The audit committee should have a formal charter	See section 3.1
Principle 5 – Make timely and balanced disclosure	
5.1 Establish and disclose a policy to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance	See section 5.2
Principle 6 – Respect the rights of shareholders	
6.1 Establish and disclose a shareholder communications policy	See section 5.4
Principle 7 – Recognise and manage risk	
7.1 Establish and disclose policies for the oversight and management of material business risks	See sections 4.1 and 4.2
7.2 The Board should require management to design and implement risk management and internal control systems to manage material business risks and to report on whether those risks are being managed effectively	See sections 4.1, 4.2, 4.4 and 4.5
7.3 Disclose whether the Board has received assurance from the CEO and the CFO that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control that is operating effectively in all material respects in relation to financial reporting risks	See section 4.5
Principle 8 – Remunerate fairly and responsibly	
8.1 Establish a remuneration committee	See sections 3.1 and 3.3
8.2 The remuneration committee should have at least three members, a majority of whom are independent, and be chaired by an independent chair	See sections 3.1 and 3.3
8.3 Distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	See section 1.4 and the Remuneration Report

1 The table includes all recommendations in the ASX Principles and Recommendations other than the 'Guide to Reporting' recommendations.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of the Company and the entities it controlled (collectively referred to as the Group) at the end of, or during the period ended 26 July 2014.

1. Directors

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

Director	Position	Date appointed as director
Paul McClintock AO	Chairman from 10 October 2012 Independent non-executive director	8 August 2012
Rupert Myer AM	Deputy Chairman from 8 August 2012 Independent non-executive director	12 July 2006
Bernie Brookes	CEO and Managing Director	12 July 2006
Anne Brennan	Independent non-executive director	16 September 2009
Ian Cornell	Independent non-executive director	6 February 2014
Chris Froggatt	Independent non-executive director	9 December 2010
Peter Hay	Independent non-executive director	3 February 2010
Bob Thorn	Independent non-executive director	6 February 2014

Ian Cornell and Bob Thorn were appointed as directors on 6 February 2014. Peter Hay retired as a director with effect from 14 July 2014.

All other directors served as directors of the Company for the whole financial year and until the date of this Directors' Report.

Details of the qualifications, experience and special responsibilities of each current director are set out on pages 26 and 27 of this Annual Report.

2. Directorships of other listed companies

The following table shows, for each person who served as a director during the financial year and/or up to the date of this Directors' Report, all directorships of companies that were listed on the ASX, other than the Company, since 31 July 2011, and the period for which each directorship has been held. The information provided in relation to former director Peter Hay is current as at the date that he retired as a director of the Company.

Director	Listed entity	Period directorship held
Paul McClintock AO	Perpetual Limited	April 2004 – November 2012
Rupert Myer AM	AMCIL Limited Healthscope Limited Diversified United Investment Limited	January 2000 – present July 2014 – present[1] November 2002 – January 2012
Bernie Brookes	–	–
Anne Brennan	Charter Hall Group Nufarm Limited Argo Investments Limited Echo Entertainment Group Limited	October 2010 – present February 2011 – present September 2011 – present March 2012 – present[2]
Ian Cornell	Goodman Fielder Limited	February 2014 – present
Chris Froggatt	Goodman Fielder Limited	August 2009 – present
Peter Hay	Alumina Limited Australia and New Zealand Banking Group Limited GUD Holdings Limited Newcrest Mining Limited	December 2002 – December 2013 November 2008 – April 2014 May 2009 – present August 2013 – present
Bob Thorn	–	–

1 Healthscope Limited was listed on the ASX on 28 July 2014, after the reporting period, but prior to the date of this Directors' Report. Rupert Myer AM was appointed as a director of Healthscope Limited on the same date.

2 On 31 July 2014, Echo Entertainment Group Limited announced that Anne Brennan will retire as a director, following its Annual General Meeting to be held on 31 October 2014.

3. Meetings of directors and Board Committees

The number of meetings of the Board and of each Board Committee held during the period ended 26 July 2014 are set out below.

All directors are invited to attend Board Committee meetings. Most Board Committee meetings are attended by all directors; however, only attendance by directors who are members of the relevant Committee is shown in the table below.

	Meetings of directors		Audit, Finance and Risk Committee		Human Resources and Remuneration Committee		Nomination Committee	
Director	A	B	A	B	A	B	A	B
Paul McClintock AO	11	11	–	–	–	–	3	3
Rupert Myer AM	10	11	4	4	4	4	2	3
Bernie Brookes	11	11	–	–	–	–	–	–
Anne Brennan	11	11	4	4	4	4	3	3
Ian Cornell[1]	5	5	–	–	1	1	–	–
Chris Froggatt	11	11	–	–	4	4	4	4
Peter Hay[2]	10	10	3	3	–	–	–	–
Bob Thorn[1]	5	5	1	1	–	–	–	–

Notes:

A: Number of meetings attended.

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

1 Ian Cornell and Bob Thorn were appointed as directors on 6 February 2014. Ian Cornell was appointed to the Human Resources and Remuneration Committee and Bob Thorn was appointed to the Audit, Finance and Risk Committee on 19 March 2014.

2 Peter Hay retired as a director on 14 July 2014.

4. Directors' relevant interests in shares

The following table sets out the relevant interests that each director has in the Company's ordinary shares or other securities as at the date of this Directors' Report.

No director has a relevant interest in a related body corporate of the Company.

Director	Ordinary shares	Options	Performance rights
Paul McClintock AO	181,000	–	–
Rupert Myer AM	733,999	–	–
Bernie Brookes	10,042,399	–	2,058,383
Anne Brennan	53,658	–	–
Ian Cornell	10,000	–	–
Chris Froggatt	10,040	–	–
Bob Thorn	100,000	–	–

Peter Hay retired as a director of the Company with effect from 14 July 2014. At the date of his retirement, Mr Hay had a relevant interest in 12,195 ordinary shares in the Company.

5. Company Secretary

Marion Rodwell has been the Company Secretary of the Company since 2008. In addition to being Group Company Secretary, Ms Rodwell is also Chief General Counsel of the Group. Ms Rodwell's experience and qualifications are set out on page 29 of this Annual Report.

6. Principal activities

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

7. Operating and financial review

A detailed review of the Group's operations for the financial year and the results of those operations are set out on pages 4 to 21 of this Annual Report, in the Chairman and CEO Report (pages 4 and 5) and the Operating and Financial Review (pages 6 to 21).

8. Significant changes in the state of affairs

The following significant changes to the Group's state of affairs have occurred since the beginning of the financial year:

- the continued investment in our strategic plan, including in relation to the acquisition and development of brands and retail formats, and our omni-channel offer;
- a continuing challenging retail environment;
- the appointment of two new non-executive directors, Mr Bob Thorn and Mr Ian Cornell, and the resignation of Mr Peter Hay from his role as a non-executive director;
- the strengthening of our senior management team with a number of new appointments and the reappointment of Mr Bernie Brookes as CEO and Managing Director;
- the refurbishments of four of our top 25 stores in Adelaide (South Australia), Indooroopilly (Queensland), Miranda (New South Wales) and Macquarie (New South Wales);
- the addition of menswear, childrenswear and toy departments in the Emporium Melbourne development, adjoining the Myer Melbourne (Victoria) store;
- preparations for new stores due to be opened prior to Christmas 2014 in Mount Gravatt (Queensland) and Joondalup (Western Australia);
- the closure of our stores in Elizabeth (South Australia) and Dandenong (Victoria); and
- the acquisition of the remaining 35 percent of shares in the sass & bide business resulting in complete ownership.

These matters are discussed on pages 6 to 21.

Other than the matters above, there were no significant changes in the state of affairs of the Group during the financial year, or up to the date of this Directors' Report.

9. Business strategies and future developments

A high level description of the Group's strategic plan is set out on pages 10 and 11 of this Annual Report.

Discussion of the Group's business strategies and comments on the likely developments in the Group's operations are included in the Chairman and CEO Report (pages 4 and 5) and the Operating and Financial Review (pages 6 to 21).

Further information on likely developments in the Group's operations and the expected results of those operations has not been included in this Annual Report. The directors believe that the inclusion of such information including certain business strategies, projects and prospects, would be likely to result in unreasonable prejudice to the Group's interests.

10. Key risks and uncertainties

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

The Group has structured, proactive risk management and internal control systems in place to manage material risks. The key risks and uncertainties that may have an effect on the Group's ability to execute its business strategies and the Group's future growth prospects and how the Group manages these risks are set out on pages 10 and 11.

11. Matters subsequent to the end of the financial year

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

(a) the Group's operations in future financial years;

(b) the results of those operations in future financial years; and

(c) the Group's state of affairs in future financial years.

12. Dividends

The following dividends have been paid to shareholders during the financial year:

2013 Final dividend	$'000
Final dividend for the period ended 27 July 2013 of 8.0 cents per fully paid ordinary share, fully franked, paid on 14 November 2013	46,759
2014 Interim dividend	**$'000**
Interim dividend for the period ended 26 July 2014 of 9.0 cents per fully paid ordinary share, fully franked, paid on 8 May 2014	52,711

In addition to the above dividends, since the end of the financial year, the Board of Directors has determined a final fully franked dividend of 5.5 cents per fully paid ordinary share to be paid on 13 November 2014.

Further information regarding dividends is set out in the Financial Report (at note 22).

13. Options and performance rights granted over unissued shares

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

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

Options

No options were granted under the MEIP in the financial year ended 26 July 2014 and no options have been granted since the end of the year. The following table sets out the details of options that have been granted under the MEIP over unissued shares of the Company and that remain on issue as at the date of this Directors' Report.

Date options granted	Expiry date	Exercise price of options	Number of options[1]
30 June 2009	24 October 2014	$2.34	2,191,650
Closing balance			**2,191,650**

1 Each option entitles the holder to receive one fully paid ordinary share in the Company, subject to the satisfaction of the relevant performance conditions and the payment of the exercise price.

A holder of an option may only participate in new issues of securities of the Company if the option has been exercised, participation is permitted by its terms, and the shares in respect of the options have been allocated and transferred to the option right holder before the record date for determining entitlements to the new issue.

The number of shares that option holders are entitled to receive on the exercise of an option, or the exercise price of those options, may be adjusted in a manner consistent with the ASX Listing Rules if there is:

- a pro rata issue of shares to the Company's shareholders (such as a bonus issue); or
- any reconstruction of the capital of the Company (such as a subdivision or return of capital).

If the manner of adjustment is not prescribed by the ASX Listing Rules, the Board can determine the adjustment to ensure that option holders are not advantaged or disadvantaged as a result of any such capital action.

Further information about options granted under the MEIP (including the details of the options granted to the Key Management Personnel (KMP) of the Company) is included in the Remuneration Report (at pages 58 to 62).

Performance rights

Since 2011, only performance rights have been granted under the MEIP. During the financial year the Company granted a total of 868,789 performance rights to selected senior executives. These performance rights were granted under the 'Executive Equity Incentive Plan' (EEIP) offer. Two separate offers were made under the EEIP during the financial year: 183,566 performance rights were granted to the CFO under a specific CFO EEIP offer; and 685,223 performance rights were granted to other executives. In previous years, the Company granted performance rights to senior executives under a MEIP offer; however, no performance rights were granted under that offer during the financial year.

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

No performance rights have been granted since the end of the financial year ended 26 July 2014.

The following table sets out the details of performance rights that have been granted under the MEIP and that remain on issue as at the date of this Directors' Report.

Date performance rights granted	Expiry date	Issue price	Number of performance rights[1]
21 October 2011 (grant to senior executives)	31 October 2014	Nil	2,059,621
9 December 2011 (grant to CEO)	31 October 2014	Nil	2,058,383
29 January 2013 (grant to senior executives under the EEIP offer)	31 October 2015	Nil	457,805
29 January 2013 (grant to senior executives under the MEIP offer)	31 October 2015	Nil	1,128,961
11 December 2013 (grant to CFO under the EEIP offer)	31 October 2016	Nil	183,566
11 December 2013 (grant to senior executives under the EEIP offer)	31 October 2016	Nil	329,630
Closing balance			**6,217,966**

1 Each performance right entitles the holder to receive one fully paid ordinary share in the Company, subject to the satisfaction of the relevant performance conditions.

A holder of a performance right may only participate in new issues of securities of the Company if the performance right has been exercised, participation is permitted by its terms, and the shares in respect of the performance rights have been allocated and transferred to the performance right holder before the record date for determining entitlements to the new issue. As with the options, the number of performance rights that a holder is entitled to receive on the exercise of a performance right may be adjusted in a manner consistent with the ASX Listing Rules if there is a pro rata issue of shares or a reconstruction of the capital of the Company.

Further information about performance rights issued under the MEIP (including the performance conditions attached to the performance rights granted under the EEIP offer and the MEIP offer, and the performance rights granted to the KMP of the Company) is included in the Remuneration Report (at pages 58 to 62).

14. Shares issued on the exercise of options and performance rights

Options

From time to time, the Company issues fully paid ordinary shares in the Company to the Myer Equity Plans Trust (Trust) for the purpose of meeting anticipated exercises of securities granted under the MEIP.

During the period ended 26 July 2014, 2,090,000 fully paid ordinary shares of the Company were issued to the Trust for this purpose. To calculate the issue price of shares issued to the Trust, the Company uses the 7-day Volume Weighted Average Price of the Company's shares as at the close of trading on the date of issue. During the period, all shares provided on the exercise of options were delivered via this mechanism.

During the period, 2,110,500 shares were transferred from the Trust to participants on the exercise of options under the MEIP as detailed below.

Date options granted	Exercise price of options	Number of shares provided on exercise of options
17 December 2008	$2.14	2,110,500

Post balance date events

Since 26 July 2014, 5,000 further shares have been issued to the Trust. No other acquisitions of shares have been made by the Trust during this period. Since 26 July 2014, 10,000 fully paid ordinary shares of the Company held by the Trust were transferred to participants in the MEIP.

Performance rights

No performance rights were eligible to vest or to be exercised during the financial year.

15. Remuneration Report

The Remuneration Report, which comprises part of this Directors' Report is presented separately on pages 47 to 67.

16. Indemnification and insurance of directors and officers

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

Consistent with (and in addition to) the provisions in the Company's Constitution outlined above, the Company has also entered into deeds of access, indemnity and insurance with all directors of the Company which provide indemnities against losses incurred in their role as directors, subject to certain exclusions, including to the extent that such indemnity is prohibited by the Corporations Act or any other applicable law. The deeds stipulate that the Company will meet the full amount of any such liabilities, costs and expenses (including legal fees).

During the financial year, the Company paid insurance premiums for a directors' and officers' liability insurance contract that provides cover for the current and former directors, alternate directors, secretaries, executive officers and officers of the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid, as disclosure is prohibited under the terms of the contract.

17. Proceedings on behalf of the Company

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

18. Environmental regulation

The Group is subject to and has complied with the reporting and compliance requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act). No significant environmental incidents have been reported internally, and no breaches have been notified to the Group by any government agency. The NGER Act requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required. In compliance with the NGER Act, the Group submitted its fifth report to the Greenhouse and Energy Data Officer in October 2013 and is due to submit its sixth report by 31 October 2014.

The *Energy Efficiency Opportunities Act 2006* (Cth) (EEO Act) was repealed with effect from 29 June 2014. The EEO Act required the Group to assess its energy usage, evaluate energy saving opportunities, and to report publicly on the assessments undertaken. While the EEO Act was still in force, the Group submitted its sixth public report in December 2013.

19. Non-audit services

The Company may decide to employ its external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in the Financial Report (at note 24).

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

› all non-audit services have been reviewed by the Audit, Finance and Risk Committee to ensure they do not impact on the impartiality and objectivity of the auditor; and

› none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

20. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 114.

21. Rounding of amounts

The Group has taken advantage of ASIC Class Order 98/100 relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Paul M'Clintock

Paul McClintock AO
Chairman
Melbourne, 3 October 2014

REMUNERATION REPORT

This Report sets out the strategy, framework and conditions of employment for Myer Holdings Limited non-executive directors, executive directors and other Key Management Personnel (KMP) of the Group and the Company. The report also details the role and accountability of the Board and the relevant Committees established to support the Board on these matters.

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FY2014 remuneration overview

During FY2014, the Board continued to review Myer's approach to executive remuneration with a view to ensuring ongoing alignment between executive remuneration, Group performance and shareholder returns. The Board understands executive remuneration is an issue of significant and sustained interest for shareholders. The Board remains committed to the principle that remuneration received by members of the executive team should reflect Company performance and the achievement of demanding financial objectives.

The Board's priority over the past year has been to oversee the introduction of a number of measures designed to further improve the Company's remuneration practices and provide greater consistency and transparency in the Company's approach. While retaining largely the same structure, the Board received advice from its remuneration adviser, Ernst & Young (EY), to assist in a better alignment of performance to sustainable financial and customer outcomes, while attracting and retaining high quality senior executives.

An equally important focus of the Board is supporting initiatives to foster diversity, engagement, talent management and succession planning throughout all levels of the business, and progress has been made in all of these areas over the past year.

A key component of the Company's strategic plan is creating a business and culture to attract and retain high performing individuals. The Board continues to take a considered approach to executive remuneration but is mindful that shareholder interests will not be served if the Company becomes unable to retain or attract the talented people who are key to achieving the Company's strategic objectives.

Myer recently announced a number of senior management and organisational changes to evolve and accelerate its strategy, support its growth and transformation, and strengthen succession planning within its senior leadership group. The Board recognised the need to appoint a number of senior executives to improve the bench strength of the leadership group.

Key developments/changes for the year ended 26 July 2014 were:

	Organisational changes	Key development/remuneration outcomes
Governance and non-executive director remuneration	Bob Thorn appointed as a non-executive director on 6 February 2014. Ian Cornell appointed as a non-executive director on 6 February 2014. Peter Hay retired as a non-executive director effective from 14 July 2014.	Directors' fees were not increased in FY2014.
CEO and Managing Director remuneration	Mr Bernie Brookes reappointed as CEO and Managing Director on an 'open term' contract effective from February 2014.	Mr Brookes' fixed remuneration has been adjusted by 11.1% to $2.0 million per annum. This was the first adjustment since September 2011. Mr Brookes' base pay is subject to annual performance-based review. › **Short term incentive (STI)** A target annual incentive payment equivalent to 120% of Mr Brookes' Total Fixed Compensation (TFC) for achievement against targeted performance and up to 150% of TFC for superior performance based on prescribed metrics. Subject to shareholder approval, 30% of any annual STI awarded to Mr Brookes will be delivered through a grant of restricted shares for two years from the date of grant. › **Long term incentive (LTI)** Subject to shareholder approval, Mr Brookes' long term incentive award will be delivered through a grant of performance rights to the value of 30% of TFC. Mr Brookes will be eligible to participate in future grants of performance rights under the Executive Equity Incentive Plan (EEIP), with any such grants being subject to shareholder approval. Under Mr Brookes' previous contract he was entitled to a payment equal to 12 months' pay ($1.8 million) had his employment ceased under his contract in August 2014. This payment no longer applies.
Other KMP remuneration **KMP consists of four executives at Executive General Manager level**	Greg Travers ceased employment on 2 May 2014. Adam Stapleton ceased employment on 18 July 2014.	A general freeze on the base pay of executives applied in FY2014. The Chief Financial Officer (CFO), Mark Ashby's base pay was adjusted by 7.1% in recognition of additional responsibilities, effective from 1 May 2014. No STI payment awarded to executives. This is the fourth consecutive year where no STI has been awarded. Executives were granted new performance rights in FY2014, with 868,789 performance rights granted in December 2013.

The Board considers each element of KMP reward annually. The Board takes into account the outcomes achieved and also seeks advice from its independent adviser EY on the remuneration practices of relevant comparator companies.

In framing the remuneration structure for FY2014, the Board assessed the Company's remuneration arrangements and the following changes were made to the Company's remuneration structure for FY2014.

› **Base Pay** – Changes were made to the CEO and Managing Director's remuneration arrangements as part of the renewal of his contract in FY2014 (these are outlined in more detail below). In addition, the Board approved changes to the remuneration of the CFO in recognition of his additional responsibilities and an independent review indicating that the CFO's fixed remuneration level was below market median.

  A general freeze on the fixed remuneration of salaried team members applied in FY2014 and as a result no annual remuneration increases were delivered to executives.

› **STI** – At the beginning of the financial year, the Board approves the performance targets and measures which must be satisfied for any STI award to be made to KMP and other executives in that year. The performance measure selected for the FY2014 STI Plan for KMP and executives was focused on the Company's Net Profit After Tax (NPAT) performance. Accordingly, eligible executives are only entitled to receive an STI reward when the Company's profit is consistent with or ahead of the business plan approved by the Board. The NPAT hurdle was selected on the basis that it has a direct correlation to the financial performance of the Company and is intended to incentivise KMP and executives to work towards building the Company's financial performance.

› **LTI** – Performance rights were granted to KMP under a revised Executive Equity Incentive Plan (EEIP) offer in FY2014. The performance rights granted under the EEIP offer continued to be subject to the same two hurdles as in previous years, being relative Total Shareholder Return (TSR) against an index of comparator companies (50% of the performance rights granted to each executive were subject to the TSR Hurdle) and Compound Annual Growth Rate in Earnings Per Share (CAGR EPS) (25% of the performance rights granted to each executive were subject to the CAGR EPS Hurdle).

  A third metric, the Business Transformation (BT) Hurdle, was introduced under the FY2014 plan relating to the successful delivery of the Company's strategic plan over the performance period (25% of the performance rights granted to each executive under the EEIP are subject to this hurdle). This hurdle was chosen by the Board as a way of measuring the Company's transformation through the structural changes of the retail industry and in recognition of the important delivery of the strategic plan to the Company. This BT Hurdle will be tested at the end of the performance period (following the submission of the Company's audited results to the ASX for FY2016) by comparing the Company's actual performance against the Company's target performance against those measures as set out in the Company's business plan.

  Additional performance rights were offered to the CFO in FY2014. The potential value of the performance rights granted to the CFO under the EEIP was equivalent to 75% of his TFC. The performance rights reflecting 45% of his TFC will be subject to the three metrics outlined above (applied in the same way as for other executives covered by the EEIP offer), and performance rights reflecting 30% of his TFC subject to a condition of continuous employment with the Company through to the end of the performance period.

The Board considers the changes made to each of the elements of reward for the KMP to be appropriate, taking into account the Company's overall reward objectives, relevant market comparators and the interests of shareholders.

Directors and executives disclosed in this report

Name	Position	Name	Position	Name	Position
Non-executive directors		Executive director		Other Key Management Personnel	
P McClintock	Chairman, Independent non-executive director	B Brookes	CEO and Managing Director	M Ashby	Chief Financial Officer
R Myer	Deputy Chairman, Independent non-executive director			A Stapleton[4]	Executive General Manager Merchandise
A Brennan	Independent non-executive director			A Sutton	Executive General Manager Stores
I Cornell[1]	Independent non-executive director			G Travers[5]	Executive General Manager Business Services and Strategic Planning
C Froggatt	Independent non-executive director				
P Hay[2]	Independent non-executive director				
R Thorn[3]	Independent non-executive director				

1 I Cornell was appointed as a non-executive director on 6 February 2014.
2 P Hay was appointed as a non-executive director on 3 February 2010 and retired on 14 July 2014.
3 R Thorn was appointed as a non-executive director on 6 February 2014.
4 A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013 and ceased employment on 18 July 2014.
5 G Travers was appointed as Executive General Manager Business Services on 1 November 2010 and ceased employment on 2 May 2014.

CEO and Managing Director contract renewal

In February 2014 the Board announced the reappointment of Mr Brookes as CEO and Managing Director. The key terms and conditions of Mr Brookes' reappointment are outlined below:

Term

The new contract is in the form of an 'open term' contract and replaces Mr Brookes' previous fixed term contract which was due to expire in August 2014.

Remuneration package

Mr Brookes' remuneration includes his TFC (being cash salary and superannuation), an annual STI delivered in cash and equity in the form of restricted shares and a LTI delivered in equity in the form of performance rights.

› **TFC**

Mr Brookes' TFC is subject to an annual performance-based review. His fixed remuneration has been adjusted by 11.1% to $2.0 million per annum. This is the first adjustment to Mr Brookes' fixed remuneration since September 2011.

› **STI**

Mr Brookes is eligible to receive an annual incentive payment equivalent to 120% of TFC at target, and up to 150% of TFC at stretch. Subject to shareholder approval, 30% of any STI awarded will be delivered in restricted shares. Mr Brookes cannot access, trade or otherwise deal in the shares for a period of two years from the date of the grant, which effectively defers this portion of Mr Brookes' STI reward for two years. The Board has a discretion to award cash in lieu of restricted shares.

› **LTI**

Subject to shareholder approval, Mr Brookes, will be entitled to receive performance rights to the value of 30% of his TFC. These will be broadly on the same terms as performance rights granted to other senior executives participating in the EEIP.

Mr Brookes received a one-off long term incentive of $2.7 million as part of his 2011 contract renewal. The long term incentive was delivered through a one-off grant of performance rights which were granted to Mr Brookes following the 2011 AGM. The performance rights were subject to the satisfaction of the following performance hurdles: 50% of the performance rights were subject to a TSR Hurdle and 50% were subject to an EPS Hurdle. Regardless of performance against the TSR and EPS Hurdles, the CEO was required to develop and deliver a succession plan for the role of the CEO by the conclusion of the performance period and to comply with the terms of his employment contract.

Indicative testing of the TSR and EPS performance hurdles applicable to this grant of performance rights to the CEO was undertaken following the lodgement of the Company's FY2014 preliminary financial results with the ASX. Based on this preliminary assessment, these rights are not likely to vest as the TSR and CAGR EPS hurdles are unlikely to be achieved. The TSR and EPS hurdles will be tested following the lodgement of the Company's audited results with the ASX. If that testing confirms that the hurdles have not been achieved, then all of these performance rights will lapse.

Total remuneration

Under Mr Brookes' new contract, his total remuneration (including TFC, STI and LTI) at target is $5 million and at stretch, $5.6 million.

Termination provisions

Myer may terminate Mr Brookes' employment at any time by providing 12 months, written notice or payment in lieu of notice (or a combination of these).

Mr Brookes may terminate his employment by providing the Company with six months' notice.

Future focus for executive reward

The Board was pleased to announce the appointment of a number of senior executives in June 2014. We believe we have secured several outstanding executives to join the Company's senior leadership team, with an excellent combination of new thought leadership and world class retailing skills obtained both domestically and internationally. These appointments complement the knowledge and experience of the existing leadership team.

The remuneration arrangements to secure these executives were structured to encourage them to move from their previous roles where they had significant incentive arrangements which were to be forfeited upon leaving. Selected sign-on grants have been made in the form of both cash and equity to align them to shareholder interests. These can be clawed back and forfeited if the executive is not retained.

The Board considers each element of KMP reward annually, having regard to the experience and outcomes achieved and advice from its independent adviser, EY, on the relative position of KMP at Myer to relevant comparator companies. The Board has determined that the following changes will be made to the Company's remuneration structure for the 2015 financial year:

› **Fixed remuneration** - The Board undertook a review of remuneration for KMP and benchmarked this against the market. This review highlighted the need to adjust base salaries for some KMP (giving consideration to the freeze on base salaries applied in FY2014). These increases reflect the restructure of the business and our need to retain KMP to lead major strategic initiatives.

› **STI** - To incentivise performance and bring about positive change, three metrics will be considered to determine any incentive payment for FY2015: EBIT will be the main metric, weighted at 50% of the total potential reward; sales growth will be the second metric, weighted at 30%; and the final metric will be the achievement of personal objectives we have established for each KMP and other executives, weighted at 20%. Each measure will be assessed in isolation without a 'gate' applying before any payment is made against individual metrics.

EBIT growth is one of the primary measures that the Board uses to assess the operating performance of the Group, with an aim to maintain a focus on the Group's operating results and associated cash generation. It reflects the contribution from individual assets to the Group's operating performance and focuses on elements of the result that management can influence to drive improvements in short term earnings.

Sales growth was chosen principally because of the impact it has on NPAT, which is a significant contributor to the achievement of satisfactory returns to shareholders.

Personal objectives will make up 20% of the STI available to each of the KMP and other executives. This metric will depend on specific individual quantitative targets set by the CEO (and approved by the Human Resources and Remuneration Committee and the Board). These targets relate to aspects of the business over which the relevant executive has significant influence and aligned to our strategic goals.

The measures selected for each executive have been determined by reference to the specific objectives of the executive's role for FY2015. Company financial measures were allocated to all executives to ensure an alignment between executive reward outcomes and Company performance. Given that STI awards are contingent on performance across a range of measures, maximum STI awards can only be achieved for performance that is strong on all measures.

As in previous years, the Board has 100% discretion with the STI outcome.

- **LTI** – Performance rights will be granted to KMP under an EEIP offer in FY2015. The performance rights granted under the EEIP offer will continue be subject to the same three hurdles of Relative TSR performance against an index of comparator companies (weighted at 50%), CAGR EPS (weighted at 25%) and Business Transformation (weighted at 25%).

  The Business Transformation Hurdle was introduced under the FY2014 plan, relating to the successful delivery of the strategic plan over the performance period.

  With the delisting of David Jones from the ASX it was timely to review the TSR peer group of organisations to apply to the FY2015 allocation of performance shares. Our discussions with proxy advisers, and the Board's remuneration adviser (EY), have helped shape our decisions with regard to the future peer group of organisations. The Board has approved a change in comparator group for the purposes of measuring relative TSR performance under the FY2015 LTI plan offer. The new comparator group will comprise of Standard & Poor's/ASX200 market constituents (with some exclusions). This peer group is considered appropriate to benchmark the Company's relative performance, given Myer's size and position within the ASX200.

For FY2015, non-executive director fees (including the Chairman's fee) have been reviewed following independent advice received from EY, and will be increased in line with inflation movement. This increase remains within the aggregate fee pool limit and is the first increase in directors' fees since Myer's public listing in 2009. In addition, the annual fee for the Chairman of the Human Resources and Remuneration Committee will be increased to $22,500 per annum (up from $15,000) for FY2015. This increase is in recognition of the demands of the responsibilities of this position and is in line with market rates.

Human Resources and Remuneration Committee and remuneration governance

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

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

To ensure the Committee is fully informed when making remuneration decisions, it draws on the services of independent remuneration advisers. Independent remuneration advisers are engaged by and report directly to the Committee and provide advice and assistance on a range of matters including but not limited to:

- updates on remuneration trends, regulatory developments and shareholder views;
- the review, design or implementation of the executive remuneration strategy and its underlying components (such as incentive plans); and
- market remuneration analysis and comparative conditions relevant to Myer.

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

Ms Chris Froggatt chairs the Human Resources and Remuneration Committee. Other members of the Committee are Ms Anne Brennan, and Mr Ian Cornell and Mr Rupert Myer AM.

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

- non-executive director fees;
- executive remuneration (for the Managing Director and CEO and other executives) including specific recommendations on remuneration packages and other terms of employment for the Chairman, non-executive directors, the CEO and other senior executives;
- the over-arching remuneration framework including the policy, strategy and practices for fixed reward and both short and long term incentive plans and performance hurdles; and
- the regular and continuing review of executive succession planning and executive development activities ensuring appropriate plans are in place for succession cover for business critical roles.

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

The Committee has regard to the following policy objectives:

- to ensure that the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders;
- to attract and retain skilled executives;
- to structure short and long term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
- to ensure that any termination benefits are justified and appropriate.

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

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

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

Use of remuneration consultants

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

Remuneration consultants are engaged by, and report directly to, the Committee.

The Board and Committee engage remuneration advisers to provide remuneration and market practice advice and information to the Board. During FY2014, the Committee continued to engage EY to provide independent advice to the Board in its review of remuneration arrangements. Remuneration advisers are engaged by the Chairman of the Committee with an agreed set of protocols to be followed by the advisers, the Committee and management that determine the way in which remuneration recommendations would be developed and provided to the Board. This process is intended to ensure there could be no undue influence by KMP for whom any recommendations may relate.

Any remuneration information for the CEO provided by EY was provided directly to the Committee Chairman who determined a recommendation, in consultation with the Committee and the Chairman of the Board.

Market data provided by EY is also used to inform the CEO in order to propose to the Committee adjustments to the remuneration of KMP for their approval.

Throughout FY2014, the information received from the Committee's remuneration consultants in respect of the CEO and executives related to:

- regulatory reforms;
- current market practices; and
- benchmarking to support the annual remuneration review for the CEO and executives.

During this engagement no remuneration recommendations (as defined by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth)) were provided to the Committee by EY. The Committee had full oversight of the review process and therefore it, and the Board, were satisfied that the information provided by EY was free from undue influence by KMP.

During the renewal of the CEO's contract of employment, a remuneration recommendation (as defined by Division 1 of Part 1.2 of Chapter 1 of the Corporations Act) was provided by EY. This remuneration recommendation was only provided to a non-executive director of the Company. EY has provided the Committee with a declaration that the remuneration recommendation has been made free from undue influence by the KMP to whom it relates. The cost associated with this recommendation was $6,630.

No other remuneration recommendations, as defined by the Corporations Act, were made by the remuneration adviser. EY was engaged in FY2014 to provide benchmarking services relating to executive and director remuneration. The total fees paid to EY during the year for this advice was $110,840.

The Board is satisfied that the remuneration information received from EY was free from undue influence by Board members or any of the KMP to whom the information relates.

Policies for remuneration of directors and other KMP

Non-executive director remuneration

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

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

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

Non-executive directors who chair a committee also receive additional yearly fees for their role in serving that committee. The following yearly fees applied in FY2014:

Base annual fees	$
Chairman[1]	400,000
Other non-executive directors	150,000
Additional annual fees	
Deputy Chairman	30,000
Audit, Finance and Risk Committee – Chairman	30,000
Audit, Finance and Risk Committee – member	–
Human Resources and Remuneration Committee – Chairman	15,000
Human Resources and Remuneration Committee – member	–
Nomination Committee – Chairman	–
Nomination Committee – member	–

1 Prior to October 2012, the fee for the Chairman was $500,000 per annum.

Note: Based on the composition of the Board over FY2014, the total fees actually paid to non-executive directors have reduced from FY2013, as shown on the table on page 63.

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

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

Executive Director and other KMP remuneration

The remuneration structure seeks to ensure that executive rewards deliver an appropriate balance between shareholder and executive interests.

The remuneration structure provides a mix of fixed and variable (or 'at risk') pay, and a blend of short and longer-term incentives. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of 'at risk' pay.

The diagram below illustrates how Myer's remuneration strategy, and the structures the Board has put in place to achieve this strategy, align with the Company's business objectives.

Operational strategy

Optimise our store network	Enhance our merchandise offer	Improve customer service	Strengthen our loyalty program	Build a leading omni-channel offer

Remuneration strategy

Attract and retain high calibre executives

› reward competitively in the markets in which Myer operates
› provide a balance of fixed and 'at risk' remuneration

Align executive rewards with Myer's performance

› assess rewards against objective financial measures
› make short-term and long-term components of remuneration 'at risk'
› remunerate or reward based on performance

Remuneration components

Fixed annual remuneration

› provides 'predictable' base level of reward
› set at market median using external benchmark data
› varies based on employee's experience, skills and performance
› consideration given to both external and internal relativities

Short term incentive

› entirely focused on financial targets linked to objective measures

Long term incentive

› delivered in equity to align executives with shareholder interests
› tested after three years
› focused on long-term business strategy and aligns KMP and shareholder interests to support the creation of long-term shareholder value
› full vesting when Myer achieves top quartile performance and when the EPS Hurdle is achieved

In order to align shareholder and executive interests and attract and retain talent, the remuneration structure is designed to:

› encourage a performance-based workplace culture and recognition for contribution to meeting business objectives;
› have profit as a core component of reward design;
› through long term incentive, focus on sustained growth in shareholder returns, consisting of dividends, share price and growth in earnings per share;
› deliver consistent financial returns as well as focusing the executives on key non-financial drivers of value;
› attract and retain high-calibre executives; and
› reward capability and performance.

As a general guide, the Company targets a median fixed remuneration position having regard to a comparator group of companies.

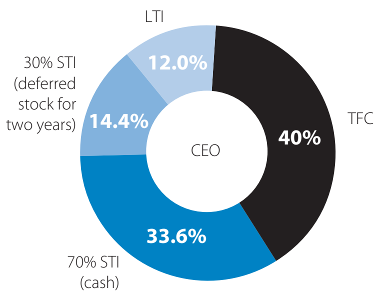
Executive remuneration

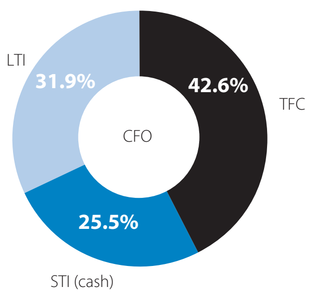
The Company's remuneration principles and policies have been applied during the year to ensure remuneration outcomes for executives reflect the prevailing market conditions, the need to attract and retain talented executives, and Company performance.

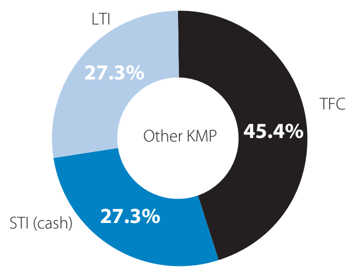
The executive pay and reward framework has three components:

› TFC – base pay and benefits, including superannuation;
› STI; and
› LTI through participation in the offers under the EEIP.

The combination of these three components comprises an executive's total remuneration mix at target of performance reflected by percentage in the following charts.







Total Fixed Compensation

Fixed remuneration is determined by assessing an individual's competency level and experience against the requirements of the respective position relative to business unit/functional alignment and external market conditions, with flexibility to recognise individual performance and value to the organisation.

Feature	Description
What is included in TFC?	TFC is structured as a total fixed employment compensation package, made up of base salary, superannuation and other benefits. Some of the benefits include the opportunity to receive a portion of their fixed remuneration in a variety of forms, including fringe benefits such as motor vehicles, or to make additional contributions to superannuation or retirement plans (as permitted by relevant legislation).
How is TFC reviewed?	Base salary levels for each executive are set with reference to the market conditions and the scope and nature of each individual's role, the experience of the individual and performance in that role. The Committee reviews and makes recommendations to the Board regarding TFC for KMP and senior executives annually in July, having regard to Group and individual performance and relevant comparative remuneration in the market. Annual adjustments approved by the Board are effective 1 February. The Board may also approve adjustments to executive remuneration as recommended by the CEO, such as on promotion or as a result of additional duties performed by the executive. Where new senior executives join the Group or existing executives are appointed to new roles, a review and benchmarking of fixed and total remuneration is conducted for each individual prior to the issue of an offer and execution of a new employment contract. Annual adjustments to the remuneration of executives and employees who are not KMP or senior executives are determined based upon guidelines approved by the CEO and advised to the Committee.
Which benchmarks are used?	Remuneration for KMP is benchmarked against both a peer group of companies and companies from the ASX 200, with a market capitalisation of between 50% and 200% of that of Myer (excluding companies from the financial and mining sectors).

EY provided benchmarking data to the Committee in connection with the Committee's review of TFC for members of the Group Executive in March 2014. Other than for the renewal of the CEO's contract and the CFO, no adjustment to TFC was approved for the KMP for FY2014. EY's 2014 review of remuneration indicated that the CFO's TFC was below market median. The Board approved a 7.1% increase to the CFO's TFC to be effective from 1 May 2014 in recognition of the CFO taking on additional duties and having regard to EY's benchmarking data.

Short Term Incentive

The quantum of short term variable rewards for the CEO and other KMP payable in a particular year are determined based on the extent to which key performance indicators (KPIs) are satisfied in the relevant year. These KPIs are set by reference to the Company's overall performance and individual performance objectives established for the year. In the case of the CEO, these objectives are set by the Chairman and endorsed by the Board. KPIs for the other KMP are set by the CEO and endorsed by the Committee for approval by the Board.

Myer's STI plan for KMP and other senior executives operates on an annual basis subject to Board review and approval. The FY2014 STI applied to all eligible executives including the KMP, subject to certain conditions and performance criteria being met which are reviewed and approved annually by the Board.

In the 2014 financial year, despite a number of strategic and operational objectives being met, the Board determined that it would not approve the payment of STI to any of the Myer management team.

Feature	Description
What is the STI Plan?	The STI plan is the cash-based component of a senior executive's at risk reward opportunity, based on achieving pre-determined performance measurement criteria.
What is the value of the STI opportunity?	In respect of FY2014: › The CEO had the opportunity to receive an STI award equivalent to 100% of his TFC for at target performance. › The remaining members of the senior executive team had the opportunity to earn a bonus equivalent to between 45% and 60% of their fixed annual remuneration for at target performance.
What was the FY2014 performance measure?	The KPI approved by the Board for the FY2014 STI plan was NPAT.
Why was the performance measure selected?	NPAT was identified as the key financial objective for the success of the business in FY2014 and the achievement of satisfactory returns for the Company's shareholders. NPAT was considered to be the appropriate financial performance criteria for the STI plan given it measures bottom line growth and increases in Company earnings, being what shareholders expect the Company to deliver.
How is performance measured?	The Committee determines whether, or the extent to which, the NPAT target is satisfied following the end of the financial year, once the Company's annual accounts have been approved by the directors and audited. If the NPAT Hurdle is satisfied, a STI will be paid to participating KMP and other executives. The quantum of any STI reward provided will depend on the extent to which the NPAT target reward is achieved. A minimum threshold is also set, below which no STI reward will be provided. Once it has been determined whether, and the extent to which, the NPAT target has been satisfied, the Committee will make a recommendation to the Board for approval of the STI rewards to be paid to the CEO and individual executives.
When are incentives paid?	STI rewards approved by the Board are paid to participating KMP and executives in the month following the release of the Company's results to the ASX.
Does a 'clawback' apply?	The STI Plan allows the Board to take any steps that it determines appropriate to recover from the individual executive any STI reward that was incorrectly provided as a result of a material misstatement in, or omission from, the Company's financial statements. The provision applies only to those executives who were KMP of the Group Executive at the time the financial statements were approved by the Board and issued by the Company.

The Committee is responsible for assessing whether the performance criteria are met. To help make this assessment, the Committee receives reports on the Company's performance from management. All proposed STI payments are verified by internal audit review prior to any payment being made. The Committee has the discretion to recommend to the Board an adjustment to STIs in light of unexpected or unintended circumstances. There has been no discretion applied.

Details of remuneration: bonuses

For each STI reward referred to in this report, the percentage of the available STI reward that was paid in the financial year, and the percentage and value that was forfeited because the relevant KMP did not meet the service and performance criteria is set out below. STI rewards are payable in the year following the period in which they are earned.

Short term performance and STI payments for FY2014

The FY2014 STI program relevant to the KMP can be summarised as follows:

	STI/Bonus[1]			
Name	Achieved 2014 %	Forfeited 2014 %	Target value 2014 $	Forfeited value 2014 $
B Brookes	0	100	2,000,000	2,000,000
M Ashby	0	100	425,950	425,950
A Stapleton[2]	0	100	285,000	285,000
A Sutton	0	100	255,000	255,000
G Travers[3]	0	100	420,000	420,000

1 The % of STIs achieved and forfeited for 2014 are based on performance against 'at target' performance as explained above.
2 A Stapleton ceased employment on 18 July 2014.
3 G Travers ceased employment on 2 May 2014.

Long Term Incentive

Myer's LTI plan, the Myer Equity Incentive Plan (MEIP) has been in operation since December 2006. Features of the MEIP are outlined in the table below. In FY2014 the Board granted participating and eligible KMP and other senior executives performance rights under the MEIP. This FY2014 offer of performance rights was made under the EEIP offer, which was an LTI offer specifically designed for eligible KMP and other senior executives. The EEIP offer was administered under the overarching terms of the MEIP.

The Committee regards it as an important principle that performance rights will be forfeited by the individual in specific circumstances, including if they resign from the Company within the three year performance period or where the clawback arrangements would apply.

MEIP (LTI Plan)

Feature	Description
What is the LTI Plan?	Under the MEIP, performance rights (being rights to be provided with shares in the Company) may be offered annually to the CEO and nominated executives. The employees entitled to participate in the plan include executives who are considered to play a leading role in achieving the Group's long term strategic and operational objectives. In FY2014, KMP and other senior executives received performance rights under the EEIP offer. A grant of performance rights for each executive through the EEIP offer is determined as part of the calculation of total remuneration for an executive role. The Committee determines LTI awards by assessing the quantum required to provide a market competitive total remuneration reward structure including base salary and STI amounts. The MEIP is a retention incentive that is intended to promote alignment between executive and shareholder interests over the longer term. Each right offered is an entitlement to one fully paid ordinary share in the Company on terms and hurdles determined by the Board, including performance hurdles linked to both service (through a three year performance period for each offer) and Company performance.
Instrument	Performance rights: each performance right entitles a participating executive to be provided with one Myer share in the Company, subject to the satisfaction of the performance hurdles set out below. The number of performance rights that vest is not determined until after the end of the performance period (being 30 July 2016). The performance right will therefore not provide any value to the holder between the date the performance right is granted until after the end of the performance period and then only if the performance hurdles are satisfied. Performance rights do not carry entitlements to ordinary dividends or other shareholder rights until the performance rights vest and shares are provided. Accordingly, participating executives do not receive dividends during the performance period.
Determining the number of performance rights	The number of performance rights allocated depends on each executive's LTI target (see diagram on page 53 for an explanation of target remuneration). The value of the performance rights granted is calculated based on the Volume Weighted Average Price (VWAP) of the Company's shares for the five days prior to the closing date of the offer.
Performance period	The performance period commences at the beginning of the financial year in which the performance rights are granted. For the performance rights granted under the FY2014 EEIP, the performance period started on 28 July 2013 and ends after three years on 30 July 2016. Following the end of the performance period for the performance rights and after the Company has lodged its full year audited financial results for 2016 with the ASX, the Board will test the performance hurdles that apply to the FY2014 EEIP offer and will determine how many performance rights (if any) are eligible to vest. There will be no retesting of the performance hurdles at a later date if they are not fully satisfied.

MEIP (LTI Plan) continued

Feature	Description
Performance hurdles	FY2014 EEIP offer (Performance period 28 July 2013 – 30 July 2016): Consistent with prior years, the financial performance measures approved by the Board for the FY2014 EEIP offer were TSR performance and the Company's EPS. The Board also approved a new performance measure for the FY2014 EEIP, known as the Business Transformation Hurdle. › 50% of each award is subject to a performance hurdle, which measures the Company's TSR performance relative to a set peer group. In selecting the TSR peer group, the Board sought independent advice. The composition of the group reflects measures of relative sales and market capitalisation as well as industry type that is complementary in nature to the Company's business. It includes companies that are consumer facing, have a service orientation and/or are retail in nature with either product or services provided as part of their core offer. › 25% of each award is subject to a performance hurdle that measures the Company's EPS. The EPS Hurdle is based on the compound annual growth rate in the Company's fully diluted EPS over the performance period. › 25% of each award is subject to a Business Transformation Hurdle. The purpose of the Business Transformation Hurdle is to assess the way in which Myer is transforming due to the structural realignment of the retail industry.
Why were the performance measures selected?	The Board wished to continue with a market-based performance measure for the FY2014 offer and a relative TSR measure was selected to ensure an alignment between comparative shareholder return and reward for executives. This also provides a direct comparison of the Company's performance over the three year performance period against a comparator group of companies that would, broadly, be expected to be similarly impacted by changes in market conditions. EPS was selected as it is considered to be an effective measure for determining the underlying profitability of the business. The Business Transformation measure was introduced to the plan to assess the way in which the Company is transforming in a time of continued structural realignment of the retail industry.
Vesting framework (continued next page)	The number of performance rights that vest will depend on how well Myer has performed during the performance period. For superior performance, 100% of the performance rights will vest. Only a percentage of performance rights will vest for performance below that level. If Myer does not achieve certain minimum thresholds then all the applicable performance rights will lapse and no performance rights can vest. For the FY2014 EEIP offer the following vesting hurdles apply:

› **TSR (50% of the award)**

TSR percentile ranking	% of TSR performance rights that will vest
Below 50th	Nil
From 50th to 75th	Pro rata with a linear progression between 50% and up to 100% of the number of TSR performance rights
75th and above	100%

› **EPS (25% of the award)**

EPS Hurdle rate (CAGR over the performance period)	% of EPS performance rights that will vest
Less than 2%	Nil
Between 2% and 7% pro rata vesting of rights	Pro rata with a linear progression between 50% and up to 100% of the number of EPS performance rights
7% or greater	100% of the number of EPS performance rights

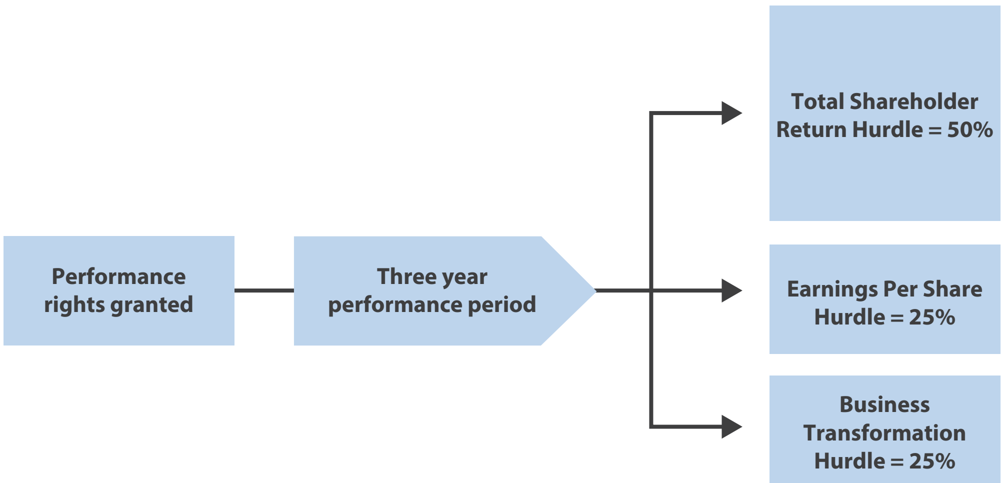
MEIP (LTI Plan) continued

Feature	Description
Vesting framework (continued)	› **Business Transformation (25% of the award)** At the end of the performance period, the Board will compare Myer's actual performance against the target performance for the Business Transformation Hurdle metrics as set out in Myer's business plan. The Board will then determine, in its absolute discretion, the percentage of the Business Transformation performance rights that are eligible to vest on the basis of the results of the comparison of Myer's actual performance against the target performance for the Business Transformation Hurdle metrics as set out in Myer's business plan. Each performance hurdle will be assessed separately, meaning that all hurdles do not need to be satisfied for any of an executive's performance rights to vest. This means that it is possible for some or all of the performance rights with an EPS Hurdle to vest, while none of the performance rights with a TSR or BT Hurdle vest (and vice versa).
Cessation of employment	Generally, any performance rights granted will lapse on cessation of employment if they have not been exercised (whether vested or unvested before that time). Subject to applicable law, the Board has the power to allow an executive to keep some, or all of their performance rights on cessation of employment (although the discretion is only likely to be exercised in exceptional circumstances).
Does a 'clawback' apply?	The LTI plan includes provisions for unvested rights to lapse and rights or interests in shares allocated or to be allocated under the EEIP to be forfeited, at the Board's discretion, if any performance rights were incorrectly granted as a result of a material misstatement in, or omission from, the Company's financial statements. The provision applies only to those executives who were KMP of the Company at the time the financial statements were approved by the Board and issued by the Company.
Board discretion	The rights and entitlements attaching to performance rights may be adjusted if the Company undertakes a bonus or rights issue or a capital reconstruction in relation to the Company's shares.
Expiry	At the end of the applicable performance period, any performance rights that have not vested will lapse and no shares will be provided for those performance rights.

Equity arrangements with directors and other KMP

FY2014 EEIP grant

In FY2014 KMP (other than the CEO) and other senior executives received LTI awards under the MEIP through the EEIP offer. The awards granted may deliver value to executives at the end of the three year performance period, subject to satisfaction of performance hurdles as set out in the diagram below:



The following table summarises the FY2014 performance right grants made to KMP in December 2013.

KMP	Value of performance rights at grant date	Valuation of each performance right at grant date	Number of performance rights granted[1]	Exercise price	Applicable hurdles	End of performance period
M Ashby	$525,000	EPS $2.36 TSR $1.57 BT $2.36 Service $2.36	183,566	0	30% TSR Hurdle 15% EPS Hurdle 15% BT Hurdle 40% 3 year Service Hurdle	30 July 2016
A Stapleton[2]	$285,000	EPS $2.36 TSR $1.57 BT $2.36	99,650	0	50% TSR Hurdle 25% EPS Hurdle 25% BT Hurdle	30 July 2016
A Sutton	$255,000	EPS $2.36 TSR $1.57 BT $2.36	89,160	0	50% TSR Hurdle 25% EPS Hurdle 25% BT Hurdle	30 July 2016
G Travers[3]	$420,000	EPS $2.36 TSR $1.57 BT $2.36	146,853	0	50% TSR Hurdle 25% EPS Hurdle 25% BT Hurdle	30 July 2016

1 The VWAP price used for the allocation of the FY2014 grant was $2.86.
2 A Stapleton ceased employment on 18 July 2014.
3 G Travers ceased employment on 2 May 2014.

The TSR peer group

The table below sets out the peer group for the FY2014 EEIP offer. If any of these organisations cease to exist as entities at any time during the performance period, the size of the peer group may be maintained by additions determined by the Board. In selecting the TSR peer group, the Board sought independent advice. The composition of the group reflects measures of relative sales and market capitalisation as well as industry type that is complementary in nature to the Company's business. It includes companies that are consumer facing, have a service orientation and/or are retail in nature with either product or services provided as part of their core offer.

Air New Zealand Ltd	AP Eagers Ltd	Australian Pharmaceutical Industries Ltd
Automotive Holdings Group Ltd	Bendigo and Adelaide Bank Ltd	Billabong International Ltd
Coca-Cola Amatil Ltd	David Jones Ltd	Flight Centre Ltd
Harvey Norman Holdings Ltd	JB Hi-Fi Ltd	Metcash Ltd
Pacific Brands Ltd	Premier Investments Ltd	Tabcorp Holdings Ltd
Tatts Group Ltd	Oroton Group Ltd	Specialty Fashion Group Ltd
Woolworths Ltd	Wesfarmers Ltd	GUD Holdings Ltd
Breville Group Ltd	STW Communications Group Ltd	

As David Jones limited has traded for the full year in 2014 it remains appropriate that it is included in the TSR assessment for performance rights that were issued in FY2012. Indicative testing of these performance rights was undertaken following the lodgement of the Company's FY2014 preliminary results with the ASX. Based on this preliminary assessment, these rights are not likely to vest as the TSR and CAGR EPS hurdles are unlikely to be achieved. The TSR and EPS hurdles will be tested following the lodgement of the Company's audited results with the ASX. If that testing confirms that the hurdles have not been achieved, then all of these performance rights will lapse.

Two other grants of performance rights have been made where David Jones was included in the peer group of entities for the TSR hurdle (FY2013 and FY2014). David Jones will be removed from the peer group and will not be replaced by another entity when measuring achievement against these two awards.

Additional grant to CFO

Additional performance rights were offered to the CFO in FY2014. The potential value of the performance rights granted to the CFO under the EEIP offer was equivalent to 75% of his TFC. The performance rights comprising 45% of TFC will be subject to the three metrics outlined on pages 57 and 58 (applied in the same way as other executives covered by the EEIP offer), and 30% of TFC subject to a condition of continuous employment with the Company until the end of the vesting period (being 30 July 2016).

Options and performance rights

Details of options granted under the MEIP that remain unvested as at 26 July 2014 are set out in the table below. No options have been granted under the MEIP since 2009.

Grant type (Options/Performance rights)	Grant date	Number of options[1]	Exercise price $	Value per option at grant date $	Vesting date (if option holder remains employed by a Myer Group company)	Expiry date
Options	17 Dec 2008	–	$2.14	$0.43	31 Jul 2013	24 Oct 2013
Options	30 Jun 2009	2,231,650	$2.34	$0.49	31 Jul 2014	24 Oct 2014
Options (CEO only EPS Hurdle)	6 Nov 2009	–	$4.10	$1.31	End of performance period	31 Dec 2013
Options (CEO only share price Hurdle)	6 Nov 2009	–	$5.74	$1.01	End of performance period	31 Dec 2013
	FY2011		**No grants were made**			
Rights (CEO only EPS Hurdle)	9 Dec 2011	808,383	–	$1.67	End of performance period	31 Oct 2014
Rights (CEO only TSR Hurdle)	9 Dec 2011	1,250,000	–	$1.08	End of performance period	31 Oct 2014
Rights (EPS Hurdle)	21 Oct 2011	851,977	–	$1.67	End of performance period	31 Oct 2014
Rights (TSR Hurdle)	21 Oct 2011	1,317,228	–	$1.08	End of performance period	31 Oct 2014
Rights (EPS Hurdle)	29 Jan 2013	275,733	–	$2.08	End of performance period	31 Oct 2015
Rights (TSR Hurdle)	29 Jan 2013	275,737	–	$1.56	End of performance period	31 Oct 2015
Rights (Service Hurdle)	29 Jan 2013	1,138,011	–	$2.08	End of performance period	31 Oct 2015
Rights (EPS Hurdle)	11 Dec 2013	128,035	–	$2.36	End of performance period	31 Oct 2016
Rights (TSR Hurdle)	11 Dec 2013	256,075	–	$1.57	End of performance period	31 Oct 2016
Rights (BT Hurdle)	11 Dec 2013	128,037	–	$2.36	End of performance period	31 Oct 2016
Rights (CFO only service Hurdle)	11 Dec 2013	73,426	–	$2.36	End of performance period	31 Oct 2016
Total		**8,734,292**				

1 Of the options noted above, 315,600 options have vested and remain unexercised as at 26 July 2014. Refer to Financial Report (note 36) for details.

Assessment

At the end of each performance period, the Committee reviews the Company's audited financial results and the results of the other performance measures and assesses performance against each measure to determine the percentage of the options (if any) that will vest.

Details of options and performance rights over ordinary shares in the Company currently provided as remuneration and granted during the current year to each director and each KMP are set out below. Further information on the MEIP is set out in note 36 of the Financial Report.

Summary of options and performance rights granted, vested and lapsed for the reporting period

Name	Number of performance rights granted during the period[1]	Value of performance rights at grant date[2] $	Number of options vested during the period	Number of options lapsed during the period	Value at lapsed date $
KMP of the Company					
M Ashby	183,566	525,000	–	–	–
A Stapleton[3]	99,650	285,000	15,000	410,723	361,231
A Sutton	89,160	255,000	115,000	–	–
G Travers[4]	146,853	420,000	–	597,626	630,495

1 No options or rights were granted to any director of the Company during the reporting period.
2 The VWAP price used for the allocation of the FY2014 grant was $2.86.
3 A Stapleton ceased employment on 18 July 2014.
4 G Travers ceased employment on 2 May 2014.

Note: Section 300 (1) of the Corporations Act requires additional disclosures for the top five most highly remunerated officers of Myer. T Clark is not KMP but together with certain KMP listed above, fell within the five most highly remunerated officers of Myer during FY2014. T Clark was granted 78,670 performance rights as part of his remuneration in FY2014.

The assessed fair value at grant date of options granted to KMP is allocated equally over the period from grant date to vesting date and the amount is included in the remuneration tables on page 63. Fair values at grant date are independently determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, and the risk-free interest rate for the term of the option.

Shares provided on exercise of options

Details of ordinary shares in the Company provided as a result of the exercise of options to each director of the Company and KMP are set out below.

Name	Number of ordinary shares provided on exercise of options during the period[1]	Value at exercise date[2,3] $
KMP of the Company		
M Ashby	–	–
A Stapleton[4]	15,000	7,812
A Sutton	115,000	57,929
G Travers[5]	–	–

1 The number of shares provided on exercise of options are on a one-for-one basis.
2 No options or rights were granted to any director of the Company during the reporting period.
3 The value at exercise date of options that were granted in prior periods as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date. This represents the excess of market value of the share acquired over the exercise price paid.
4 A Stapleton ceased employment on 18 July 2014.
5 G Travers ceased employment on 2 May 2014.

No amounts are unpaid on any shares provided on the exercise of options.

Long term incentives on issue

Details of remuneration: share-based compensation benefits

For each grant of options or grant of performance rights included in this report, the percentage of the grant that was paid, or that vested, in the financial year, and the percentage and value that was forfeited because the person did not meet the service and performance criteria is set out below. Options and performance rights vest provided the vesting conditions or performance hurdles are met (see pages 56 to 58). No options or performance rights will vest if the hurdles (either service or performance) are not satisfied, therefore the minimum value of the options or performance rights yet to vest is nil. The maximum value of the options or performance rights yet to vest has been determined as the amount of the grant date fair value of the options or performance rights that is yet to be expensed. The following equity grants were made to KMP:

Share-based compensation benefits (options)					
Name	Year granted	Vested %	Forfeited %	The remaining financial years in which performance rights may vest	Maximum total value of grant yet to vest $
B Brookes	2012	–	–	2015	71,893
M Ashby	2014	–	–	2017	248,452
	2013	–	–	2016	64,297
	2012	–	–	2015	8,687
A Stapleton[1]	2014	–	100	2017	–
	2013	–	100	2016	–
	2012	–	100	2015	–
A Sutton	2014	–	–	2017	93,798
	2013	–	–	2016	40,823
	2012	–	–	2015	762
G Travers[2]	2013	–	100	2016	–
	2012	–	100	2015	–
	2010	–	100	2013	–

1 A Stapleton ceased employment on 18 July 2014.
2 G Travers ceased employment on 2 May 2014.

Service agreements

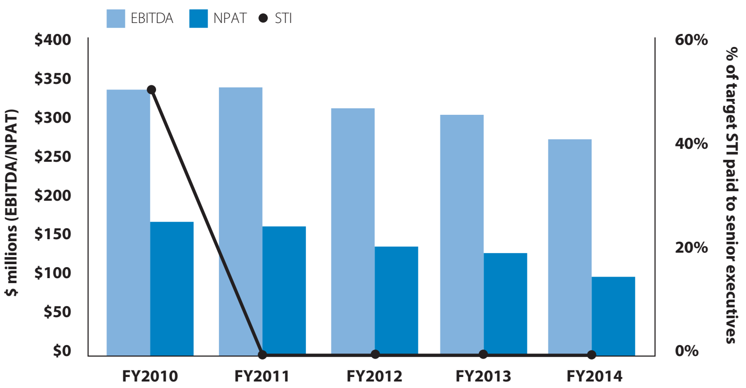
On appointment to the Board, all non-executive directors sign a letter of appointment. The letter summarises the Board's policies and terms relevant to the office of director (including remuneration). Remuneration and other terms of employment for the CEO and the other executive KMPs are formalised in service agreements. Each of these agreements prescribes a base or fixed remuneration amount, a STI reward, other benefits including salary sacrificing for vehicle leasing and, when eligible, LTI reward through participation in the MEIP through the EEIP offer. Other key provisions of the agreements relating to remuneration. The termination provisions for the KMP are described below:

Name	Contract type	Base salary including superannuation[1] $	Termination notice period initiated by KMP	Termination notice period initiated by Company	Termination payment where initiated by the Company
B Brookes[2]	Rolling contract	2,000,000	6 months	12 months	12 months
M Ashby	Rolling contract	750,000	3 months	6 months	6 months
A Sutton	Rolling contract	425,000	3 months	6 months	6 months

1 Base salaries (TFC) quoted as at 26 July 2014.
2 B Brookes appointed on an open term contract in February 2014.

Remuneration and Company performance

The following graph shows the average individual total STI payment (as a percentage of each individual's target STI, where 100% is the target for the KMP group and its relationship to Group EBITDA and NPAT outcomes over five financial years).



The following table shows the Company's annual performance against a range of metrics since 2010. The table shows the impact of Company performance on shareholder returns, taking into account dividend payments, share price changes, and other capital adjustments during the period.

	FY2010	FY2011	FY2012	FY2013	FY2014
Basic EPS (cents)[1]	29.0	27.9	23.9	21.8	16.8
NPAT ($'000)[2]	168,702[4]	162,657[5]	139,365	127,212	98,499
Dividends (cents per share)	22.0	22.5	19.0	18.0	14.5
Share price at beginning of year[3] ($)	4.10	3.45	2.31	1.83	2.66
Share price at end of year ($)	3.45	2.31	1.83	2.66	2.24

1 2010 Basic EPS is calculated using pro forma NPAT and divided by the closing shares on issue. 2011 Basic EPS is calculated using normalised NPAT and divided by the weighted average shares.
2 For details of 2011 to 2013 NPAT refer to page 8.
3 2010 share price at the beginning of the year is the share price at listing.
4 2010 NPAT is pro forma NPAT excluding IPO costs.
5 2011 NPAT excludes IPO and one-off costs.

Remuneration outcomes for directors and other KMP

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

The below table shows the remuneration amounts recorded in the financial statements in the period. Footnotes are on the following page.

	Short-term employee benefits				Post employment benefits		Long-term benefits			Total remuneration expense	Share-based payments	
Name	Cash salary and fees[1] $	Bonus/ incentive STI[2] $	Other[3] $	Non-monetary benefits $	Super-annuation[4] $	Subtotal $	Long service leave $	Retention bonus $	Termination and other payments $	Excluding share-based payments[5] $	Options[6] $	Total remuneration expense $
Non-executive directors												
P McClintock[7]												
2014	382,225	–	–	–	17,775	400,000	–	–	–	400,000	–	400,000
2013	301,659	–	–	–	14,283	315,942	–	–	–	315,942	–	315,942
H McDonald[8]												
2014	–	–	–	–	–	–	–	–	–	–	–	–
2013	134,898	–	–	–	4,595	139,493	–	–	–	139,493	–	139,493
R Myer[9]												
2014	163,350	–	–	–	16,650	180,000	–	–	–	180,000	–	180,000
2013	163,457	–	–	–	13,500	176,957	–	–	–	176,957	–	176,957
A Brennan												
2014	163,350	–	–	–	16,650	180,000	–	–	–	180,000	–	180,000
2013	163,800	–	–	–	16,200	180,000	–	–	–	180,000	–	180,000
I Cornell[10]												
2014	55,017	–	–	–	5,608	60,625	–	–	–	60,625	–	60,625
2013	–	–	–	–	–	–	–	–	–	–	–	–
C Froggatt												
2014	149,738	–	–	–	15,262	165,000	–	–	–	165,000	–	165,000
2013	150,150	–	–	–	14,850	165,000	–	–	–	165,000	–	165,000
P Hay[11]												
2014	131,152	–	–	–	13,413	144,565	–	–	–	144,565	–	144,565
2013	136,500	–	–	–	13,500	150,000	–	–	–	150,000	–	150,000
I Morrice[12]												
2014	–	–	–	–	–	–	–	–	–	–	–	–
2013	77,694	–	–	–	7,684	85,378	–	–	–	85,378	–	85,378
R Thorn[13]												
2014	55,017	–	–	–	5,608	60,625	–	–	–	60,625	–	60,625
2013	–	–	–	–	–	–	–	–	–	–	–	–
Executive director												
B Brookes												
2014	1,843,056	–	153,336	–	29,444	2,025,836	60,897	–	–	2,086,733	484,615	2,571,348
2013	1,783,530	–	109,805	–	16,470	1,909,805	29,351	–	–	1,939,156	604,616	2,543,772
Key Management Personnel												
N Abboud[14]												
2014	–	–	–	–	–	–	–	–	–	–	–	–
2013	89,127	–	184	–	13,936	103,247	–	–	–	103,247	(185,840)	(82,593)
M Ashby												
2014	631,159	–	1,317		77,175	709,651	25,598	–	–	735,249	181,328	916,577
2013	601,617	–	1,313	–	40,050	642,980	11,387	–	–	654,367	95,997	750,364
M Goddard[15]												
2014	–	–	–	–	–	–	–	–	–	–	–	–
2013	241,160	–	684	–	22,097	263,941	–	–	–	263,941	–	263,941
A Stapleton[16]												
2014	451,324	–	1,317	–	23,676	476,317	–	–	–	476,317	(101,916)	374,401
2013	188,595	–	255	–	9,321	198,171	19,349	–	–	217,520	55,223	272,743
A Sutton[17]												
2014	407,225	–	1,317	–	17,775	426,317	8,111	–	–	434,428	96,840	531,268
2013	167,783	–	295	–	6,863	174,941	30,711	–	–	205,652	55,535	261,187
G Travers[18]												
2014	722,273	–	1,317	–	14,947	738,537	–	–	–	738,537	(141,201)	597,336
2013	623,064	–	1,313	–	18,602	642,979	21,612	–	–	664,591	95,997	760,588
Totals 2014	**5,154,886**	**–**	**158,604**	**–**	**253,983**	**5,567,473**	**94,606**	**–**	**–**	**5,662,079**	**519,666**	**6,181,745**
Totals 2013	**4,823,034**	**–**	**113,849**	**–**	**211,951**	**5,148,834**	**112,410**	**–**	**–**	**5,261,244**	**721,528**	**5,982,772**

1 Cash salary includes short term compensated absences, consideration for vehicle salary sacrifice and fees including allowances for Committee 'chairman' responsibilities for A Brennan and C Froggatt and Deputy Chairman fee for R Myer.
2 STI payments relate to program performance and conditions for the year they were earned, not the year of actual payment. Due to performance, no STI payments were earned in the FY2014 year under the STI.
3 Other payments for B Brookes include payments for rental subsidy and certain other services in relation to provision of accommodation. Other payments also include Company-paid FBT expenses.
4 There were no post-employment benefits paid other than superannuation.
5 Total remuneration expense excluding share-based payments reflects the accounting expense treatment of base salary, any bonuses or short term incentive payments, Fringe Benefit Tax expenses, superannuation, the balance of long service leave accruals, retention payments and any termination benefits in the reporting period.
6 Remuneration in relation to share options represents the amount expensed for the period based on valuations determined under AASB 2 Share-based Payment. This expense is based on the fair value at grant date, and reflects expectations of the number of options expected to vest. Where expectations change in relation to vesting, adjustment is made in the current period to reflect this change. As the equity grant may fully vest, partially vest or not vest at all, the benefit that the KMP ultimately realises is likely to be different to the amount disclosed in a particular year. The amount disclosed does not represent cash payments received in the period, and if vesting conditions are not met may result in reversal of the remuneration amount in a future period. There were no other equity-settled share-based payments and there were no cash-settled share-based payments.
7 P McClintock was appointed as a non-executive director on 8 August 2012 and appointed Chairman on 10 October 2012.
8 H McDonald retired on 10 October 2012. H McDonald was appointed as a director on 6 November 2006 and Chairman on 4 August 2009.
9 R Myer was appointed as a non-executive director on 12 July 2006 and was appointed Deputy Chairman on 8 August 2012.
10 I Cornell was appointed as a non-executive director on 6 February 2014.
11 P Hay retired as a non-executive director effective from 14 July 2014.
12 I Morrice was appointed as a director on 8 August 2012 and retired on 1 March 2013.
13 R Thorn was appointed as a non-executive director on 6 February 2014
14 N Abboud ceased employment on 18 September 2012.
15 M Goddard ceased employment on 4 February 2013.
16 A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013 and ceased employment on 18 July 2014.
17 A Sutton was promoted to Executive General Manager Stores on 14 February 2013.
18 G Travers was appointed as Executive General Manager Business Services on 1 November 2010 and ceased employment on 2 May 2014.

STI and LTI remuneration

The table below sets out the relative proportion of remuneration for the executive directors and other KMP that is linked to performance and the proportion which is fixed.

	Total remuneration expense	Total fixed remuneration		At risk – STI		At risk – LTI[1]			
						Share options		Retention incentive	
Name	**$**	**$**	**%**	**$**	**%**	**$**	**%**	**$**	**%**
Executive directors									
B Brookes									
2014	2,571,348	2,086,733	81	–	–	484,615	19	–	–
2013	2,543,772	1,939,156	76	–	–	604,616	24	–	–
KMP									
N Abboud[2]									
2014	–	–	–	–	–	–	–	–	–
2013	(82,593)	103,247	(125)	–	–	(185,840)	225	–	–
M Ashby									
2014	916,577	735,249	80	–	–	181,328	20	–	–
2013	750,364	654,367	87	–	–	95,997	13	–	–
M Goddard[3]									
2014	–	–	–	–	–	–	–	–	–
2013	263,941	263,941	100	–	–	–	–	–	–
A Stapleton[4]									
2014	374,401	476,317	127	–	–	(101,916)	(27)	–	–
2013	272,743	217,520	80	–	–	55,223	20	–	–
A Sutton[5]									
2014	531,268	434,428	82	–	–	96,840	18	–	–
2013	261,187	205,652	79	–	–	55,535	21	–	–
G Travers[6]									
2014	597,336	738,537	124	–	–	(141,201)	(24)	–	–
2013	760,588	664,591	87	–	–	95,997	13	–	–
Totals 2014	**4,990,930**	**4,471,264**	**90**	**–**	**–**	**519,666**	**10**	**–**	**–**
Totals 2013	**4,770,002**	**4,048,474**	**85**	**–**	**–**	**721,528**	**15**	**–**	**–**

1 LTI was provided through the issue of options to individual executives under the MEIP. LTI allotments have been independently valued as at the date the option was granted to the executive. The proportions shown represent the amount expensed for the period under AASB 2 Share-based Payment as a proportion of total remuneration expense for the period. This amount also includes the current expense in relation to the retention bonuses. It does not reflect a cash payment to the executive under MEIP.
2 N Abboud ceased employment on 18 September 2012.
3 M Goddard ceased employment on 4 February 2013.
4 A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013 and ceased employment on 18 July 2014.
5 A Sutton was promoted to Executive General Manager Stores on 14 February 2013.
6 G Travers was appointed as Executive General Manager Business Services on 1 November 2010 and ceased employment on 2 May 2014.

The number of options and rights over ordinary shares in the Company held during the financial period by each director of Myer Holdings Limited and other KMP of the Group, including their personally related parties, are set out below.

	Opening balance	Granted as compensation[1]	Exercised	Other changes[2]	Closing balance	Vested and exercisable[3]	Unvested
2014							
Directors of Myer Holdings Limited							
P McClintock	–	–	–	–	–	–	–
R Myer	–	–	–	–	–	–	–
B Brookes	9,438,777	–	–	(7,380,394)	2,058,383	–	2,058,383
A Brennan	–	–	–	–	–	–	–
C Froggatt	–	–	–	–	–	–	–
I Cornell[4]	–	–	–	–	–	–	–
P Hay[5]	–	–	–	–	–	–	–
R Thorn[6]	–	–	–	–	–	–	–
Other KMP of the Group							
M Ashby	450,773	183,566	–	–	634,339	–	634,339
A Stapleton[7]	326,073	99,650	(15,000)	(410,723)	–	–	–
A Sutton[8]	483,119	89,160	(115,000)	-	457,279	–	457,279
G Travers[9]	450,773	146,853	–	(597,626)	–	–	–
2013							
Directors of Myer Holdings Limited							
P McClintock[10]	–	–	–	–	–	–	–
H McDonald[11]	–	–	–	–	–	–	–
R Myer	–	–	–	–	–	–	–
B Brookes	9,438,777	–	–	–	9,438,777	–	9,438,777
A Brennan	–	–	–	–	–	–	–
T Flood[12]	–	–	–	–	–	–	–
P Hay	–	–	–	–	–	–	–
I Morrice[13]	–	–	–	–	–	–	–
Other KMP of the Group							
N Abboud[14]	1,195,154	–	–	(1,195,154)	–	–	–
M Ashby	1,600,896	190,045	–	(1,340,168)	450,773	–	450,773
M Goddard[15]	–	135,747	–	(135,747)	–	–	–
A Stapleton[16]	–	96,719	–	229,354	326,073	–	326,073
A Sutton[17]	–	45,249	–	437,870	483,119	–	483,119
G Travers	680,896	190,045	–	(420,168)	450,773	–	450,773

1 Options and rights granted during the year are outlined on page 59.
2 Other changes comprise of (i) options and rights which have expired or forfeited during the period, (ii) balances held by new KMP from the date of appointment and (iii) removes balances for those no longer regarded as KMP.
3 All vested options are exercisable at the end of the period.
4 I Cornell was appointed as a non-executive director on 6 February 2014.
5 P Hay retired as a non-executive director effective 14 July 2014.
6 R Thorn was appointed as a non-executive director on 6 February 2014.
7 A Stapleton ceased employment on 18 July 2014.
8 Excludes options held by a related party, granted in accordance with their Myer employment.
9 G Travers ceased employment on 2 May 2014.
10 P McClintock was appointed as a non-executive director on 8 August 2012 and appointed Chairman of the Company on 10 October 2012.
11 H McDonald retired as Chairman and director on 10 October 2012.
12 T Flood retired as a non-executive director effective 11 April 2012.
13 I Morrice was appointed as a non-executive director on 8 August 2012 and retired effective 1 March 2013.
14 N Abboud ceased employment on 18 September 2012.
15 M Goddard ceased employment on 4 February 2013.
16 A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013.
17 A Sutton was promoted to Executive General Manager Stores on 14 February 2013.

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

	Opening balance	Exercise of options	Ceased employment	Other changes[1]	Closing balance
2014					
Directors of Myer Holdings Limited					
P McClintock	106,000	–	–	75,000	181,000
R Myer	733,999	–	–	–	733,999
B Brookes	10,178,952	–	–	–	10,178,952
A Brennan	53,658	–	–	–	53,658
C Froggatt	10,040	–	–	–	10,040
I Cornell[2]	–	–	–	10,000	10,000
P Hay[3]	12,195	–	(12,195)	–	–
R Thorn[4]	–	–	–	–	–
Other KMP of the Group					
M Ashby	245,257	–	–	–	245,257
A Stapleton[5]	–	15,000	–	(15,000)	–
A Sutton	–	115,000	–	(115,000)	–
G Travers[6]	1,325,808	–	(1,325,808)	–	–
2013					
Directors of Myer Holdings Limited					
P McClintock[7]	–	–	–	106,000	106,000
H McDonald[8]	2,074,390	–	(2,074,390)	–	–
R Myer	733,999	–	–	–	733,999
B Brookes	10,783,380	–	–	(604,428)	10,178,952
A Brennan	53,658	–	–	–	53,658
T Flood[9]	400,000	–	(400,000)	–	–
C Froggatt	10,040	–	–	–	10,040
P Hay	12,195	–	–	–	12,195
Other KMP of the Group					
N Abboud[10]	–	–	–	–	–
M Ashby	245,257	–	–	–	245,257
M Goddard[11]	–	–	–	–	–
G Travers	1,515,808	–	–	(190,000)	1,325,808
A Stapleton[12]	–	–	–	–	–
A Sutton[13]	–	–	–	–	–

1 Other changes comprise of (i) shares which have been purchased or sold during the period, (ii) balances held by new KMP from the date of appointment and (iii) removes balances for those no longer regarded as KMP.
2 I Cornell was appointed as a non-executive director on 6 February 2014.
3 P Hay retired as a non-executive director effective 14 July 2014.
4 R Thorn was appointed as a non-executive director on 6 February 2014.
5 A Stapleton ceased employment on 18 July 2014.
6 G Travers ceased employment on 2 May 2014.
7 P McClintock was appointed a non-executive director on 8 August 2012 and appointed Chairman of the Company on 10 October 2012.
8 H McDonald retired as Chairman and director on 10 October 2012.
9 T Flood retired as a non-executive director effective 11 April 2012.
10 N Abboud ceased employment on 18 September 2012.
11 M Goddard ceased employment on 4 February 2013.
12 A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013.
13 A Sutton was promoted to Executive General Manager Stores on 14 February 2013.

Loans

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

(i) Aggregates for KMP

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.

Other transactions

There were no transactions with KMP or entities related to them, other than compensation.

Dealing in securities

Under the Company's Guidelines for Dealing in Securities, directors and senior executives are prohibited from entering into hedging arrangements with respect to the Company's securities. A copy of the Guidelines for Dealing in Securities is available on the Myer website, myer.com.au/investor.

FINANCIAL REPORT
for the period ended 26 July 2014

Myer Holdings Limited
ABN 14 119 085 602

Contents

Myer Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Myer Holdings Limited
Level 7, 800 Collins Street
Docklands VIC 3008

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 42 to 46, which is not part of this Financial Report.

This Financial Report was authorised for issue by the directors on 3 October 2014. The directors have the power to amend and reissue this Financial Report.

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

		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
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
as at 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. 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 are 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 *Amendments 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.

(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 represent 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 Shopping Credits 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.

(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

1 Summary of significant accounting policies continued

(h) Business combinations continued

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.

(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.

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.

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

1 Summary of significant accounting policies continued

(o) Property, plant and equipment continued

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 trade marks

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

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

(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 five 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.

(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.

(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 Plans 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.

(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.

1 Summary of significant accounting policies continued

(y) Goods and Services Tax (GST) continued

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 the 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

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

(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 ($9.9 million), Cost of Goods Sold ($7.7 million), Selling Expenses ($10.8 million) and Administration Expenses (-$4.2 million). This resulted in the reduction of 'Other Income' from $24.6 million to $0.5 million with the remaining balance reclassified below Operating Gross Profit. These adjustments resulted in a net reduction in Operating Gross Profit of $7.1 million with a corresponding decrease in items below Operating Gross Profit.

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 unpredictably 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 and 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.

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) on the following page.

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.

2 Financial risk management continued

(b) Credit risk continued

	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

(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 $'000	2013 $'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 three 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 $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'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)

(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).

2 Financial risk management continued

(d) Fair value measurements continued

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.

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

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

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	**(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:		
Decrease/(increase) in deferred tax assets (note 13)	**2,140**	9,765
Increase/(decrease) 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

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 are as follows:

	2014 $'000	2013 $'000
Up to three months	**25**	57
Over three 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 three months	**153**	65
Over three 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.

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 three months. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the income statement when the hedged interest expense is recognised. In the period ended 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.

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
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 trade marks $'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.

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

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

17 Other liabilities

	2014 $'000	2013 $'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 $'000	2013 $'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 $'000	2013 $'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 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 $'000	2013 $'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.

(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 Number of shares	2013 Number of shares	2014 $'000	2013 $'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 $'000	2013 $'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.

21 Retained earnings and reserves

	2014 $'000	2013 $'000
(a) Retained earnings		
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 (loss)/gain 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 the 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 was recorded against the current financial liability and non-controlling interests balances were recorded against other reserve.

(iv) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

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.		
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) Compensation

Key Management Personnel compensation for the period ended 26 July 2014 is set out below. The Key Management Personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly, including the directors of Myer Holdings Limited.

	2014 $	2013 $
Short term employee benefits	**5,313,490**	4,936,883
Post employment benefits	**253,983**	211,951
Long-term benefits	**94,606**	112,410
Share-based payments	**519,666**	721,528
	6,181,745	5,982,772

Detailed remuneration disclosures are provided in the Remuneration Report on pages 47 to 67.

(b) 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.

(c) Other transactions

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

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
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
Total remuneration for overseas practices 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 the sass & bide business, 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

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
Net identifiable assets acquired:	
Intangible assets	**1,438**
Inventories	**1,434**
Plant and equipment	**162**
Provisions	**(35)**
	2,999

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

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 $'000	2013 $'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 $'000	2013 $'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.

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.

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 it 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 on the following page 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.

31 Deed of cross guarantee continued

	2014 52 weeks $'000	2013 52 weeks $'000
INCOME STATEMENT		
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 interest	**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
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 and prepayments	**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
Deferred income	**6,045**	5,929
Other	**2,029**	30,802
Total current liabilities	**529,626**	517,582
Non-current liabilities		
Borrowings	**422,030**	420,824
Derivative financial instruments	**3,401**	2,331
Provisions	**13,997**	12,763
Deferred income	**68,900**	67,654
Other	**–**	1,354
Total non-current liabilities	**508,328**	504,926
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.

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) Events subsequent to balance date

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

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.

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 29 Jan 2013	**31 Oct 2015**	**$0.00**	**419,114**	**–**	**–**	**(143,381)**	**275,733**	**–**
Right TSR 29 Jan 2013	**31 Oct 2015**	**$0.00**	**419,120**	**–**	**–**	**(143,383)**	**275,737**	**–**
Right 29 Jan 2013	**31 Oct 2015**	**$0.00**	**1,330,318**	**–**	**–**	**(192,307)**	**1,138,011**	**–**
Right EPS 11 Dec 2013	**31 Oct 2016**	**$0.00**	**–**	**198,838**	**–**	**(70,803)**	**128,035**	**–**
Right TSR 11 Dec 2013	**31 Oct 2016**	**$0.00**	**–**	**397,684**	**–**	**(141,609)**	**256,075**	**–**
Right Business Transformation 11 Dec 2013	**31 Oct 2016**	**$0.00**	**–**	**198,841**	**–**	**(70,804)**	**128,037**	**–**
Right CFO 11 Dec 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**

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 29 Jan 2013	31 Oct 2015	$0.00	–	486,987	–	(67,873)	419,114	–
Right TSR 29 Jan 2013	31 Oct 2015	$0.00	–	486,994	–	(67,874)	419,120	–
Right 29 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 Transformation)	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	11-Dec-13	11-Dec-13	11-Dec-13	11-Dec-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.

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 $'000	2013 $'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.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 69 to 112 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 26 July 2014 and of its performance for the financial period ended on that date; and

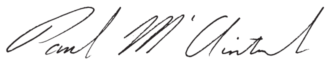
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31.

Note 1 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.



Paul McClintock AO
Chairman
Melbourne, 3 October 2014

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Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the period ended 26 July 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Andrew Mill
Partner
PricewaterhouseCoopers

Melbourne
3 October 2014

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Independent auditor's report to the members of Myer Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Myer Holdings Limited (the company), which comprises the consolidated balance sheet as at 26 July 2014, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 28 July 2013 to 26 July 2014, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Myer Holdings Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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Auditor's opinion

In our opinion:

(a) the financial report of Myer Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 26 July 2014 and of its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 47 to 67 of the directors' report for the period ended 26 July 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Myer Holdings Limited for the period ended 26 July 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers
PricewaterhouseCoopers

Andrew Mill
Partner

Melbourne
3 October 2014

SHAREHOLDER INFORMATION
as at 23 September 2014

Myer Holdings has one class of shares on issue (being ordinary shares). All the Company's shares are listed on the Australian Securities Exchange.

	Number
Issued capital	585,689,551
Number of shareholders	52,981
Minimum parcel price	$2.02
Holders with less than a marketable parcel	7,217 (1,237,283 shares)

Distribution of shareholders and shareholdings

Range	Total holders	Units	% of issued capital
1 – 1,000	25,235	12,304,659	2.10
1,001 – 5,000	18,989	44,622,045	7.62
5,001 – 10,000	4,333	33,950,540	5.80
10,001 – 100,000	4,220	105,157,365	17.95
100,001 and over	204	389,654,942	66.53
Total	**52,981**	**585,689,551**	**100.00**

Unmarketable parcels

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $2.02 per unit	248	7,217	1,237,283

Twenty largest shareholders

Rank	Name	Units	% of Units
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	126,234,855	21.55
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	54,280,896	9.27
3.	NATIONAL NOMINEES LIMITED	52,237,069	8.92
4.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	32,199,765	5.50
5.	CITICORP NOMINEES PTY LIMITED	28,829,532	4.92
6.	BNP PARIBAS NOMS PTY LTD <DRP>	7,868,938	1.34
7.	BERNARD JOSEPH BROOKES	6,225,782	1.06
8.	AMP LIFE LIMITED	4,867,581	0.83
9.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL>	3,946,000	0.67
10.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	3,476,926	0.59
11.	NATIONAL NOMINEES LIMITED <DB A/C>	3,330,822	0.57
12.	ECAPITAL NOMINEES PTY LIMITED <SETTLEMENT A/C>	1,845,582	0.32
13.	QIC LIMITED	1,815,490	0.31
14.	BAINPRO NOMINEES PTY LIMITED	1,792,634	0.31
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,698,091	0.29
16.	BOND STREET CUSTODIANS LIMITED <MPPMIM - V16636 A/C>	1,692,208	0.29
17.	BAINPRO NOMINEES PTY LIMITED	1,572,468	0.27
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,524,119	0.26
19.	BROOKES FAMILY INVESTMENTS PTY LTD <THE BROOKES INVESTMENT A/C>	1,500,000	0.26
20.	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	1,335,000	0.23
	Total top 20 shareholders of fully paid ordinary shares	**338,273,758**	**57.76**
	Total remaining holders balance	**247,415,793**	**42.24**

Shareholder information
continued

Substantial shareholders

As at 24 September 2014, there are five substantial shareholders that Myer is aware of:

Name	Date of most recent notice	Relevant interest
Harris Associates	22 May 2014	42,724,764 shares
Goldman Sachs Group Inc.	25 August 2014	41,444,348 shares
UBS AG	23 September 2014	38,339,954 shares
Commonwealth Bank of Australia	21 May 2014	35,169,489 shares
BlackRock Group	16 June 2014	29,286,209 shares

Voting rights

Shareholders may vote at a meeting of shareholders in person, directly or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company. Subject to any rights or restrictions attaching to shares, on a show of hands each shareholder present in person or by proxy, attorney or representative has one vote and, on a poll, has one vote for each fully paid share held. Presently, Myer has only one class of fully paid ordinary shares and these do not have any voting restrictions. If shares are not fully paid, on a poll the number of votes attaching to the shares is pro-rated accordingly. Options and performance rights do not carry any voting rights.

Options and performance rights

Myer has unlisted options and performance rights on issue. As at 23 September 2014, there were 166 holders of options and 243 holders of performance rights.

American Depositary Receipt Program

Myer Holdings has a Sponsored Level I American Depositary Receipt (ADR) program. Myer ADRs are not listed on an exchange and are only traded in the United States over-the-counter (OTC) market under the code: 'MYRSY' and the CUSIP number: 62847V 207.
One ADR represents four existing ordinary Myer shares.

Deutsche Bank Trust Company Americas (DBTCA) is the Depositary for the Company's ADR program in the United States. Holders of the Company's ADRs should deal directly with DBTCA on all matters relating to their ADR holdings on the contact details below:

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
Operations Centre
6201 15th Avenue
Brooklyn NY 11219

Email: DB@amstock.com

Toll-free number: +1 800 937 5449
Direct Dial: +1 718 921 8124

CORPORATE DIRECTORY

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800 Collins Street
Docklands VIC 3008
Phone: +61 (0) 3 8667 6000

Myer postal address
Myer Holdings Limited
PO Box 869J
Melbourne VIC 3000

Company Secretary
Marion Rodwell
Chief General Counsel and Group Company Secretary

Shareholder enquiries
Share Registry
Computershare Investor Services Pty Ltd
Postal address
GPO Box 2975
Melbourne VIC 3001

Myer shareholder information line
1300 820 260
+61 (0) 3 9415 4332 (outside Australia)
investorcentre.com

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+61 (0) 3 8667 6000 (outside Australia)
Fax: +61 (0) 3 8667 6091

Auditor
PricewaterhouseCoopers
Level 19, Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

Securities Exchange Listing
Myer Holdings Limited (MYR) shares are listed on Australian Securities Exchange (ASX)

Websites
myer.com.au
myer.com.au/investor
myerone.com.au

About this Annual Report
The Myer Holdings Limited Annual Report is available online at myer.com.au/investor. Hard copies can be obtained by contacting our share registry.

Annual General Meeting
The 2014 Annual General Meeting of Myer Holdings Limited will be held at Mural Hall, Level 6, Myer Melbourne, Bourke Street Mall, Melbourne, Victoria on Friday 21 November 2014 at 11.00am.

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