

MYER HOLDINGS LIMITED
ABN 14 119 085 602
APPENDIX 4E
PRELIMINARY FINAL REPORT

ASX Listing Rule 4.3A

Current reporting period: 52 weeks ended 25 July 2015

Previous corresponding period: 52 weeks ended 26 July 2014

Results for announcement to the market	\$A'000			
Total sales value from ordinary activities	up	1.67%	to	3,195,626
Profit attributable to members of Myer Holdings Limited	down	(69.72%)	to	29,826
Net profit after tax before strategic review, restructuring, store and brand exit costs and impairment of assets	down	(21.35%)	to	77,504
			Amount per security	Franked amount per security
Dividends				
Current reporting period				
2015 final dividend			Nil	Nil
2015 interim dividend (paid 7 May 2015)			7.0 cents	7.0 cents
Previous corresponding period				
2014 final dividend (paid 13 November 2014)			5.5 cents	5.5 cents
2014 interim dividend (paid 8 May 2014)			9.0 cents	9.0 cents
Record date for determining entitlements to the final dividend				Not applicable

Commentary on results for the period

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

Net tangible assets per ordinary security	25 July 2015	26 July 2014
Net tangible assets per ordinary security	(\$0.12)	(\$0.09)

This report is based on the Annual Financial Report which has been audited. Additional Appendix 4E disclosure requirements can be found in the Annual Financial Report attached, which contains the Directors' Report (including the audited Remuneration Report), the Directors' Declaration and the 25 July 2015 consolidated financial statements and accompanying notes.

ANNUAL FINANCIAL REPORT

For the financial period ended 25 July 2015

MYER

Myer Holdings Limited
ABN 14 119 085 602

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DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Myer Holdings Limited ABN 14 119 085 602 (the Company or Myer) and the entities it controlled (collectively referred to as the Group) at the end of, or during the financial period ended 25 July 2015.

I. DIRECTORS

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

Director	Position	Date appointed
Paul McClintock AO	Chairman from 10 October 2012 Independent non-executive director	8 August 2012
Rupert Myer AO	Deputy Chairman from 8 August 2012 Independent non-executive director	12 July 2006
Bernie Brookes	Chief Executive Officer (CEO) and Managing Director	12 July 2006
Richard Umbers	CEO and Managing Director	2 March 2015
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

Bernie Brookes retired as CEO and Managing Director and Richard Umbers was appointed as CEO and Managing Director on 2 March 2015.

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

Rupert Myer AO has notified the Board that he does not intend to seek re-election for a fourth term as a director of the Board at the Company's 2015 Annual General Meeting.

Details of the qualifications, experience, and special responsibilities of each current director are as follows:

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 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.

Paul's former positions include chairman of Thales Australia, 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 66 years of age.

Other current directorships

Paul is chairman of 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 AO 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 – Indigenous

DIRECTORS' REPORT

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Corporate Partnerships. Rupert is a member of the Business and Economics Advisory Board of the University of Melbourne and The Felton Bequests' Committee and was formerly the chairman of the Myer Family Group. 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. In June 2015, he was appointed an Officer of the Order of Australia for distinguished service to the visual and performing arts, through governance roles with leading cultural institutions, as a supporter and benefactor, to the promotion of philanthropy, and to the community. Rupert resides in Victoria and is 57 years of age.

Other current directorships

Rupert is chair 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).

RICHARD UMBERS

Chief Executive Officer and Managing Director

- > Member of the Board since 2 March 2015

Richard Umbers was appointed CEO and Managing Director of Myer in March 2015. In his role, Richard is responsible for leading the organisation, and delivering a significant program of change and reinvigoration to ensure that Myer continues to be an exciting destination for all of our customers. Richard joined Myer in September 2014 as Chief Information and Supply Chain Officer, with responsibility for online strategy, financial services and **MYER one**, as well as the logistics and IT functions. Prior to joining Myer, Richard was Executive General Manager for Parcel and Express Services at Australia Post, and also held the position of CEO for StarTrack. Richard also had responsibility for the enterprise-wide eCommerce program, a major change initiative designed to position Australia Post to take advantage of the boom in online shopping.

Richard has previously held a range of senior and general management positions in fast moving consumer goods (FMCG) retailing with roles at Woolworths in Australia and New Zealand and Aldi in Europe.

Richard has a Master of Science degree in Finance from the University of Leicester (UK), and a Bachelor of Science with honours in Geology and Geography from The University of Exeter (UK). He is also a graduate of the Australian Institute of Company Directors. Richard lives in Victoria and is 48 years of age.

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' experience in audit, corporate finance, and transaction services including executive roles as the Chief Financial Officer (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 a Director of Argo Investments Limited, Charter Hall Group, Nufarm Limited, and Rabobank Limited (Australia and New Zealand).

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 has previously been a director of Goodman Fielder Limited. Ian is also a Fellow of the Institute of Management, a Fellow of the Human Resources Institute, a member of the Institute of Company Directors, and a graduate

DIRECTORS' REPORT

Continued

of the Advanced Management Programme at Harvard. Ian resides in New South Wales and is 61 years of age.

Other current directorships

Ian is a director of Baby Bunting Pty Ltd and Inglis Bloodstock, as well as of the PKD Foundation of Australia, a charitable foundation raising funds for medical research into kidney disease.

CHRIS FROGGATT

Independent non-executive director

- > Member of the Board since 9 December 2010
- > 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 more than 20 years' executive experience as a human resources specialist in leading international companies including Brambles Industries, Whitbread Group, Mars, Diageo, and Unilever NV. Chris has served on the boards of Britvic, Sports Direct International, and Goodman Fielder Limited; as well as being a director of the Australian Chamber Orchestra and the Australian Chamber Orchestra Instrument Fund, and as an independent trustee director of Berkeley Square Pension Trustee Company Limited. Chris holds a Bachelor of Arts (Honours) in English Literature from the University of Leeds (United Kingdom). Chris is a Fellow of the Chartered Institute of Personnel Development, and a member of the Australian Institute of Company Directors. Chris resides in New South Wales and is 56 years of age.

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 is a member of the Australian Institute of Company Directors and is currently an adviser to the Board of BMag Pty Ltd. Bob resides in Queensland and is 60 years of age.

Other current directorships

Bob is a director of Rotah Group Pty Ltd and is independent chairman of PWR Holdings Pty Ltd.

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

The following table shows, for each person who served as a director during the financial period 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 2012, and the period during which each directorship has been held.

Director	Listed entity	Period directorship held
Paul McClintock AO	Perpetual Limited	April 2004 – November 2012
Rupert Myer AO	AMCIL Limited Healthscope Limited	January 2000 – present June 2014 – present
Bernie Brookes	-	-
Richard Umbers	-	-
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 – October 2014
Ian Cornell	Goodman Fielder Limited	February 2014 – March 2015
Chris Froggatt	Goodman Fielder Limited	August 2009 – March 2015
Bob Thorn	-	-

DIRECTORS' REPORT

Continued

3. MEETINGS OF DIRECTORS AND BOARD COMMITTEES

The number of meetings of the Board and of each Board Committee held during the period ended 25 July 2015 are set out below.

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

Director	Meetings of directors		Audit, Finance and Risk Committee		Human Resources and Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B
Paul McClintock AO	13	13	-	-	-	-	3	3
Rupert Myer AO	13	13	4	4	5	5	3	3
Bernie Brookes*	6	6	-	-	-	-	-	-
Richard Umbers*	6	6	-	-	-	-	-	-
Anne Brennan	13	13	4	4	5	5	3	3
Ian Cornell	13	13	-	-	5	5	-	-
Chris Froggatt	13	13	-	-	5	5	3	3
Bob Thorn	13	13	4	4	-	-	-	-

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.

* = Bernie Brookes retired, and Richard Umbers was appointed, on 2 March 2015.

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	Nil	Nil
Rupert Myer AO	733,999	Nil	Nil
Richard Umbers	Nil	Nil	568,749
Anne Brennan	53,658	Nil	Nil
Ian Cornell	10,000	Nil	Nil
Chris Froggatt	10,040	Nil	Nil
Bob Thorn	161,000	Nil	Nil

Bernie Brookes retired as a director of the Company on, and with effect from, 2 March 2015. At the date of his retirement, Mr Brookes had a relevant interest of 10,042,399 ordinary shares in the Company. At the Company's 2014 Annual General Meeting, the relevant terms of Mr Brookes' employment contract were approved by shareholders, including that he would retain 83,249 performance rights.

5. COMPANY SECRETARY AND OTHER OFFICERS

Marion Rodwell was the Company Secretary of the Company from 2008 until she departed on 6 July 2015. Ms Rodwell was also Chief General Counsel.

Richard Amos was appointed as Company Secretary of the Company on 6 July 2015, as well as being appointed as Chief General Counsel of the Group.

Before joining Myer, Richard Amos worked with leading brewing and consumer dairy business, Lion, for 10 years in a range of executive roles including Corporate Development and Risk Director and General Counsel of Lion Beer, Spirits and Wine Australia and NZ. Richard also worked for international law firm Baker and McKenzie in Sydney, London, and Bangkok for 10 years.

Details of other officers of the Company are referred to in section 8 below.

DIRECTORS' REPORT

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6. PRINCIPAL ACTIVITIES

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

7. OPERATING AND FINANCIAL REVIEW

FY2015 FINANCIAL RESULTS

Summary

- > Total sales up 1.7% to \$3,195.6 million, up 1.1% on a comparable store sales basis
- > 2H total sales up 1.9%, up 1.3% on a comparable store sales basis
- > Operating gross profit (OGP) margin down 53 bps to 40.4%
- > Cost of doing business (CODB) up 3.3% to \$1,067.2 million
- > Earnings before interest, tax, depreciation, and amortisation (EBITDA) (excluding Individually Significant Items*) down 11.6% to \$223.2 million
- > Earnings before interest and tax (EBIT) (excluding Individually Significant Items*) down 16.7% to \$133.5 million
- > Net profit after tax (NPAT) (excluding Individually Significant Items*) \$77.5 million, down 21.3%
- > Basic earnings per share (EPS) (excluding Individually Significant Items*) 13.2 cents (FY2014: 16.8 cents). Statutory basic EPS 5.1 cents (FY2014: 16.8 cents)
- > Individually Significant Items* (post tax) totalling \$47.7 million
- > NPAT including Individually Significant Items \$29.8 million, down 69.7%
- > There was no final dividend determined by the Board for FY2015

*Certain items have been separately identified and presented as Individually Significant based on the nature and/or impact these items have on the Group's financial performance for the period.

The above overview of the FY2015 financial results is discussed in detail below.

Chief Executive Officer commentary

'Myer's FY2015 result supports the case for our comprehensive change agenda. The decisions we have taken to deliver New Myer will lead to changes to both our store network and operations, resulting in a more productive and efficient footprint,' said Mr Umbers.

During the past six months, management has been actively addressing the underlying issues in the business, implementing a series of initiatives that are consistent with the New Myer strategic direction including the introduction of a large number of wanted brands and initiatives to improve flexibility of our in-store labour to better align our workforce with customer demand.

The New Myer strategy sets out a defined pathway to return the business to sustainable profit growth. We will achieve this by delivering a sharper and more focused retail offer that attracts more of the customers who represent the highest value to our business. This will be supported by investment in our stores and our omni-channel offer to make them more engaging and productive,' said Mr Umbers.

The New Myer strategy is discussed in further detail in section 9 below.

DIRECTORS' REPORT

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INCOME STATEMENT FOR THE 52 WEEKS TO 25 JULY 2015

	FY2015 \$m	FY2014 \$m	Change vs. LY
Total sales value	3,195.6	3,143.0	+1.7%
Operating gross profit	1,290.4	1,285.9	+0.3%
<i>Operating gross profit margin</i>	40.4%	40.9%	(53bps)
Cost of doing business	(1,067.2)	(1,033.3)	+3.3%
<i>Cost of doing business/sales</i>	33.4%	32.9%	+53bps
EBITDA*	223.2	252.6	(11.6%)
<i>EBITDA margin*</i>	7.0%	8.0%	(106bps)
EBIT*	133.5	160.3	(16.7%)
<i>EBIT margin*</i>	4.2%	5.1%	(92bps)
Net profit after tax (NPAT)*	77.5	98.5	(21.3%)

*Excluding Individually Significant Items which represent Non-IFRS financial measures. See page 9.

Sales

In FY2015, the Group's total sales increased by 1.7% to \$3,195.6 million, driven by new stores and refurbishments, as well as strong growth in the online business. Myer has now delivered comparable store sales growth in 12 of the last 13 quarters.

There was continued strong growth in the Cosmetics business, as well as in Childrenswear and Entertainment, offset by a poor performance in Womenswear. During Christmas 2014, the rollout of Giftorium, representing dedicated gifting space in all stores, was well received by customers.

Customers also responded positively to the four major store refurbishments that were completed ahead of Christmas 2014. In addition, new stores at Mt Gravatt (QLD) and Joondalup (WA) generated further growth.

During the period, two stores were closed in NSW, at Hurstville in January 2015 and Top Ryde in July 2015.

A large number of new brands were rolled out during the period, many of which performed particularly well, including Menswear brands M.J. Bale, Aquila, Herringbone, Scotch & Soda, and Cosmetics brand Jo Malone.

Margins and CODB

The operating gross profit margin declined by 53 basis points to 40.4%. This was mainly due to the depreciation in the Australian dollar and increased inventory provisions. Excluding the impact of these factors, operating gross profit margin increased by 32 basis points.

CODB increased by 3.3% to \$1,067.2 million, driven by costs associated with refurbishments in four of our top 25 stores as well as two new stores, and costs associated with growth in the omni-channel business.

DIRECTORS' REPORT

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Net finance costs and net debt

In June 2015, the syndicated debt facility, now totalling \$600 million, was successfully refinanced, with more favourable pricing, increased tenor, and improved terms. In addition to a lower interest margin, the Fixed Charges Cover Ratio covenant was lowered from 1.65 times to 1.50 times across the facility.

Net debt increased by \$40 million to \$388 million, reflecting lower profitability and higher working capital. This was largely offset by lower capital expenditure, dividend, and tax payments.

Net interest costs increased by 3.7% to \$22.7 million as a result of the higher net debt position. Offsetting this were the savings achieved as a result of the refinancing in the second half.

Cash flow and balance sheet

The reduction in operating cash flow by \$96 million to \$167 million reflected both the reduction in earnings for the year as well as a negative working capital movement of \$56 million. The negative working capital movement was due to an increase in trading inventory of \$22 million compared to FY2014 and lower trade creditors of \$19 million.

As part of our strategy to exit a large number of brands, the Spring Clean Clearance event launched in the first quarter of FY2016 has successfully reduced inventory by approximately \$10 million, with net debt also improving by approximately \$20 million since balance date. Capital expenditure during FY2015 decreased by \$6 million to \$62 million compared to FY2014, pending the outcomes of the strategic review.

Individually Significant Items

The FY2015 result includes a number of Individually Significant Items totalling \$61.7 million (pre tax), which have been separately identified and presented as Individually Significant based on the nature and/or impact that these items have on the Group's financial performance for the period and have primarily arisen as a result of the strategic review.

These significant items represent the commencement of the 're-setting' of the business as we implement the New Myer strategy, and comprise:

- > \$24.5 million in costs associated with two store closures (Top Ryde and Hurstville), provisions for inventory clearance (the exit of brands identified as part of the New Myer strategy), and asset impairments related to brands no longer planned to be ranged in store, as well as the impairment of lease rights;
- > \$14.8 million provision for surplus lease space in support office and impairment of associated fitout assets;
- > \$11.8 million in restructuring costs and provisions associated with headcount reduction in support office and supply chain, and a voluntary redundancy program in stores;
- > \$10.6 million in strategic review and implementation costs.

DIRECTORS' REPORT

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Non-IFRS financial measures

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

Income Statement reconciliation

\$ million	EBITDA	EBIT	NPAT
Statutory reported result	182.6	71.8	29.8
<i>Add back: Individually Significant Items</i>	<i>40.6</i>	<i>61.7</i>	<i>47.7</i>
Underlying result	223.2	133.5	77.5

Operating Cash Flow reconciliation

\$ million	Statutory	Individually Significant Items	Underlying
EBITDA	182.6	40.6	223.2
Working capital movement	(32.6)	(23.9)	(56.5)
Operating cash flow	150.0	16.7	166.7
Interest and tax	(53.0)	-	(53.0)
Net cash inflow from operating activities	97.0	16.7	113.7

Dividend

In light of the Entitlement Offer announced on 1 September, the Board has determined that no final dividend will be declared for FY2015. The Board's current intention is to declare a dividend following 1H FY2016, subject to Myer's financial performance in that period. There is currently no intention to change Myer's target dividend payout ratio of between 70% and 80% of NPAT.

FY2015 OPERATIONAL UPDATE

During the first half, preparation and execution ahead of the important Christmas trading period was strong, with the new stores in Mt Gravatt and Joondalup trading, four major refurbishments completed, and the opening of additional space in Emporium adjoining the Melbourne flagship store. Two stores were closed in NSW, and it was decided that a proposed store at Greenhills in NSW would no longer proceed.

The launch of the unique Christmas 'Giftorium' concept, representing dedicated gifting space across all stores, reflected a focus on innovation and was successful in delivering an enhanced customer experience, with positive feedback received from customers and suppliers.

A number of new brands were rolled out during the first half including: White Suede, By Johnny, and Alex Perry in Womenswear; M.J. Bale, Herringbone, and Aquila in Menswear; and Calvin Klein Performance in Women's Active. During the second half of the year, we welcomed a number of new Australian and international brands including: Maison Scotch, Skin and Threads, and Asilio in Womenswear; Jo Malone in Cosmetics; Scotch & Soda, Jack & Jones, and Pierre Balmain in Menswear; and Calvin Klein in handbags.

In June 2015, Myer announced it had secured a number of significant new brands that reinforced Myer's promise to 'bring the love of shopping to life', and will contribute to the repositioning of Myer for sustainable future growth. These widely-recognised and renowned new brands are Seed (Womenswear and Childrenswear), Nine West (Footwear and Accessories), and French Connection (Womenswear and Menswear). The introduction of these brands to a significant proportion of the Myer store network from July 2015 strengthens our fashion offer for Myer customers.

There was continued strong growth in the Cosmetics business, as well as in Childrenswear and Entertainment, offset by a poor performance in Womenswear.

DIRECTORS' REPORT

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8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS IN FY2015

In addition to those matters described in section 7 above, in March 2015, the Company announced that Bernie Brookes was stepping down from his position as CEO and Managing Director. Richard Umbers, previously Chief Information and Supply Chain Officer, was appointed CEO and Managing Director.

Richard was appointed to lead a significant program of change and reinvigoration to ensure that the Group is well placed to meet the expectations of its current and primary customers, and importantly to be able to adapt to a rapidly-evolving retail environment.

On the same day, it was announced that Daniel Bracken had been appointed Deputy Chief Executive Officer in addition to his role as Chief Merchandise and Marketing Officer.

Also in March 2015, it was announced that Mark Ashby, Chief Financial Officer had resigned to take up an international opportunity. In June 2015, Grant Devonport was appointed as CFO. Grant joined the Company following a career of more than 30 years, including senior roles at listed entities in Australia, New Zealand and the United Kingdom. He most recently served as CFO of Toll Holdings Limited, a position he had held since 2011.

Other than the matters above and described in section 7, 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

During 2015, the Company has undertaken a comprehensive review of its strategy to address the evolving retail landscape and evaluate the strategic direction best suited to the current environment. The strategy sets the future direction of the Company over a five-year delivery horizon.

During the period in which the review has been undertaken, the Company has implemented a series of initiatives which have been consistent with the new strategic direction.

These included:

- > the streamlining of support office structures with a reduction of support office roles;
- > the recent closure of a third-party logistics dedicated online pick and pack facility;
- > the launch of a number of new brands including White Suede, By Johnny and Alex Perry in Womenswear; M.J. Bale, Herringbone and Aquila in Menswear; Calvin Klein Performance in Women's Active; Maison Scotch, Skin and Threads, and Asilio in Womenswear; Jo Malone in Cosmetics; Scotch & Soda, Jack & Jones, and Pierre Balmain in Menswear; and Calvin Klein in handbags;
- > initiatives to improve flexibility of our in-store labour to better align our workforce with customer demand; and
- > the launch of the digital Myer Hub at the Parramatta store.

The New Myer strategy sets out a five-year transformation agenda that defines a clear pathway to restore profitable growth by delivering an inspiring retail offer, with improved productivity. This will put greater focus and investment into the Company's best stores which serve Myer's most valuable customers, with a revitalised merchandise offer and transformed shopping experience to better meet customers' needs in store and online.

DIRECTORS' REPORT

Continued

Our strategy is built on providing a sharper and more focused offer to serve a more valuable customer, and improving productivity. Myer stores will inspire and delight and become more relevant to our customers' daily lives. Our approach will be informed by advanced data analytics of Myer's customer base and store catchments to build a profile of those customers where there is the greatest opportunity to improve the customer experience and deliver higher sales and profit.

The key elements of the strategic review include:

- > Enhanced customer led offer including: wanted categories; inspiring brands; and a relevant merchandise offer.
- > Wonderful Experiences focused on: enhanced and contemporary services; signature experiences; an improved in-store presentation; and a strengthened MYER one program.
- > Omni-channel shopping including: an integrated, seamless experience; efficient Click & Collect; and, improved delivery and fulfilment services.
- > Productivity step change encompassing: the optimisation of our store network; an emphasis on our Flagship and Premium stores; the right sizing of our support office; and, a cost and efficiency focus.
- > Organisational capability underpinned by: the establishment of a Transformation Office; prioritisation of activities and allocation of resources; an execution focused culture; a robust governance structure; and, strict investment return hurdles.

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

FY2016 OUTLOOK

FY2016 will represent a transitional year for Myer in which significant investments are being made in our future growth with the rewards from these investments to be realised in late FY2016 and thereafter. Following FY2016, Myer expects to return to sustainable profit growth.

ENTITLEMENT OFFER

On Tuesday 1 September 2015, Myer announced the launch of a fully underwritten 2 for 5 accelerated pro-rata non-renounceable entitlement offer to raise approximately \$221 million, at an offer price of \$0.94 (Entitlement Offer).

The proceeds of the Entitlement Offer will be used to reduce core debt and provide balance sheet flexibility to implement the New Myer strategy. Upon completion of the Entitlement Offer, Myer will have a net debt/EBITDA of less than 1x based on a pro forma 25 July 2015 balance sheet.

The Entitlement Offer comprises an institutional component and a retail component. Institutional entitlements not taken up by eligible institutional shareholders and entitlements of ineligible institutional shareholders will be sold to institutional investors in a bookbuild process managed by the underwriter. Retail entitlements not taken up by eligible retail shareholders and entitlements of ineligible retail shareholders will be placed by the underwriter.

The institutional component of the Entitlement Offer is scheduled to close on Wednesday 2 September 2015, and the retail component of the offer will close on Thursday 17 September 2015.

DIRECTORS' REPORT

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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 below.

EXTERNAL ECONOMIC RISKS

Macro-economic factors such as the fluctuation of the Australian dollar, poor consumer confidence, 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 entrants to the market, existing competitors, and increased online competition, which could impact sales. To mitigate these risks, Myer is implementing our new strategy which is guided by our detailed customer insights and a focus on providing a customer-led offer, wonderful experiences, and omni-channel shopping.

TECHNOLOGY RISKS

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

BRAND REPUTATION RISKS

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

PEOPLE MANAGEMENT RISKS

Safety is a high priority at Myer to ensure the wellbeing of all of our team members, customers, and suppliers. Failure to manage health and safety risks could have a negative effect on Myer's reputation and performance. We conduct regular detailed risk assessments at each store, distribution centre, and at our support office, as well as regular 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 deliver our strategy. Failure to do so may adversely affect Myer's reputation, performance, and growth. During the year, we made a number of new appointments to our Executive Management Group, and we provide our team members with access to training and development to further develop their skills.

STRATEGIC AND BUSINESS PLAN RISKS

A failure to deliver our strategic plan could impact sales, share price, and our reputation. Our new strategic plan is guided by our detailed external and internal customer insights and will be implemented through three phases – mobilising the business for transformation; resetting the business; and delivering the New Myer.

ENTITLEMENT OFFER

The underwriting agreement relating to the Entitlement Offer sets out various events, the occurrence of which will entitle the underwriter to terminate the underwriting agreement. Accordingly, there is a risk that the underwriter may terminate its obligations under the underwriting agreement if any such events occur. In those circumstances, if the Entitlement Offer is undersubscribed, Myer may be unable to reduce its core debt to the extent planned, which would reduce the balance sheet flexibility sought to implement the New Myer strategy.

DIRECTORS' REPORT

Continued

REGULATORY RISKS

From time to time, Myer may be subject to regulatory investigations and disputes, including by the Australian Taxation Office (ATO), Federal or State regulatory bodies including the Australian Competition and Consumer Commission (ACCC), the Australian Securities and Investments Commission (ASIC), and the Australian Securities Exchange (ASX). The outcome of any such investigations or disputes may have a material adverse effect on Myer's operating and financial performance.

Specifically, Myer has received from ASIC enquiries relating to Myer's continuous disclosure practices during the period of 1 November 2014 to 18 March 2015. ASIC's enquiries are ongoing, and Myer is fully co-operating with ASIC. Myer is confident that it has at all times complied, and continues to comply, with its continuous disclosure obligations.

LITIGATION

On 25 March 2015, legal proceedings were served against Myer by a shareholder seeking to bring a group action for itself and on behalf of a defined (but unnamed) group of shareholders. The writ was filed by Portfolio Law Pty Ltd on behalf of Melbourne City Investments Pty Ltd (MCI). MCI alleges loss and damage said to have resulted from a statement made in the context of Myer's full year FY2014 results. Myer strongly denies any and all allegations made against it and intends to vigorously defend itself against the claims. The Company does not presently know the size of the claims, nor can it, based on the information currently available, quantify any potential financial exposure arising from these litigation proceedings. No provision has been recognised at 25 July 2015 in respect of this matter.

II. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

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

12. DIVIDENDS

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

2014 final dividend	\$'000
Final dividend for the period ended 26 July 2014 of 5.5 cents per fully paid ordinary share, fully franked, paid on 13 November 2014	32,213
<hr/>	
2015 interim dividend	\$'000
Interim dividend for the period ended 25 July 2015 of 7.0 cents per fully paid ordinary share, fully franked, paid on 7 May 2015	40,998

There was no final dividend determined by the Board for the full year FY2015. The Board's current intention is to declare a dividend following 1H 2016, subject to Myer's financial performance in that period.

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

DIRECTORS' REPORT

Continued

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 25 July 2015 and no options have been granted since the end of the year.

The last remaining grant of options under the MEIP over unissued shares of the Company expired during the financial year ended 25 July 2015 as follows:

Date options granted	Expiry date	Exercise price of options ⁽¹⁾	Number of options ⁽²⁾
30 June 2009	24 October 2014	\$2.34	2,186,650
Closing balance			Nil

There are no further options which remain on issue as at the date of this Directors' Report.

- (1) To calculate the issue price of shares when options are exercised, the Company uses the seven-day volume weighted average price of shares on the date of issue.
- (2) Each option entitled 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.

DIRECTORS' REPORT

Continued

PERFORMANCE RIGHTS

Since 2011, only performance rights were granted under the MEIP.

During the financial year, the Company granted a total of 3,370,332 performance rights under the MEIP (CEO Offer) and under the Executive Equity Incentive Plan (EEIP Offer) to selected senior executives. These performance rights to senior executives other than the CEO were granted under the EEIP, which is administered under the overarching terms of the MEIP.

Two separate offers were made under the MEIP and EEIP during the financial year: 375,000 performance rights were granted to the CEO; and 2,995,332 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 25 July 2015.

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⁾
29 January 2013 (grant to senior executives under the EEIP offer)	31 October 2015	Nil	178,167
29 January 2013 (grant to senior executives under the MEIP offer)	31 October 2015	Nil	927,604
27 November 2013 (grant to senior executives under the EEIP offer)	31 October 2016	Nil	226,833
15 December 2014 (grant to CEO under the MEIP offer, which is retained on departure)	31 October 2017	Nil	83,249
15 December 2014 (grant to senior executives under the EEIP offer)	31 October 2017	Nil	2,338,710
Closing balance			3,754,563

(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 outcomes.

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.

DIRECTORS' REPORT

Continued

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 25 July 2015, 5,000 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 seven-day volume weighted average price of the Company's shares as at the close of trading on the date of issue.

During the period, 10,000 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
30 July 2009	\$2.34	10,000

Since 25 July 2015, no further shares have been issued to or otherwise acquired by the Trust.

Since 25 July 2015, no 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.

Performance rights granted in 2013 under the EEIP have failed to vest; performance rights under the MEIP in 2013 will vest on lodgement of the Company's audited results for FY2015 and the provision of notification to performance rights holders.

15. REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 20.

16. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

Consistent with (and in addition to) the provisions in the Company's Constitution outlined above, the Company has also entered into deeds of access, indemnity and insurance with all directors of the Company which provide indemnities against losses incurred in their role as directors, subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 2001* (Cth) or any other applicable law. The deeds stipulate that the Company will meet the full amount of any such liabilities, costs and expenses (including legal fees).

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

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.

DIRECTORS' REPORT

Continued

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 sixth report to the Greenhouse and Energy Data Officer in October 2014 and is due to submit its sixth report by 31 October 2015.

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 H5).

The Board has considered the position and, in accordance with advice received from the Audit, Finance and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. 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 that they do not impact on the impartiality and objectivity of the auditor; and
- > none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

20. AUDITOR'S INDEPENDENCE DECLARATION

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

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 McClintock, AO

Chairman

Melbourne, 1 September 2015.



Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the period ended 25 July 2015, 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
1 September 2015

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REMUNERATION REPORT

This report sets out the remuneration strategy, framework and other conditions of employment for Myer Holdings Limited Key Management Personnel (KMP). The report also details the role and accountability of the Board and the relevant Committees established to support the Board on these matters. The information provided within this report has been audited as required by section 308(3C) of the Corporations Act and forms part of the Directors' Report.

CONTENTS

This report provides details on the following matters:

- > FY2015 remuneration overview
- > Human Resources and Remuneration Committee and remuneration governance
- > Use of remuneration consultants
- > Policies for remuneration of directors and other KMP
- > Directors and executives disclosed in this report
- > CEO and Managing Director arrangements
- > Equity arrangements with directors and other KMP
- > Remuneration and Company performance
- > Remuneration outcomes for directors and other KMP

FY2015 REMUNERATION OVERVIEW

Myer continues to review and adapt its remuneration approach to ensure it meets its needs as well as comply with legislation, and aims to be at the forefront of corporate governance in contemporary remuneration practices. Myer also takes into account any feedback from its stakeholders, particularly shareholders. This report outlines remuneration for FY2015. The Board is currently in the process of finalising a broad review of the Remuneration Framework to ensure that it will effectively support the business through the planned transformation program. Any changes to the Remuneration Framework will apply for FY2016. Details will be disclosed in the FY2016 Remuneration Report and, if required, as part of the AGM Notice of Meeting for approval of grants of equity to the CEO.

Myer's executive remuneration is structured as:

- > Total Fixed Compensation (TFC): including base salary and benefits such as superannuation; and
- > variable remuneration: including at risk short term incentive (STI) and long term incentive (LTI) components.

While TFC provides a fixed level of remuneration, the STI and LTI components reward executives only when certain pre-determined performance conditions and/or service conditions are met or exceeded.

On 2 March 2015, Myer announced the appointment of new CEO and Managing Director Richard Umbers. Mr Umbers joined Myer on 1 September 2014 as Chief Information and Supply Chain Officer and was promoted in March 2015, replacing CEO and Managing Director Bernie Brookes. Mr Brookes remained available for advice and handover arrangements to Mr Umbers and the Board until 1 May 2015. The Board is confident that Richard's leadership credentials and focus on excellence position him well to lead the transformation and further development of Myer. Details of Mr Umbers' remuneration and Mr Brookes' termination benefits are outlined on pages 32 and 33.

The Board was also pleased to announce the appointment of a number of senior executives in June 2014 and subsequently in June 2015 and August 2015. The Company 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. In securing these senior executives, remuneration arrangements were structured to encourage the executives to move from their previous roles where they forfeited significant incentive arrangements upon leaving. Selected sign-on grants have been made in the form of both cash and equity to align the executives' interests to shareholder interests. These can be clawed back and forfeited if the executive ceases employment.

The senior executives' total remuneration is generally targeted at the median of comparable positions in comparable companies and is achieved when individual and Company performance targets are met. Myer's individual and Company performance targets are considered by the Board to be consistently demanding. Achieving these challenging targets requires high calibre executives to be attracted to and retained within the Company.

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 skilled executives. This team is key to accelerating the Company's strategy, supporting transformation, and strengthening succession within its senior leadership group to build a sustainable and successful business for the future.

REMUNERATION REPORT

Continued

Key developments/changes for the year ended 25 July 2015 were:

	Organisational changes	Key development/remuneration outcomes
Governance and non-executive director remuneration		<p>Non-executive directors' fees were not increased in FY2015. Last year, an increase in director base fees for FY2015 was noted in the Annual Report. Subsequently non-executive directors declined the increase.</p> <p>An increase in the Human Resources and Remuneration Chairman's fee from \$15,000 to \$22,500 was approved to more closely align fees to market median.</p>
CEO and Managing Director remuneration	<p>Mr Richard Umbers was appointed as CEO and Managing Director on 2 March 2015.</p>	<p>Mr Umbers' fixed remuneration on appointment as CEO is \$1.2 million per annum. This is subject to annual performance-based review.</p> <p>> Short term incentive (STI)</p> <p>As Mr Umbers was appointed CEO part way through FY2015, having spent time in the role of Chief Information and Supply Chain Officer, his target STI opportunity for FY2015 has been pro-rated based on the time he has acted in each role, resulting in an STI opportunity of 52.9% of TFC. For the first full year as CEO (i.e. FY2016), Mr Umbers' target STI will be equivalent to 80% of his TFC for achievement against targeted performance. Subject to shareholder approval, 40% of any annual STI awarded to Mr Umbers will be delivered through a grant of restricted shares. Mr Umbers cannot access, deal or otherwise trade in the restricted shares for a restricted period from the date of grant, which effectively defers this portion of Mr Umbers' STI reward.</p> <p>> Long term incentive (LTI)</p> <p>Subject to shareholder approval, Mr Umbers' LTI award will be delivered through a grant of performance rights to the value of 90% of his TFC. Mr Umbers 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.</p>
	<p>In March 2015, Mr Bernie Brookes and the Board mutually agreed that he would step down from the role of CEO and Managing Director.</p>	<p>Details of termination benefits for Mr Brookes are outlined on page 32.</p>

REMUNERATION REPORT

Continued

	Organisational changes	Key development/remuneration outcomes
Other KMP remuneration – KMP consists of four executives at Executive General Manager level	<p>Richard Umbers was appointed Chief Information and Supply Chain Officer commencing on 1 September 2014, and was subsequently promoted to CEO and Managing Director on 2 March 2015.</p> <p>Daniel Bracken was appointed Chief Merchandise and Marketing Officer commencing on 1 September 2014 and was subsequently promoted to Deputy CEO on 2 March 2015.</p> <p>Mark Ashby ceased employment on 22 May 2015.</p> <p>Grant Devonport was appointed Chief Financial Officer, commencing on 22 July 2015.</p>	<p>Adjustments to total remuneration applied for some KMP effective from February 2015 to move closer to market rates for comparable roles.</p> <p>Amendment to the performance hurdles introduced to the STI included – EBIT, Total Sales and Personal Objectives.</p> <p>No LTI reward was delivered to KMP as the performance hurdles for the performance rights due to vest in FY2015 were not met. This is the fifth consecutive year of non-vesting of options/performance rights.</p> <p>No STI was rewarded to KMP. This is the fifth consecutive year where no STI has been awarded.</p> <p>Executives were granted new performance rights in FY2015, with 3,370,332 performance rights granted in December 2014.</p> <p>The Board approved a change in comparator group for the purposes of measuring relative TSR performance under the FY2015 EEIP offer. The new comparator group will comprise of Standard & Poor's/ASX 200 market constituents (with some exclusions).</p> <p>Sign-on arrangements were made with certain KMP to recognise remuneration forgone from previous employers in order to join Myer.</p>

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

REMUNERATION REPORT

Continued

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

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 to ensure appropriate plans are in place for succession 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 (available on the Company's website) 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 period.

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. The Company's guidelines on the use of remuneration consultants aim to ensure the independence of remuneration consultants from Myer's management, and include the process for the selection of consultants and the terms of engagement.

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

During FY2015, the Committee continued to engage Ernst & Young (EY) to provide independent advice to the Board in its review of remuneration arrangements.

Throughout FY2015, the information received from EY in respect of the CEO and executives related to:

- > regulatory reforms;
- > current market practices;
- > review of variable remuneration framework;
- > considerations with regard to the CEO appointment; and
- > benchmarking to support the annual remuneration review for the CEO and executives.

Any remuneration information provided by EY and relating to the CEO was disclosed directly to the Committee Chairman who considered the recommendation, in consultation with the Committee and the Chairman of the Board. No recommendation was provided in FY2015. Market data provided by EY is also used to inform the CEO to propose adjustments to KMP remuneration to the Committee for their approval.

During FY2015, the Board approved the engagement of EY to provide remuneration advice, benchmarking data, market commentary and professional guidance regarding Myer's executive remuneration and incentive plans. During this engagement, no remuneration recommendations (as defined by the Corporations Act) were provided to the Company by EY.

REMUNERATION REPORT

Continued

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.

An increase in the Human Resources and Remuneration Chairman's fees from \$15,000 to \$22,500 was approved by the Board from the commencement of FY2015. Last year, an increase in non-executive director base fees for FY2015 was noted in the Annual Report. This was subsequently declined by directors.

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 FY2015:

Base annual fees	\$
Chairman	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	22,500
Human Resources and Remuneration Committee – member	-
Nomination Committee – Chairman	-
Nomination Committee – member	-

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 Company, 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.

REMUNERATION REPORT

Continued

OPERATIONAL STRATEGY			
Customer Led Offer	Wonderful Experiences	Omni-Channel Shopping	Productivity Step Change
REMUNERATION STRATEGY			
Attract and retain high calibre executives		Align executive rewards with Myer's performance	
<ul style="list-style-type: none"> > reward competitively in the markets in which Myer operates > provide a balance of fixed and 'at risk' remuneration 		<ul style="list-style-type: none"> > 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	Short term incentive	Long term incentive	
<ul style="list-style-type: none"> > 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 	<ul style="list-style-type: none"> > focused on financial and non-financial targets linked to objective measures 	<ul style="list-style-type: none"> > 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 TSR performance when the EPS Hurdle and transformation objectives are 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, which consist of dividends, share price growth, growth in earnings per share and the achievement of transformation objectives;
- > 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.

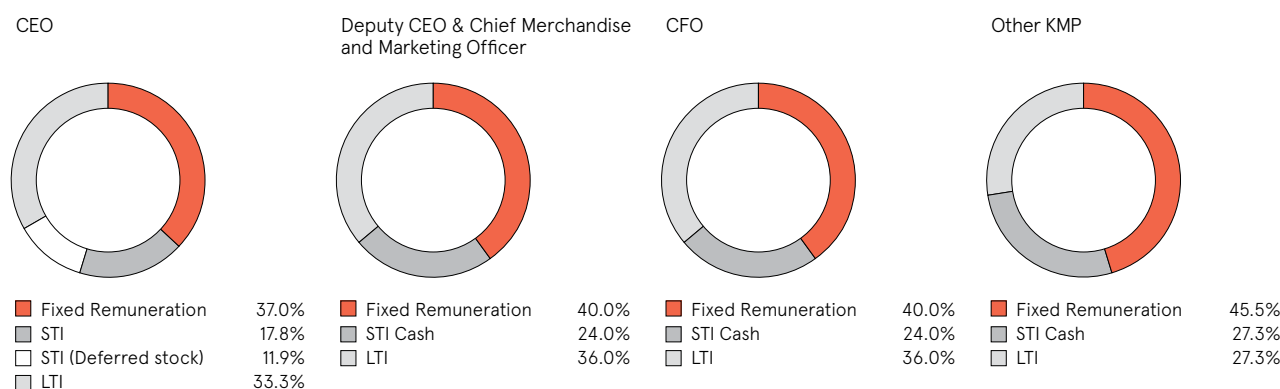
The executive pay and reward framework has three components:

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

REMUNERATION REPORT

Continued

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?	<p>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.</p> <p>The Committee reviews and makes recommendations to the Board regarding TFC for KMP and senior executives annually in July, having regard to Company and individual performance and relevant comparative remuneration in the market. 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.</p> <p>Where new senior executives join the Company or existing executives are appointed to new roles, a review and benchmarking of fixed and total remuneration is conducted for each individual prior to the issue of an offer and execution of a new employment contract.</p> <p>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.</p>
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 2015. Remuneration reviews are conducted annually and effective 1 February. The review conducted in FY2015 identified that fixed remuneration levels for executives were generally competitively positioned within the market, and where they were not, appropriate adjustments were made (noting there was a freeze on base pay in FY2014). The EGM of Stores received a performance and market-related adjustment off a low base for his initial appointment.

REMUNERATION REPORT

Continued

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 FY2015 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.

Despite a number of strategic and operational objectives being met, the Board determined that Company metrics of EBIT and sales growth were not met and no reward of STI to any of the Myer management team was provided against these metrics. In FY2015, a select number of executives received an STI award for the delivery of personal objectives. The total amount payable was \$246,100. No KMP received an STI award.

Feature	Description
What is the STI plan?	<p>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.</p> <p>As stated above, subject to obtaining shareholder approval, up to 40% of any annual STI rewarded to Mr Umbers from FY2016 onwards may be delivered through a grant of restricted shares.</p>
What is the value of the STI opportunity?	<p>In respect of FY2015:</p> <ul style="list-style-type: none">> As the CEO was appointed part way through FY2015, having spent time in the role of Chief Information and Supply Chain Officer, the CEO's STI opportunity for FY2015 will be pro-rated based on the time he has acted in each role equivalent to 52.9% of his TFC.> The remaining members of the senior executive team had the opportunity to earn a STI reward equivalent to between 45% and 60% of their TFC for at target performance.
What was the FY2015 performance measure?	<p>To incentivise performance and bring about positive change, three metrics were considered to determine any incentive reward for FY2015: EBIT was the main metric, weighted at 50% of the total potential reward; sales growth was the second metric, weighted at 30%; and the final metric was the achievement of personal objectives established for each KMP and other executives, weighted at 20%. Each measure was assessed in isolation without a 'gate' applying before any reward was made against individual metrics.</p>
Why was the performance measure selected?	<p>EBIT growth is one of the primary measures that the Board uses to assess the operating performance of the Company, with an aim to maintain a focus on the Company's operating results and associated cash generation. It reflects the contribution from individual assets to the Company's operating performance and focuses on elements of the result that management can influence to drive improvements in short term earnings.</p> <p>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.</p> <p>Personal objectives relate to 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 which align to our strategic goals, and over which the relevant executive had significant influence.</p> <p>The measures selected for each executive were 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 rewards are contingent on performance across a range of measures, maximum STI rewards can only be achieved for performance that is strong on all measures.</p> <p>As in previous years, the Board has 100% discretion with the STI outcome.</p>

REMUNERATION REPORT

Continued

Feature	Description
How is performance measured?	<p>The Committee determines whether, or the extent to which, each target is satisfied following the end of the financial period, once the Company's annual accounts have been approved by the directors and audited.</p> <p>If the hurdle is satisfied, 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 target reward is achieved. A minimum threshold is also set, below which no STI reward will be provided.</p> <p>Once it has been determined whether, and the extent to which, each 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.</p>
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 rewards are verified by internal audit review prior to any reward 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: STI REWARD

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 REWARDS FOR FY2015

The FY2015 STI program relevant to the KMP can be summarised as follows:

Name	STI/Reward ⁽¹⁾			
	Achieved 2015 %	Forfeited 2015 %	Target value 2015 \$	Forfeited value 2015 \$
R Umbers ⁽²⁾	0	100	634,274	634,274
B Brookes ⁽³⁾	0	100	1,827,945	1,827,945
M Ashby ⁽⁴⁾	0	100	393,205	393,205
D Bracken ⁽⁵⁾	0	100	491,260	491,260
A Sutton	0	100	360,000	360,000

(1) The % of STIs achieved and forfeited for 2015 are based on performance against 'at target' performance as explained above.

(2) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(3) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.

(4) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.

(5) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

REMUNERATION REPORT

Continued

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 FY2015, the Board granted performance rights under the MEIP to participating and eligible KMP and other senior executives. This FY2015 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?	<p>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 Company's long term strategic and operational objectives.</p> <p>In FY2015, 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.</p> <p>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.</p>
Instrument	<p>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 29 July 2017).</p> <p>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.</p> <p>Performance rights do not carry entitlements to ordinary dividends or other shareholder rights until the performance rights vest and shares are provided. Accordingly, participating executives do not receive dividends during the performance period.</p>
Determining the number of performance rights	<p>The number of performance rights allocated depends on each executive's LTI target (see diagram on page 25 for an explanation of target remuneration). The value of the performance rights at the time they are granted is calculated based on the Volume Weighted Average Price (VWAP) of the Company's shares for the five days prior to the closing date of the offer.</p>
Performance period	<p>The performance period commences at the beginning of the financial year in which the performance rights are granted. For the performance rights granted under the FY2015 EEIP, the performance period started on 27 July 2014 and ends after three years on 29 July 2017. Following the end of the performance period for the performance rights and after the Company has lodged its full year audited financial results for FY2017 with the ASX, the Board will test the performance hurdles that apply to the FY2015 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.</p>

REMUNERATION REPORT

Continued

MEIP (LTI plan)

Feature	Description																
Performance hurdles	<p>FY2015 EEIP offer (performance period 27 July 2014 – 29 July 2017):</p> <p>Consistent with prior years, the financial performance measures approved by the Board for the FY2015 EEIP offer were TSR performance, the Company's EPS and the Business Transformation Hurdle (introduced in FY2014).</p> <ul style="list-style-type: none"> > 50% of each award is subject to a performance hurdle, which measures the Company's TSR performance relative to a set peer group. The Board approved a change in comparator group for the purposes of measuring relative TSR performance under the FY2015 EEIP offer. The new comparator group will comprise of Standard & Poor's/ASX 200 market constituents (with some exclusions). This peer group is considered more appropriate to benchmark the Company's relative performance, being a broader and more appropriate comparator group, given Myer's size and position in the ASX 200. > 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?	<p>The Board decided to continue with a market-based performance measure for the FY2015 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.</p> <p>EPS was selected as it is considered to be an effective measure for determining the underlying profitability of the business.</p> <p>The Business Transformation Hurdle was selected to assess the way in which the Company is transforming in a time of continued structural realignment of the retail industry.</p>																
Vesting framework	<p>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.</p> <p>For the FY2015 EEIP offer, the following vesting hurdles applied:</p> <p>> TSR (50% of the award)</p> <table border="1"> <thead> <tr> <th>TSR percentile ranking</th> <th>% of TSR performance rights that will vest</th> </tr> </thead> <tbody> <tr> <td>Below 50th</td> <td>Nil</td> </tr> <tr> <td>From 50th to 75th</td> <td>Pro rata with a linear progression between 50% and up to 100% of the number of TSR performance rights</td> </tr> <tr> <td>75th and above</td> <td>100%</td> </tr> </tbody> </table> <p>> EPS (25% of the award)</p> <table border="1"> <thead> <tr> <th>EPS Hurdle rate (CAGR over the performance period)</th> <th>% of EPS performance rights that will vest</th> </tr> </thead> <tbody> <tr> <td>Less than 2%</td> <td>Nil</td> </tr> <tr> <td>Between 2% and 7% pro rata vesting of rights</td> <td>Pro rata with a linear progression between 50% and up to 100% of the number of EPS performance rights</td> </tr> <tr> <td>7% or greater</td> <td>100% of the number of EPS performance rights</td> </tr> </tbody> </table>	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 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
TSR percentile ranking	% of TSR performance rights that will vest																
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7% or greater	100% of the number of EPS performance rights																

REMUNERATION REPORT

Continued

MEIP (LTI plan)

Feature	Description
	<p>> Business Transformation (25% of the award)</p> <p>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.</p> <p>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.</p> <p>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 Business Transformation Hurdle vest (and vice versa).</p>
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.

OTHER REMUNERATION

In addition to standard remuneration arrangements, Mr Umbers, Mr Bracken and Mr Devonport were provided with additional cash and equity as part of their original sign-on arrangements to recognise significant incentive arrangements forfeited upon leaving their previous employers to join Myer.

Mr Umbers received \$590,000 on his commencement in cash and \$400,000 in performance rights vesting in 2017. These performance rights are subject to a condition of continuous employment with the Company through to the end of the performance period for the FY2015 EEIP. This equated to a total of 250,000 Myer shares at the time of grant when the Volume Weighted Average Price (VWAP) share price was \$1.60. The value attributed to a performance right was determined by the VWAP of Myer shares for the five days prior to the closing date of the offer.

Mr Bracken received \$390,000 on his commencement in cash and \$200,000 in performance rights vesting in 2017. These performance rights are subject to a condition of continuous employment with the Company through to the end of the performance period for the FY2015 EEIP. This equated to a total of 125,000 Myer shares at the time of grant when the VWAP share price was \$1.60. The value attributed to a performance right was determined by the VWAP of Myer shares for the five days prior to the closing date of the offer.

Mr Devonport will receive \$400,000 in cash upon the completion of his first year of employment. This payment would be waived if Mr Devonport were to resign during the first 12 months of his employment with the Company. In addition, Mr Devonport will be awarded additional performance rights to the value of \$200,000 in the EEIP granted in each of FY2016 and FY2017. These performance rights are subject to a condition of continuous employment with the Company through to the end of the performance period for the FY2016 EEIP and the FY2017 EEIP.

REMUNERATION REPORT

Continued

The Board considers the changes made to each of the elements of reward for the KMP to be appropriate for FY2015, 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
Non-executive directors	
P McClintock	Chairman, Independent non-executive director
R Myer	Deputy Chairman, Independent non-executive director
A Brennan	Independent non-executive director
I Cornell	Independent non-executive director
C Froggatt	Independent non-executive director
R Thorn	Independent non-executive director
Executive director	
R Umbers ⁽¹⁾	CEO and Managing Director
B Brookes ⁽²⁾	Former CEO and Managing Director
Other Key Management Personnel	
M Ashby ⁽³⁾	Former Chief Financial Officer
D Bracken ⁽⁴⁾	Chief Merchandise and Marketing Officer, Deputy CEO
G Devonport ⁽⁵⁾	Chief Financial Officer
A Sutton	Executive General Manager Stores

(1) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(2) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.

(3) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.

(4) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

(5) G Devonport was appointed as CFO on 22 July 2015.

B BROOKES – FORMER CEO AND MANAGING DIRECTOR

On 2 March 2015, Myer announced to the ASX that Mr Brookes had agreed to step down as CEO and Managing Director.

The provision of termination benefits to Mr Brookes was approved by shareholders at the 2014 Annual General Meeting.

In accordance with Mr Brookes' employment arrangements, on the basis that Mr Brookes' role as CEO and Managing Director ceased on 2 March 2015:

- > Mr Brookes worked out a two-month notice period and he was entitled to 10 months payment in lieu of notice on cessation of his role as CEO and Managing Director, representing \$1,553,720.53;

- > any short term incentive Mr Brookes was eligible to receive in respect of the FY2015 year (subject to satisfying the performance measures) is reduced by a pro-rata amount (i.e. to take into account the fact that he served as CEO and Managing Director for part of the performance period). Mr Brookes will not receive any STI payments as the performance hurdles were not met;

- > Mr Brookes was entitled to retain a pro-rata number of performance rights based on his completed months of service over the relevant performance period.

As a result, Mr Brookes retained 83,249 performance rights as follows:

- 41,625 TSR rights;
- 20,812 EPS rights;
- 20,812 Business Transformation rights.

Mr Brookes will not be entitled to exercise any retained performance rights early. So long as the retained performance rights have vested by passing the performance hurdles, Mr Brookes' retained performance rights may only be exercised at the same time as all other executives participating in the performance rights offer for the year ending 29 July 2017 (i.e. after Myer has lodged its audited results for Financial Year ending 29 July 2017).

Mr Brookes is, however, entitled to request in writing, addressed to the Chairman, approval to exercise such number of his retained performance rights that are sufficient to meet a liability to pay a tax on the number of retained performance rights arising from the cessation of his employment.

R UMBERS – CEO AND MANAGING DIRECTOR APPOINTMENT

On 2 March 2015, the Board announced the appointment of Mr Umbers as CEO and Managing Director. The key terms and conditions of Mr Umbers' appointment are outlined below:

TERM

The contract is in the form of an 'open term' contract.

REMUNERATION PACKAGE

Mr Umbers' 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 Umbers' TFC is subject to an annual performance-based review. His fixed remuneration is \$1.2 million per annum.

REMUNERATION REPORT

Continued

> STI

Mr Umbers is entitled to participate in Myer's short term incentive plan. As Mr Umbers was appointed CEO part way through FY2015, having spent time in the role of Chief Information and Supply Chain Officer, Mr Umbers' STI opportunity for FY2015 will be pro-rated based on the time he has acted in each role equivalent to 52.9% of his TFC.

For the first full year as CEO (i.e. FY2016), Mr Umbers' target annual STI reward will be 80%. For all future years, Mr Umbers' target STI reward will be as determined by the Board in its absolute discretion.

60% of any annual STI reward will be provided in cash. Subject to obtaining shareholder approval, the balance of 40% will be delivered as restricted shares, although the Board will have the discretion to reward cash in lieu of some or all of the restricted shares.

Mr Umbers must not deal with any restricted shares for a prescribed restriction period determined by the Board. During the restriction period, the restricted shares will be held on trust. However, Mr Umbers will be entitled to earn dividends on the shares and, subject to any applicable voting restrictions, instruct the trustee to vote the restricted shares.

> LTI

Subject to any required shareholder approval, Mr Umbers will be entitled to an annual offer of performance rights under the EEIP, to a value determined by the Board in its absolute discretion. For the first offer (i.e. in respect of FY2016 grant), the offer value will be 90% of Mr Umbers' TFC, reflecting an amount of \$1,080,000.

As Mr Umbers was granted performance rights prior to his appointment as CEO and Managing Director, as a continuing employee, Mr Umbers' existing grants of performance rights remain on issue, subject to satisfaction of the applicable service and/or performance hurdles.

TOTAL REMUNERATION

Under Mr Umbers' contract, his total remuneration (including TFC, STI and LTI) at target is \$3.24 million.

TERMINATION PROVISIONS

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

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

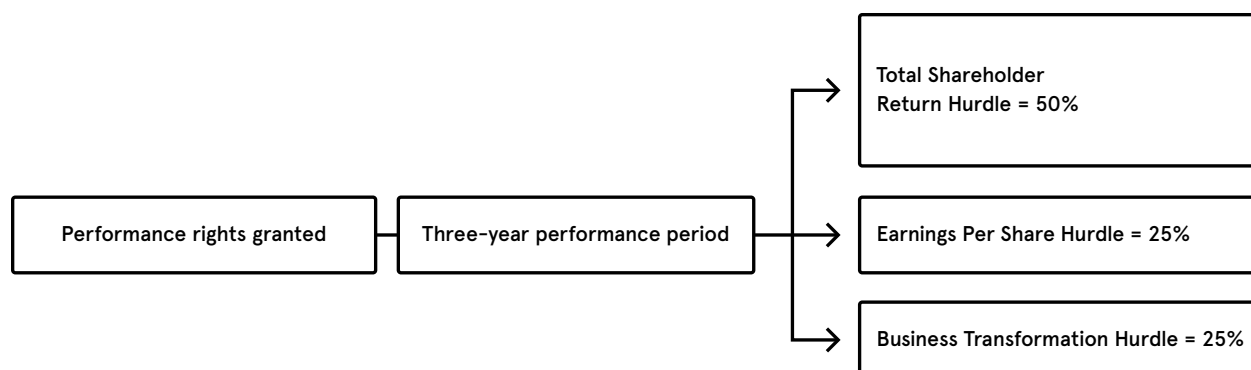
REMUNERATION REPORT

Continued

EQUITY ARRANGEMENTS WITH DIRECTORS AND OTHER KMP

FY2015 EEIP GRANT

In FY2015, 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 FY2015 performance right grants made to KMP in December 2014.

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
R Umbers ⁽²⁾	\$910,000	EPS \$1.08	79,687	Nil	EPS Hurdle	29 July 2017
		TSR \$0.30	159,375	Nil	TSR Hurdle	29 July 2017
		BT \$1.08	79,687	Nil	BT Hurdle	29 July 2017
		Service \$1.08	250,000	Nil	Sign-on 3-year Service Hurdle	29 July 2017
B Brookes ⁽³⁾	\$600,000	EPS \$1.08	93,750	Nil	EPS Hurdle	29 July 2017
		TSR \$0.30	187,500	Nil	TSR Hurdle	29 July 2017
		BT \$1.08	93,750	Nil	BT Hurdle	29 July 2017
M Ashby ⁽⁴⁾	\$480,000	EPS \$1.08	75,000	Nil	EPS Hurdle	29 July 2017
		TSR \$0.30	150,000	Nil	TSR Hurdle	29 July 2017
		BT \$1.08	75,000	Nil	BT Hurdle	29 July 2017
D Bracken ⁽⁵⁾	\$710,000	EPS \$1.08	79,687	Nil	EPS Hurdle	29 July 2017
		TSR \$0.30	159,375	Nil	TSR Hurdle	29 July 2017
		BT \$1.08	79,687	Nil	BT Hurdle	29 July 2017
		Service \$1.08	125,000	Nil	Sign-on 3-year Service Hurdle	29 July 2017
A Sutton	\$360,000	EPS \$1.08	56,250	Nil	EPS Hurdle	29 July 2017
		TSR \$0.30	112,500	Nil	TSR Hurdle	29 July 2017
		BT \$1.08	56,250	Nil	BT Hurdle	29 July 2017

(1) The VWAP price used for the allocation of the FY2015 grant was \$1.60.

(2) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(3) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.

(4) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.

(5) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

REMUNERATION REPORT

Continued

THE TSR PEER GROUP

The Board approved a change in comparator group for the purposes of measuring relative TSR performance under the FY2015 EEIP offer. The new comparator group will comprise Standard & Poor's/ASX 200 market constituents (with some exclusions). This peer group is considered appropriate to benchmark the Company's relative performance, being a broader and more appropriate comparator group, given Myer's size and position within the ASX 200.

ADDITIONAL GRANT TO CEO AND CHIEF MERCHANDISE AND MARKETING OFFICER

Additional performance rights were offered to the new CEO and Chief Merchandise and Marketing Officer in FY2015 as part of their original sign-on arrangements to recognise remuneration forgone from previous employers in order to join Myer. The potential value of the performance rights granted under the EEIP offer was equivalent to \$400,000 for the CEO and \$200,000 for the Chief Merchandise and Marketing Officer. These additional performance rights are subject to a condition of continuous employment with the Company until the end of the vesting period (being 29 July 2017).

OPTIONS AND PERFORMANCE RIGHTS

Details of options granted under the MEIP that remain unvested as at 25 July 2015 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/ performance rights ⁽¹⁾	Exercise price	Value per option/right at grant date	Vesting date (if holder remains employed by a Myer Group company)	Expiry date
Options	30 Jun 2009	0	\$2.34	\$0.49	31 Jul 2014	24 Oct 2014
	FY2011			<i>No grants were made</i>		
Rights (CEO only EPS Hurdle)	9 Dec 2011	0	Nil	\$1.67	End of Perf. Period	31 Oct 2014
Rights (CEO only TSR Hurdle)	9 Dec 2011	0	Nil	\$1.08	End of Perf. Period	31 Oct 2014
Rights (EPS Hurdle)	21 Oct 2011	0	Nil	\$1.67	End of Perf. Period	31 Oct 2014
Rights (TSR Hurdle)	21 Oct 2011	0	Nil	\$1.08	End of Perf. Period	31 Oct 2014
Rights (EPS Hurdle)	29 Jan 2013	89,083	Nil	\$2.08	End of Perf. Period	31 Oct 2015
Rights (TSR Hurdle)	29 Jan 2013	89,084	Nil	\$1.56	End of Perf. Period	31 Oct 2015
Rights (Service Hurdle)	29 Jan 2013	927,604	Nil	\$2.08	End of Perf. Period	31 Oct 2015
Rights (EPS Hurdle)	27 Nov 2013	56,707	Nil	\$2.36	End of Perf. Period	31 Oct 2016
Rights (TSR Hurdle)	27 Nov 2013	113,418	Nil	\$1.57	End of Perf. Period	31 Oct 2016
Rights (Business Transformation Hurdle)	27 Nov 2013	56,708	Nil	\$2.36	End of Perf. Period	31 Oct 2016
Rights (CFO only Service Hurdle)	27 Nov 2013	0	Nil	\$2.36	End of Perf. Period	31 Oct 2016
Rights (EPS Hurdle)	15 Dec 2014	480,488	Nil	\$1.08	End of Perf. Period	31 Oct 2017
Rights (TSR Hurdle)	15 Dec 2014	960,983	Nil	\$0.30	End of Perf. Period	31 Oct 2017
Rights (Business Transformation Hurdle)	15 Dec 2014	480,488	Nil	\$1.08	End of Perf. Period	31 Oct 2017
Rights (Service Hurdle)	15 Dec 2014	500,000	Nil	\$1.08	End of Perf. Period	31 Oct 2017
Total		3,754,563				

(1) Of the options noted above, zero options have vested and remain unexercised as at 25 July 2015. Refer to Financial Statements (note H4) for details.

REMUNERATION REPORT

Continued

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.

Performance rights granted in 2013 subject to a TSR or EPS hurdle are not likely to vest as the EPS and TSR targets are unlikely to be achieved. The performance rights granted in 2013 subject to a continuous service hurdle will vest following the lodgment of the Company's audited results for FY2015.

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 H4 of the Financial Statements.

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					
R Umbers ⁽³⁾	568,749	910,000	-	-	-
B Brookes ⁽⁴⁾	375,000	600,000	-	291,751	204,226
M Ashby ⁽⁵⁾	300,000	480,000	-	673,611	491,736
D Bracken ⁽⁶⁾	443,749	710,000	-	-	-
A Sutton	225,000	360,000	-	-	-

(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 FY2015 grant was \$1.60.

(3) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(4) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.

(5) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.

(6) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

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 pages 39 and 40. 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

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

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

REMUNERATION REPORT

Continued

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 29 to 31). 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 (performance rights)

Name	Year granted	Vested %	Forfeited %	The remaining financial years in which performance rights may vest	Maximum total value of grant yet to vest \$
R Umbers ⁽¹⁾	2015	-	-	2017	348,480
B Brookes ⁽²⁾	2015	-	77.8	2017	36,027
M Ashby ⁽³⁾	2015	-	100	2017	-
	2014	-	100	2016	-
	2013	-	100	2015	-
D Bracken ⁽⁴⁾	2015	-	-	2017	243,212
A Sutton	2015	-	-	2017	97,373
	2014	-	-	2016	50,305
	2013	-	-	2015	5,359

(1) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(2) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.

(3) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.

(4) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

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 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. The termination provisions for the KMP are described below:

Name	Contract type	Termination notice period initiated by KMP	Termination notice period initiated by Company	Termination payment where initiated by the Company
R Umbers ⁽¹⁾	Rolling contract	6 months	12 months	12 months
D Bracken ⁽²⁾	Rolling contract	3 months	6 months	6 months
G Devonport ⁽³⁾	Rolling contract	6 months	6 months	6 months
A Sutton	Rolling contract	3 months	6 months	6 months

(1) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(2) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

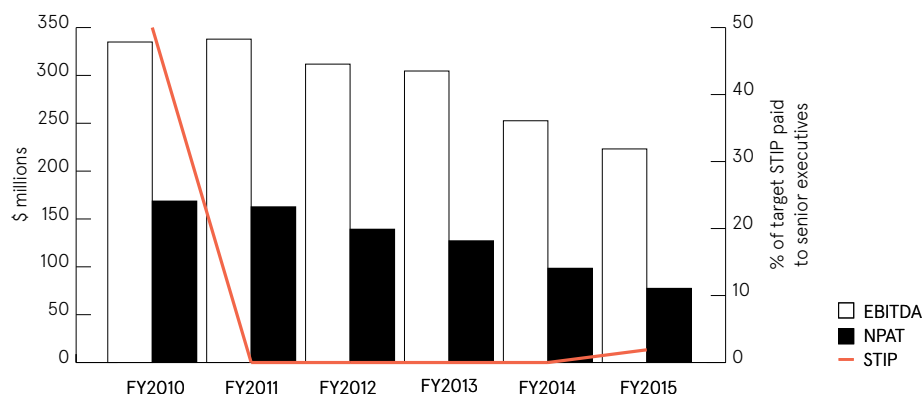
(3) G Devonport was appointed as CFO on 22 July 2015.

REMUNERATION REPORT

Continued

REMUNERATION AND COMPANY PERFORMANCE

The following graph shows the average individual total STI reward (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	FY2015
Basic EPS (cents) ⁽¹⁾	29.0	27.9	23.9	21.8	16.8	13.2 ⁽⁵⁾
NPAT (\$'000)	168,702 ⁽³⁾	162,657 ⁽⁴⁾	139,365	127,212	98,499	77,504 ⁽⁶⁾
Dividends (cents per share)	22.0	22.5	19.0	18.0	14.5	7.0
Share price at beginning of year ⁽²⁾ (\$)	4.10	3.45	2.31	1.83	2.66	2.24
Share price at end of year (\$)	3.45	2.31	1.83	2.66	2.24	1.18

(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) 2010 share price at the beginning of the year is the share price at listing.

(3) 2010 NPAT is pro forma NPAT excludes Individually Significant Items.

(4) 2011 NPAT excludes IPO and Individually Significant Items.

(5) 2015 Basic EPS excludes Individually Significant Items.

(6) 2015 NPAT excludes Individually Significant Items.

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.

REMUNERATION REPORT

Continued

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

Name	Short-term employee benefits				Post-employment benefits		Long-term benefits			Total remuneration expense		Share-based payments		Total remuneration expense
	Cash salary and fees ⁽¹⁾	Bonus / incentive STI ⁽²⁾	Other ⁽³⁾	Non-monetary benefits	Superannuation ⁽⁴⁾	Subtotal	Long service leave	Retention bonus	Termination and other payments	Excluding share-based payments ⁽⁵⁾	Options ⁽⁶⁾			
Non-executive directors														
P McClintock														
2015	381,217	-	-	-	18,783	400,000	-	-	-	400,000	-	-	400,000	
2014	382,225	-	-	-	17,775	400,000	-	-	-	400,000	-	-	400,000	
R Myer														
2015	162,900	-	-	-	17,100	180,000	-	-	-	180,000	-	-	180,000	
2014	163,350	-	-	-	16,650	180,000	-	-	-	180,000	-	-	180,000	
A Brennan														
2015	162,900	-	-	-	17,100	180,000	-	-	-	180,000	-	-	180,000	
2014	163,350	-	-	-	16,650	180,000	-	-	-	180,000	-	-	180,000	
I Cornell ⁽⁷⁾														
2015	135,750	-	-	-	14,250	150,000	-	-	-	150,000	-	-	150,000	
2014	55,017	-	-	-	5,608	60,625	-	-	-	60,625	-	-	60,625	
C Froggatt														
2015	155,547	-	-	-	16,328	171,875	-	-	-	171,875	-	-	171,875	
2014	149,738	-	-	-	15,262	165,000	-	-	-	165,000	-	-	165,000	
P Hay ⁽⁸⁾														
2015	-	-	-	-	-	-	-	-	-	-	-	-	-	
2014	131,152	-	-	-	13,413	144,565	-	-	-	144,565	-	-	144,565	
R Thorn ⁽⁹⁾														
2015	121,650	-	-	-	28,350	150,000	-	-	-	150,000	-	-	150,000	
2014	55,017	-	-	-	5,608	60,625	-	-	-	60,625	-	-	60,625	
Executive directors														
R Umbers ⁽¹⁰⁾														
2015	792,129	590,000	1,372	-	25,045	1,408,546	3,197	-	-	1,411,743	98,426	-	1,510,169	
2014	-	-	-	-	-	-	-	-	-	-	-	-	-	
B Brookes ⁽¹¹⁾														
2015	2,338,056	-	245,597	-	34,511	2,618,164	-	-	1,553,721	4,171,885	82,069	-	4,253,954	
2014	1,843,056	-	153,336	-	29,444	2,025,836	60,897	-	-	2,086,733	484,615	-	2,571,348	

REMUNERATION REPORT

Continued

Name	Short-term employee benefits				Post-employment benefits			Long-term benefits			Total remuneration expense		Share-based payments		Total remuneration expense
	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⁾				
Key Management Personnel															
M Ashby ⁽¹²⁾															
2015	810,928	-	14,323	-	28,175	853,426	-	-	-	-	-	853,426	-	-	701,898
2014	631,159	-	1,317	-	77,175	709,651	25,598	-	-	-	-	735,249	-	-	916,577
D Bracken ⁽¹³⁾															
2015	720,767	390,000	1,372	-	29,740	1,141,879	2,656	-	-	-	-	1,144,535	-	-	1,213,228
2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
G Devonport ⁽¹⁴⁾															
2015	9,091	-	15	-	210	9,316	-	-	-	-	-	9,316	-	-	9,316
2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A Stapleton ⁽¹⁵⁾															
2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2014	451,324	-	1,317	-	23,676	476,317	-	-	-	-	-	476,317	-	-	374,401
A Sutton															
2015	460,933	-	4,607	-	29,740	495,280	30,687	-	-	-	-	525,967	-	-	633,190
2014	407,225	-	1,317	-	17,775	426,317	8,111	-	-	-	-	434,428	-	-	531,268
G Travers ⁽¹⁶⁾															
2015	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2014	722,273	-	1,317	-	14,947	738,537	-	-	-	-	-	738,537	-	-	597,336
Totals 2015	6,251,868	980,000	267,286	-	259,332	7,758,486	36,540	-	1,553,721	9,348,747	204,883	9,553,630	204,883	519,666	6,181,745
Totals 2014	5,154,886	-	158,604	-	253,983	5,567,473	94,606	-	-	5,662,079	519,666	6,181,745	519,666	6,181,745	-

REMUNERATION REPORT

Continued

- (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 FY2015 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 and performance rights 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) I Cornell was appointed as a non-executive director on 6 February 2014.
- (8) P Hay retired as a non-executive director effective from 14 July 2014.
- (9) R Thorn was appointed as a non-executive director on 6 February 2014.
- (10) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015. Remuneration represents earnings from 1 September 2014.
- (11) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.
- (12) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.
- (13) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.
- (14) G Devonport was appointed as CFO on 22 July 2015.
- (15) A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013 and ceased employment on 18 July 2014.
- (16) G Travers was appointed as Executive General Manager Business Services on 1 November 2010 and ceased employment on 2 May 2014.

REMUNERATION REPORT

Continued

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.

Name	Total remuneration expense	Total fixed remuneration		At risk - STI ⁽⁹⁾		At risk - LTI ⁽¹⁾				
		\$	\$	%	\$	%	Share options	Retention incentive	\$	%
Executive directors										
R Umbers ⁽²⁾										
2015	1,510,169	821,743	54%	590,000	39%	98,426	7%	-	0%	
2014	-	-	0%	-	0%	-	0%	-	0%	
B Brookes ⁽³⁾										
2015	4,253,954	4,171,885	98%	-	0%	82,069	2%	-	0%	
2014	2,571,348	2,086,733	81%	-	0%	484,615	19%	-	0%	
Key Management Personnel										
M Ashby ⁽⁴⁾										
2015	701,898	853,426	122%	-	0%	-151,528	-22%	-	0%	
2014	916,577	735,249	80%	-	0%	181,328	20%	-	0%	
D Bracken ⁽⁵⁾										
2015	1,213,228	754,535	62%	390,000	32%	68,693	6%	-	0%	
2014	-	-	0%	-	0%	-	0%	-	0%	
G Devonport ⁽⁶⁾										
2015	9,316	9,316	100%	-	0%	-	0%	-	0%	
2014	-	-	0%	-	0%	-	0%	-	0%	
A Stapleton ⁽⁷⁾										
2015	-	-	0%	-	0%	-	0%	-	0%	
2014	374,401	476,317	127%	-	0%	-101,916	-27%	-	0%	
A Sutton										
2015	633,190	525,967	83%	-	0%	107,223	17%	-	0%	
2014	531,268	434,428	82%	-	0%	96,840	18%	-	0%	
G Travers ⁽⁸⁾										
2015	-	-	0%	-	0%	-	0%	-	0%	
2014	597,336	738,537	124%	-	0%	-141,201	-24%	-	0%	
Totals 2015	8,321,755	7,136,872	86%	980,000	12%	204,883	2%	-	0%	
Totals 2014	4,990,930	4,471,264	90%	-	0%	519,666	10%	-	0%	

(1) LTI was provided through the issue of options and performance rights 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 expended 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) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(3) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.

(4) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.

(5) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

(6) G Devonport was appointed as CFO on 22 July 2015.

(7) A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013 and ceased employment on 18 July 2014.

(8) G Travers was appointed as Executive General Manager Business Services on 1 November 2010 and ceased employment on 2 May 2014.

(9) Includes cash sign-on bonuses received.

REMUNERATION REPORT

Continued

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 compen- sation ⁽¹⁾	Exercised	Other changes ⁽²⁾	Closing balance	Vested and exercisable ⁽³⁾	Unvested
2015							
Directors of Myer Holdings Limited							
Paul McClintock AO	-	-	-	-	-	-	-
Rupert Myer AO	-	-	-	-	-	-	-
Bernard Brookes ⁽⁴⁾	2,058,383	375,000	-	(2,350,134)	83,249	-	83,249
Anne Brennan	-	-	-	-	-	-	-
Chris Froggatt	-	-	-	-	-	-	-
Ian Cornell	-	-	-	-	-	-	-
Robert Thorn	-	-	-	-	-	-	-
Richard Umbers ⁽⁵⁾	-	568,749	-	-	568,749	-	568,749
Other Key Management Personnel of the Group							
Mark Ashby ⁽⁶⁾	634,339	300,000	-	(934,339)	-	-	-
Daniel Bracken ⁽⁷⁾	-	443,749	-	-	443,749	-	443,749
Grant Devonport ⁽⁸⁾	-	-	-	-	-	-	-
Anthony Sutton	457,279	225,000	-	-	682,279	-	682,279
2014							
Directors of Myer Holdings Limited							
Paul McClintock AO	-	-	-	-	-	-	-
Rupert Myer AO	-	-	-	-	-	-	-
Bernard Brookes	9,438,777	-	-	(7,380,394)	2,058,383	-	2,058,383
Anne Brennan	-	-	-	-	-	-	-
Chris Froggatt	-	-	-	-	-	-	-
Ian Cornell ⁽⁹⁾	-	-	-	-	-	-	-
Peter Hay ⁽¹⁰⁾	-	-	-	-	-	-	-
Robert Thorn ⁽⁹⁾	-	-	-	-	-	-	-
Other Key Management Personnel of the Group							
Mark Ashby	450,773	183,566	-	-	634,339	-	634,339
Adam Stapleton ⁽¹¹⁾	326,073	99,650	(15,000)	(410,723)	-	-	-
Anthony Sutton	483,119	89,160	(115,000)	-	457,279	-	457,279
Greg Travers ⁽¹²⁾	450,773	146,853	-	(597,626)	-	-	-

(1) Options and performance rights granted during the year are outlined on page 35.

(2) Other changes comprise of (i) options and rights which have expired or forfeited during the period, (ii) balances held by new Key Management Personnel from the date of appointment and (iii) removes balances for those no longer regarded as Key Management Personnel.

(3) All vested options are exercisable at the end of the period.

(4) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.

(5) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(6) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.

(7) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

(8) G Devonport was appointed as CFO on 22 July 2015.

(9) I Cornell and R Thorn were appointed directors on 6 February 2014.

(10) P Hay retired as director effective 14 July 2014.

(11) A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013 and ceased employment on 18 July 2014.

(12) G Travers was appointed as Executive General Manager Business Services on 1 November 2010 and ceased employment on 2 May 2014.

REMUNERATION REPORT

Continued

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
2015					
Directors of Myer Holdings Limited					
Paul McClintock AO	181,000	-	-	-	181,000
Rupert Myer AO	733,999	-	-	-	733,999
Bernard Brookes ⁽²⁾	10,178,952	-	(10,178,952)	-	-
Anne Brennan	53,658	-	-	-	53,658
Chris Froggatt	10,040	-	-	-	10,040
Ian Cornell	10,000	-	-	-	10,000
Robert Thorn	-	-	-	161,000	161,000
Richard Umbers ⁽³⁾	-	-	-	-	-
Other Key Management Personnel of the Group					
Mark Ashby ⁽⁴⁾	245,257	-	(245,257)	-	-
Daniel Bracken ⁽⁵⁾	-	-	-	50,000	50,000
Grant Devonport ⁽⁶⁾	-	-	-	-	-
Anthony Sutton	-	-	-	25,000	25,000
2014					
Directors of Myer Holdings Limited					
Paul McClintock AO	106,000	-	-	75,000	181,000
Rupert Myer AM	733,999	-	-	-	733,999
Bernard Brookes	10,178,952	-	-	-	10,178,952
Anne Brennan	53,658	-	-	-	53,658
Chris Froggatt	10,040	-	-	-	10,040
Ian Cornell ⁽⁷⁾	-	-	-	10,000	10,000
Peter Hay ⁽⁸⁾	12,195	-	(12,195)	-	-
Robert Thorn ⁽⁷⁾	-	-	-	-	-
Other Key Management Personnel of the Group					
Mark Ashby	245,257	-	-	-	245,257
Adam Stapleton ⁽⁹⁾	-	15,000	-	(15,000)	-
Anthony Sutton	-	115,000	-	(115,000)	-
Greg Travers ⁽¹⁰⁾	1,325,808	-	(1,325,808)	-	-

(1) Other changes comprise of (i) shares which have been purchased or sold during the period, (ii) balances held by new Key Management Personnel from the date of appointment and (iii) removes balances for those no longer regarded as Key Management Personnel.

(2) B Brookes was appointed as CEO and Managing Director on 17 April 2006 and ceased employment on 1 May 2015.

(3) R Umbers was appointed as Chief Information and Supply Chain Officer on 1 September 2014 and promoted to CEO and Managing Director on 2 March 2015.

(4) M Ashby was appointed as CFO on 14 January 2008 and ceased employment on 22 May 2015.

(5) D Bracken was appointed as Chief Merchandise and Marketing Officer on 1 September 2014 and promoted to Deputy CEO on 2 March 2015.

(6) G Devonport was appointed as CFO on 22 July 2015.

(7) I Cornell and R Thorn were appointed directors on 6 February 2014.

(8) P Hay retired as director effective 14 July 2014.

(9) A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013 and ceased employment on 18 July 2014.

(10) G Travers was appointed as Executive General Manager Business Services on 1 November 2010 and ceased employment on 2 May 2014.

REMUNERATION REPORT

Continued

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.

Aggregates for KMP

- (i) In 2015 and 2014 there were no loans to individuals at any time.

Individuals with loans above \$100,000 during the financial period

- (ii) In 2015 and 2014 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 STATEMENTS
for the period ended 25 July 2015

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CONSOLIDATED INCOME STATEMENT
for the period ended 25 July 2015

	Notes	2015 52 weeks \$'000	2014 52 weeks \$'000
Total sales value (excluding GST)	A2	3,195,626	3,143,027
Concession sales		(501,153)	(491,482)
Sale of goods (excluding GST)	A2	2,694,473	2,651,545
Sales revenue deferred under customer loyalty program		(40,122)	(39,378)
Revenue from sale of goods (excluding GST)	A2	2,654,351	2,612,167
Other operating revenue (excluding finance revenue)	A2	131,423	128,769
Cost of goods sold		(1,495,382)	(1,455,066)
Operating gross profit		1,290,392	1,285,870
Other income		108	6,356
Selling expenses		(828,906)	(811,718)
Administration expenses		(328,138)	(320,204)
Strategic review, restructuring, store and brand exit costs and impairment of assets	A3	(61,687)	-
Earnings before interest and tax		71,769	160,304
Finance revenue	A2	753	1,025
Finance costs	A3	(23,488)	(22,931)
Net finance costs		(22,735)	(21,906)
Profit before income tax		49,034	138,398
Income tax expense	A4	(19,208)	(39,856)
Profit for the period		29,826	98,542
Profit is attributable to:			
Owners of Myer Holdings Limited		29,826	98,499
Non-controlling interests		-	43
		29,826	98,542
Earnings per share attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	A5	5.1	16.8
Diluted earnings per share	A5	5.1	16.6

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 25 July 2015

	Notes	2015 52 weeks \$'000	2014 52 weeks \$'000
Profit for the period		29,826	98,542
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cash flow hedges	F2	14,514	(13,320)
Exchange differences on translation of foreign operations	F2	(2,875)	110
Income tax relating to components of other comprehensive income	F2	-	(349)
Other comprehensive income for the period, net of tax		11,639	(13,559)
Total comprehensive income for the period		41,465	84,983
Total comprehensive income for the period is attributable to:			
Owners of Myer Holdings Limited		41,465	85,078
Non-controlling interests		-	(95)
		41,465	84,983

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

CONSOLIDATED BALANCE SHEET
as at 25 July 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	D1	53,323	73,564
Trade and other receivables and prepayments	B1	30,363	30,133
Inventories	B2	381,907	376,763
Derivative financial instruments	E2	15,211	-
Total current assets		480,804	480,460
Non-current assets			
Property, plant and equipment	C1	469,006	502,881
Deferred tax assets	A4	18,016	13,698
Intangible assets	C2	916,108	932,598
Other non-current assets		2,614	3,027
Total non-current assets		1,405,744	1,452,204
Total assets		1,886,548	1,932,664
LIABILITIES			
Current liabilities			
Trade and other payables	B3	387,182	428,066
Derivative financial instruments	E2	99	5,253
Current tax liabilities		512	7,321
Provisions	C3	85,728	82,167
Deferred income	C4	6,997	6,045
Other liabilities		871	2,029
Total current liabilities		481,389	530,881
Non-current liabilities			
Borrowings	D3	441,179	422,030
Derivative financial instruments	E2	4,654	3,401
Provisions	C3	21,198	14,039
Deferred income	C4	75,112	68,900
Total non-current liabilities		542,143	508,370
Total liabilities		1,023,532	1,039,251
Net assets		863,016	893,413
EQUITY			
Contributed equity	F1	524,755	524,732
Retained earnings	F2	335,366	378,751
Reserves	F2	2,895	(10,070)
Capital and reserves attributable to owners of Myer Holdings Limited		863,016	893,413
Non-controlling interests		-	-
Total equity		863,016	893,413

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 25 July 2015

Notes	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Non- controlling interests \$'000	Total \$'000
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	F1 4,516	-	-	-	4,516
Acquisition of non-controlling interests	-	-	6,029	(9,633)	(3,604)
Dividends paid	F3 -	(99,470)	-	-	(99,470)
Employee share schemes	F2 -	-	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
Net profit for the period	-	29,826	-	-	29,826
Other comprehensive income for the period	-	-	11,639	-	11,639
Total comprehensive income for the period	-	29,826	11,639	-	41,465
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	F1 23	-	-	-	23
Dividends paid	F3 -	(73,211)	-	-	(73,211)
Employee share schemes	F2 -	-	1,326	-	1,326
	23	(73,211)	1,326	-	(71,862)
Balance as at 25 July 2015	524,755	335,366	2,895	-	863,016

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 25 July 2015

	Notes	2015 52 weeks \$'000	2014 52 weeks \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		3,096,099	3,042,312
Payments to suppliers and employees (inclusive of goods and services tax)		(2,946,252)	(2,785,366)
		149,847	256,946
Other income		108	6,356
Interest paid		(22,601)	(22,443)
Tax paid		(30,439)	(49,283)
Net cash inflow from operating activities	D2	96,915	191,576
Cash flows from investing activities			
Payments for property, plant and equipment		(63,099)	(50,112)
Acquisition of business		-	(2,999)
Payment for brands acquisition		(1,000)	(1,000)
Payments for intangible assets		(17,276)	(26,157)
Payment for acquisition of non-controlling interests		-	(33,363)
Lease incentives and contributions received		18,225	8,375
Interest received		800	1,006
Net cash outflow from investing activities		(62,350)	(104,250)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs		17,927	-
Proceeds from the issue of shares		23	4,516
Dividends paid to equity holders of the parent	F3	(73,211)	(99,470)
Other		455	(278)
Net cash outflow from financing activities		(54,806)	(95,232)
Net (decrease)/increase in cash and cash equivalents		(20,241)	(7,906)
Cash and cash equivalents at the beginning of the financial period		73,564	81,470
Cash and cash equivalents at end of period	D1	53,323	73,564

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

A. Group performance

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

A1 Segment information

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

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

The Group also undertakes activities outside the department store retail business through its subsidiaries, sss & 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 and has similar economic characteristics to the department store retail business, it has not been disclosed as a separate reporting segment.

Accounting policy

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

A2 Revenue

	2015 52 weeks \$'000	2014 52 weeks \$'000
<i>Sales revenue</i>		
Total sales value (excluding GST)	3,195,626	3,143,027
Concession sales	(501,153)	(491,482)
Sale of goods (excluding GST)	2,694,473	2,651,545
Sales revenue deferred under customer loyalty program	(40,122)	(39,378)
Revenue from sale of goods (excluding GST)	2,654,351	2,612,167
<i>Other operating revenue</i>		
Concessions revenue	118,019	116,616
Other	13,404	12,153
	131,423	128,769
<i>Finance revenue</i>		
Interest revenue	753	1,025
Total revenue	2,786,527	2,741,961

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

Accounting policy

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

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

Critical accounting estimates and judgements - customer loyalty program

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

A3 Expenses

	2015 52 weeks \$'000	2014 52 weeks \$'000
Profit before income tax includes the following specific expenses:		
<i>Employee benefits expenses</i>		
Defined contribution superannuation expense	41,561	40,002
Other employee benefits expenses	443,662	435,099
Total employee benefits expenses	485,223	475,101
<i>Depreciation, amortisation and write-off expense</i>		
	89,743	92,320
<i>Finance costs</i>		
Interest and finance charges paid/payable	21,808	21,408
Fair value losses on interest rate swap cash flow hedges, transferred from equity	1,680	1,523
Finance costs expensed	23,488	22,931
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	225,552	216,084
Contingent rentals	4,210	5,339
Total rental expense relating to operating leases	229,762	221,423
<i>Net foreign exchange gains</i>	(7,595)	(1,377)

Strategic review, restructuring, store and brand exit costs and impairment of assets

The following individually significant items are included within strategic review, restructuring, store and brand exit costs and impairment of assets in the consolidated income statement:

Strategic review and implementation costs ¹	10,591	-
Restructuring and redundancy costs ²	11,828	-
Store and brand exit costs and other asset impairments ³	24,488	-
Support office onerous lease expense and impairment of assets ⁴	14,780	-
	61,687	-
Income tax benefit	(14,009)	-
Strategic review, restructuring, store and brand exit costs and impairment of assets, net of tax	47,678	-

1. The Group has incurred costs associated with the development of the New Myer strategy, as well as subsequent costs associated with its implementation. These costs relate primarily to fees incurred with consultants engaged to assist the Group with the review.
2. The Group has completed several restructuring programs during the period resulting in redundancy and other costs being incurred or committed but not yet incurred. Refer to note C3 for more information.
3. Store and brand exit costs and other asset impairments includes costs associated with the closure of stores (Top Ryde and Hurstville) during or after the end of the period that have been committed to prior to the end of the period, as well as provision for the exit of brands from our stores identified as part of the New Myer strategy. Also included in this amount are asset impairments related to brands no longer planned to be ranged in store, as well as the impairment of lease rights. Refer to note B2, C1, C2 and C3 for more information.
4. The Group recognised a \$12.2 million onerous lease provision relating to surplus space identified at the support office due to restructuring completed during the period. This provision expense is offset by the write-back of the fixed lease rental increase provision and deferred income associated with this space. The assets associated with this surplus space have been impaired and are included in this amount. Refer to note C1, C3 and C4 for more information.

Accounting policy

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

- Employee benefits expenses - refer to note C3
- Depreciation and amortisation expense - refer to note C1 and C2
- Finance costs - refer to note D3 and E2
- Rental expense relating to operating leases - refer to note H2
- Net foreign exchange gains - refer to note I(c)
- Impairment of assets - inventory - refer to note B2

Individually Significant Items

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

A4 Income tax

	2015 52 weeks \$'000	2014 52 weeks \$'000
(a) Income tax expense		
<i>(i) Income tax expense</i>		
Current tax	23,526	37,058
Deferred tax	(4,318)	2,798
Income tax expense ¹	19,208	39,856
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(4,344)	2,140
Increase/(decrease) in deferred tax liabilities	26	658
	(4,318)	2,798
<i>(ii) Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit before income tax expense	49,034	138,398
Tax at the Australian tax rate of 30% (2014: 30%)	14,710	41,520
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible asset impairments	4,593	-
Sundry items	(157)	(1,777)
	19,146	39,743
Adjustments for current tax of prior periods	62	113
Income tax expense ¹	19,208	39,856

1. Income tax expense includes an income tax benefit of \$14 million (2014: nil) attributable to the strategic review, restructuring, store and brand exit costs and impairment of assets recorded during the period. Refer to note A3 for more information.

	2015 \$'000	2014 \$'000
(b) Deferred tax assets		
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits	18,398	20,076
Non-employee provisions and accruals	17,468	12,609
Amortising deductions	1,218	837
Trading stock	5,496	4,990
Tax losses	1,797	1,521
Total deferred tax assets	44,377	40,033
Set off of deferred tax liabilities pursuant to set off provisions	(26,361)	(26,335)
Net deferred tax assets	18,016	13,698
Movement:		
Carrying amount at beginning of period	40,033	42,872
Credited/(charged) to income statement	4,344	(2,140)
Credited/(charged) to other comprehensive income	-	(699)
Carrying amount at end of period	44,377	40,033
(c) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Property, plant, equipment and software	14,111	13,118
Brand names	8,465	8,465
Deferred income	2,968	2,594
Sundry items	817	2,158
	26,361	26,335
Set off of deferred tax liabilities pursuant to set off provisions	(26,361)	(26,335)
Net deferred tax liabilities	-	-
Movement:		
Carrying amount at beginning of period	26,335	26,026
Charged/(credited) to income statement	26	658
Charged/(credited) to other comprehensive income	-	(349)
Carrying amount at end of period	26,361	26,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

A4 Income tax (continued)

Accounting policy

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exemption is made for certain temporary differences if they 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.

A5 Earnings per share

	2015 cents	2014 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	5.1	16.8
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	5.1	16.6
	\$'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	29,826	98,499
	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	585,683,950	585,253,946
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	4,640,752	6,748,120
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	590,324,702	592,002,066

(e) Information concerning the classification of securities

Options and performance rights

Options and performance rights 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 and performance rights granted have not been included in the determination of basic earnings per share. Details relating to options and performance rights are set out in note H4.

All options and performance rights outstanding at period end have been included in the calculation of diluted earnings per share because no options or rights are considered antidilutive for the period ended 25 July 2015.

Accounting policy

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

Diluted earnings per share

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

B. Working capital

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

B1 Trade and other receivables and prepayments

	2015 \$'000	2014 \$'000
Trade receivables	4,314	5,357
Provision for impairment	(1,311)	(1,120)
	3,003	4,237
Other receivables	10,580	12,615
Prepayments	16,780	13,281
	27,360	25,896
	30,363	30,133

Fair value and risk exposure

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

Accounting policy

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

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

B2 Inventories

	2015 \$'000	2014 \$'000
Retail inventories	381,907	376,763

Write-downs of inventories to net realisable value amounted to \$11.4 million (2014: \$9.8 million). This was recognised as an expense during the period and included in cost of sales in the income statement. In addition to this, a write-down of inventories to net realisable value relating to exit brands amounting to \$3.8 million (2014: nil) was recognised as an expense during the period and included in strategic review, restructuring, store and brand exit costs and impairment of assets in the income statement.

Accounting policy

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

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

Critical accounting estimates and judgements - recoverable amount of inventory

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

B3 Trade and other payables

	2015 \$'000	2014 \$'000
Trade payables	191,713	203,473
Other payables	195,469	224,593
	387,182	428,066

Trade and other payables are non-interest bearing.

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

C. Capital employed

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

C1 Property, plant and equipment

	Freehold land \$'000	Freehold buildings \$'000	Fixtures and fittings \$'000	Plant and equipment \$'000	Capital works in progress \$'000	Total \$'000
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
Period ended 25 July 2015						
Carrying amount at beginning of period	9,600	15,518	216,037	230,906	30,820	502,881
Additions	-	-	15,796	9,107	16,375	41,278
Transfer between classes	-	-	14,689	23,812	(37,861)	640
Assets written off - cost	-	-	(7,469)	(6,309)	-	(13,778)
Assets written off - accumulated depreciation	-	-	5,524	4,193	-	9,717
Impairment ¹	-	-	(9,624)	-	-	(9,624)
Depreciation charge	-	(488)	(33,799)	(27,732)	-	(62,019)
Exchange differences	-	-	(271)	122	60	(89)
Carrying amount at end of period	9,600	15,030	200,883	234,099	9,394	469,006
At 25 July 2015						
Cost	9,600	19,500	444,954	408,411	9,394	891,859
Accumulated depreciation and impairment	-	(4,470)	(244,071)	(174,312)	-	(422,853)
Net book amount	9,600	15,030	200,883	234,099	9,394	469,006

1. Impairment relates to assets associated with store closures, brand exits and support office onerous lease provision. Refer to note A3 for more information.

Accounting policy

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

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

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

- Buildings 40 years (2014: 40 years)
- Fixtures and fittings 3 - 12.5 years (2014: 3 - 12.5 years)
- Plant and equipment, including leasehold improvements 10 - 20 years (2014: 10 - 20 years)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

C2 Intangible assets

	Goodwill \$'000	Brand names and trademarks \$'000	Software \$'000	Lease rights \$'000	Total \$'000
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 ²	-	(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
Period ended 25 July 2015					
Carrying amount at beginning of period	376,631	427,726	117,399	10,842	932,598
Additions	-	-	19,010	-	19,010
Transfer between classes	-	-	(640)	-	(640)
Assets written off - cost	-	-	(6,524)	(22,754)	(29,278)
Assets written off - accumulated amortisation	-	-	5,244	22,754	27,998
Impairment ¹	-	(1,150)	(514)	(9,795)	(11,459)
Amortisation charge ²	-	(301)	(21,035)	(1,047)	(22,383)
Exchange differences	-	-	262	-	262
Carrying amount at end of period	376,631	426,275	113,202	-	916,108
At 25 July 2015					
Cost	376,631	429,958	236,335	25,786	1,068,710
Accumulated amortisation and impairment	-	(3,683)	(123,133)	(25,786)	(152,602)
Net book amount	376,631	426,275	113,202	-	916,108

1. Impairment relates to the impairment of the Charlie Brown brand and the impairment of lease right asset associated with one of our stores. Refer to note A3 for more information.

2. Amortisation of \$22.4 million (2014: \$24.5 million) is included in administration and selling expenses in the income statement.

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 (2014: \$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 Myer business as a whole. Similarly, brand names which have an indefinite useful life and amounting to \$402.8 million (2014: \$402.8 million) have been allocated to the Myer business as a whole. AASB 136 *Impairment of Assets* requires goodwill and intangible assets with an indefinite useful life to be tested annually for impairment. In testing these assets for impairment, the recoverable amount 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% (2014: 14.4%)
- terminal growth rate 2.5% (2014: 2.5%)
- operating gross profit margin 40% (2014: 41%)

The goodwill arising on the acquisition of the sass & bide business amounting to \$27.1 million (2014: \$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 (2014: \$23.5 million) has been allocated to the sass & bide business as a whole. In testing these assets for impairment, the recoverable amount 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. The discount rate and terminal growth rate assumptions used in the calculation are consistent with those noted above.

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.

During the period, a review of the carrying value of the assets for each Myer store was undertaken and where indicators of impairment were identified, the recoverable amount of these store assets was 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. The key assumptions in the calculation are consistent with those noted above. Based on this, an impairment charge of \$9.8 million (2014: nil) was identified relating to lease right asset held.

Refer to note A3 for more information on other impairment charges recorded during the period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

C2 Intangible assets (continued)

Accounting policy

(i) Impairment of assets

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

(ii) Goodwill

Goodwill is measured as described in note 1(d). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(iv) Computer software

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Direct costs may include internal payroll and on-costs for employees directly associated with the project. Costs incurred on computer software maintenance or during the planning phase are expensed as incurred. Computer software is amortised over the period of time during which the benefits are expected to arise, being 5 to 10 years.

(v) Lease rights

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

Critical accounting estimates and judgements - impairment

The Group tests annually whether goodwill and indefinite lived intangibles have suffered any impairment, in accordance with the accounting policy noted above. The recoverable amount of cash generating units have been determined based on value-in-use calculations at a store level. Goodwill and certain intangibles are tested for impairment at the level of the Group as a whole, using calculations based on the use of assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

C3 Provisions

	2015 \$'000	2014 \$'000
Current		
Employee benefits	56,022	60,802
Support office onerous lease (i)	3,418	-
Restructuring (ii)	8,267	-
Workers' compensation (iii)	11,838	15,883
Sales returns (iv)	2,772	2,763
Other	3,411	2,719
	85,728	82,167
Non-current		
Employee benefits	4,786	5,811
Support office onerous lease (i)	8,880	-
Fixed lease rental increases (v)	7,478	8,186
Other	54	42
	21,198	14,039

(i) Support office onerous lease

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

(ii) Restructuring

The restructuring provision relates to redundancy costs associated with restructuring of our store labour force, as well as costs of implementation of our store and brand exit program committed but not yet incurred. Refer to note A3 for more information.

(iii) Workers' compensation

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

(iv) Sales returns

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

(v) Fixed lease rental increases

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

Movement in provisions

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

	Support office onerous lease \$'000	Restructuring \$'000	Workers' compensation \$'000	Sales returns \$'000	Fixed lease rental increases \$'000	Other \$'000	Total \$'000
2015							
Carrying amount at beginning of period	-	-	15,883	2,763	8,186	2,761	29,593
Additional provisions recognised	12,298	8,267	-	2,772	1,166	3,187	27,690
Provisions reversed	-	-	(489)	-	(1,681)	-	(2,170)
Amounts utilised	-	-	(3,556)	(2,763)	(193)	(2,483)	(8,995)
Carrying amount at end of period	12,298	8,267	11,838	2,772	7,478	3,465	46,118

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.

	2015 \$'000	2014 \$'000
Current long service leave obligations expected to be settled after 12 months	25,415	28,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

C3 Provisions (continued)

Accounting policy

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Profit sharing and bonus plans

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

(iv) Termination benefits

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

C4 Deferred income

	2015 \$'000	2014 \$'000
Current		
Lease incentives and contributions	6,997	6,045
Non-current		
Lease incentives and contributions	75,112	68,900
	82,109	74,945

During the period, an onerous contract provision was recorded relating to excess office space identified under a non-cancellable lease. This lease agreement included cash landlord contributions that the Group recorded as deferred income and has been amortising on a straight line basis over the term of the lease. The deferred income relating to the onerous space has been written-back as part of the net support office onerous lease expense. Refer to note A3 for more information.

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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D. Net debt

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

The net debt of the Group as at 25 July 2015 and 26 July 2014 is as follows:

	2015 \$'000	2014 \$'000
Total borrowings	441,179	422,030
Less: cash and cash equivalents	(53,323)	(73,564)
Net debt	387,856	348,466

D1 Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash on hand	2,937	2,837
Cash at bank	50,386	70,727
	53,323	73,564

Accounting policy

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

D2 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 52 weeks \$'000	2014 52 weeks \$'000
Profit for the period	29,826	98,542
Depreciation and amortisation, including lease incentives and contributions	101,697	86,305
Interest income	(753)	(1,025)
Interest expense	1,221	1,233
Share-based payments expense	1,445	1,850
Net exchange differences	(2,875)	110
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(4,107)	(6,418)
(Increase)/decrease in inventories	(6,615)	(11,049)
(Increase)/decrease in deferred tax asset	(4,437)	2,294
(Increase)/decrease in derivative financial instruments	(2,797)	1,924
(Decrease)/increase in trade and other payables	(19,494)	31,151
(Decrease)/increase in current tax payable	(6,809)	(11,721)
Increase/(decrease) in provisions	10,720	(1,345)
(Decrease)/increase in other liabilities	(107)	(275)
Net cash inflow from operating activities	96,915	191,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

D3 Borrowings

	2015 \$'000	2014 \$'000
Non-current borrowings		
Bank loans	441,179	422,030
Total borrowings	441,179	422,030

(a) Structure of debt

The debt funding of the Group at 25 July 2015 comprised of a revolving cash advance syndicated facility of \$600 million. This facility was established on 29 October 2009, drawn down on 6 November 2009 and amended and restated on 3 June 2011 and 9 July 2013. On 23 June 2015, the facility went through a third amendment and restatement which included extending the tenure and reducing the limit. At balance date the following amounts were drawn:

	2015 \$'000	2014 \$'000
Bank loans	445,000	425,000
Less: transaction costs	(3,821)	(2,970)
Borrowings	441,179	422,030

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

	Amount	Term	Expiry date
Revolving cash advance facility - Tranche A	\$145 million	4 years	21 August 2019
Revolving cash advance facility - Tranche B	\$180 million	2 years	21 August 2017
Revolving cash advance facility - Tranche C	\$275 million	4 years	21 August 2019

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

(b) Security

The revolving cash advance facility in place at 25 July 2015 is unsecured, subject to various representations, undertakings, events of default and review events which are usual for a facility of this nature.

(c) Fair value

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

(d) Risk exposures

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

Accounting policy

Borrowings

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

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

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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E. Risk management

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

E1 Financial risk management

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

To minimise the effects of a volatile and unpredictable exchange rate, Group policy is to enter into forward exchange contracts in relation to the Group's overseas purchases for any 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:

	2015			2014		
	USD \$'000	EURO \$'000	GBP \$'000	USD \$'000	EURO \$'000	HKD \$'000
Trade payables	18,016	433	89	26,425	585	44
Forward exchange contracts	172,803	6,637	-	183,151	-	-

Group sensitivity

The Group applies a prudent cash flow hedging policy approach whereby all forward exchange contracts in relation to the Group's overseas purchases are designated as cash flow hedges at inception. Subsequent testing of effectiveness ensures that all effective hedge movements flow through the cash flow hedge reserve within equity. Consistent with this approach, the sensitivity for movements in foreign exchange rates for US dollar and Euro denominated financial instruments held at 25 July 2015, 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 \$14.8 million lower/\$17.9 million higher (2014: \$14.4 million lower/\$17.0 million higher) had the Australian dollar strengthened/weakened by 10% against the US dollar and Euro, arising from foreign exchange contracts designated as cash flow hedges. The Group's exposure to other foreign exchange movements is not material.

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

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The risk is managed by the use of floating to fixed interest rate swap contracts. 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. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed 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:

	2015		2014	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Borrowings - variable	3.6%	441,179	4.1%	422,030
Interest rate swaps (notional principal amount)	5.0%	(200,000)	4.7%	(200,000)
Net exposure to cash flow interest rate risk		241,179		222,030

The weighted average interest rates noted above for both borrowings and swaps are inclusive of margins applicable to the underlying variable rate borrowings.

An analysis by maturities is provided in section (c) below.

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for the period ended 25 July 2015

E1 Financial risk management (continued)

(a) Market risk (continued)

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

At 25 July 2015, 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 (2014: \$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 (2014: \$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 B1, D1 and E2.

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

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

	2015 \$'000	2014 \$'000
Cash at bank and short-term bank deposits		
AAA	-	-
AA	53,323	73,564
A	-	-
	53,323	73,564
Derivative financial assets		
AAA	-	-
AA	15,211	-
A	-	-
	15,211	-

(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:

	2015 \$'000	2014 \$'000
Floating rate		
Expiring within one year (revolving cash advance facility)	-	-
Expiring beyond one year (revolving cash advance facility)	155,000	200,000
	155,000	200,000

The long-term revolving cash advance facility comprises the following three tranches totalling \$600 million with \$445 million drawn at period end:

- Tranche A \$145 million, fully drawn expires on 21 August 2019
- Tranche B \$180 million, fully drawn expires on 21 August 2017
- Tranche C \$275 million, \$120 million drawn expires on 21 August 2019

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E1 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturities of financial liabilities

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

(a) all non-derivative financial liabilities; and

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

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

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2015							
Non-derivatives							
Non-interest bearing	280,872	-	-	-	-	280,872	280,872
Variable rate	7,203	7,706	15,738	469,061	-	499,708	441,179
Total non-derivatives	288,075	7,706	15,738	469,061	-	780,580	722,051
Derivatives							
Net settled (interest rate swaps)	1,262	1,219	1,932	403	-	4,816	4,753
Gross settled							
- (inflow)	(137,697)	(56,917)	-	-	-	(194,614)	(15,211)
- outflow	125,722	53,718	-	-	-	179,440	-
Total derivatives	(10,713)	(1,980)	1,932	403	-	(10,358)	(10,458)
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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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E1 Financial risk management (continued)

(d) Fair value measurements

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

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

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

The following tables present the Group's assets and liabilities measured and recognised at fair value at 25 July 2015 and 26 July 2014:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2015				
Assets				
Derivatives used for hedging	-	15,211	-	15,211
Total assets	-	15,211	-	15,211
Liabilities				
Derivatives used for hedging	-	4,753	-	4,753
Total liabilities	-	4,753	-	4,753
2014				
Assets				
Derivatives used for hedging	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Derivatives used for hedging	-	8,654	-	8,654
Total liabilities	-	8,654	-	8,654

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.

E2 Derivative financial instruments

	2015 \$'000	2014 \$'000
Current assets		
Forward foreign exchange contracts (i)	15,211	-
Total current derivative financial instrument assets	15,211	-
Current liabilities		
Forward foreign exchange contracts (i)	-	5,253
Interest rate swap contracts (ii)	99	-
Total current derivative financial instrument liabilities	99	5,253
Non-current liabilities		
Interest rate swap contracts (ii)	4,654	3,401
Total non-current derivative financial instrument liabilities	4,654	3,401

(a) Instruments used by the Group

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

(i) Forward exchange contracts - cash flow hedges

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

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

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

During the period ended 25 July 2015 nil (2014: nil) was reclassified from equity and included in the cost of inventory. There was no hedge ineffectiveness in the current or prior period.

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for the period ended 25 July 2015

E2 Derivative financial instruments (continued)

(a) Instruments used by the Group (continued)

(i) Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 3.56% (2014: 4.12%). 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 44.9% (2014: 47.1%) of the Group's drawn debt facility (refer to note D3 for details of the Group's borrowings). The notional principal amounts used in the swap agreements match the terms of the debt facilities. Under the swap agreements, the fixed interest rates range between 2.97% and 3.9% (2014: 2.97% and 3.99%) and the variable rates are based on the Bank Bill Swap Rate bid (BBSY Bid). The contracts require settlement of net interest receivable or payable 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 25 July 2015, \$1.7 million was reclassified in profit and loss (2014: \$1.5 million) and included in finance cost. There was no hedge ineffectiveness in the current period.

(b) Risk exposures

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

Accounting policy

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

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

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

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

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedge

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

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

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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F. Equity

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

F1 Contributed equity

	2015	2014	2015	2014
	Number of shares	Number of shares	\$'000	\$'000
Opening balance	585,684,551	583,594,551	564,246	558,728
Shares issued to Myer Equity Plans Trust at market value	5,000	2,090,000	12	5,518
	585,689,551	585,684,551	564,258	564,246
Treasury shares				
Opening balance	(9,200)	(29,700)	(39,514)	(38,512)
Shares issued to Myer Equity Plans Trust at market value	(5,000)	(2,090,000)	(12)	(5,518)
Shares allocated on exercise of options at \$2.14	-	2,110,500	-	4,516
Shares allocated on exercise of options at \$2.34	10,000	-	23	-
Closing balance of Treasury shares	(4,200)	(9,200)	(39,503)	(39,514)
Closing balance	585,685,351	585,675,351	524,755	524,732

Ordinary shares

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

Treasury shares

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

Employee share 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 H4.

Capital risk management

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

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

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

The gearing ratios at 25 July 2015 and 26 July 2014 were as follows:

	2015	2014
	\$'000	\$'000
Total borrowings (note D3)	441,179	422,030
Less: cash and cash equivalents (note D1)	(53,323)	(73,564)
Net debt	387,856	348,466
Total equity	863,016	893,413
Total capital	1,250,872	1,241,879
Gearing ratio	31%	28%

The increase in the gearing ratio during 2015 was primarily driven by an increase in net debt and a decrease in equity associated with dividends paid during the year being higher than profits following the decline in profit for the year.

Accounting policy

Ordinary shares are classified as equity.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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F2 Retained earnings and reserves

	2015	2014
	\$'000	\$'000
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of period	378,751	379,722
Profit for the period	29,826	98,499
Dividends	(73,211)	(99,470)
Balance at end of period	335,366	378,751
(b) Reserves		
Share-based payments (i)	24,857	23,531
Cash flow hedges (ii)	7,045	(7,469)
Other reserve (iii)	(25,621)	(25,621)
Foreign currency translation (iv)	(3,386)	(511)
	2,895	(10,070)
Movements in reserves were as follows:		
<i>Share-based payments</i>		
Balance at beginning of period	23,531	22,185
Share-based payments expense recognised (note H4)	1,445	1,850
Income tax (note A4)	(119)	(504)
Balance at end of period	24,857	23,531
<i>Cash flow hedges</i>		
Balance at beginning of period	(7,469)	6,039
Net gain/(loss) on revaluation	17,760	(17,190)
Transfer to net profit	(3,246)	4,031
Deferred tax (note A4)	-	(349)
Balance at end of period	7,045	(7,469)
<i>Other reserve</i>		
Balance at beginning of period	(25,621)	(31,650)
Acquisition of non-controlling interests	-	6,029
Balance at end of period	(25,621)	(25,621)
<i>Foreign currency translation</i>		
Balance at beginning of period	(511)	(598)
Currency translation differences arising during the period	(2,875)	87
Balance at end of period	(3,386)	(511)

(i) Share-based payments

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

(ii) Cash flow hedges

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

(iii) Other reserve

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 I(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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F3 Dividends

	2015 \$'000	2014 \$'000
(a) Ordinary shares		
Final fully franked dividend for the period ended 26 July 2014 of 5.5 cents (2013: 8.0 cents) per fully paid share paid 13 November 2014 (2013: 14 November 2013)	32,213	46,759
Interim fully franked dividend for the period ended 25 July 2015 of 7.0 cents (2014: 9.0 cents) per fully paid share paid 7 May 2015 (2014: 8 May 2014)	40,998	52,711
Total dividends paid	73,211	99,470
(b) Dividends not recognised at the end of the reporting period		
The directors have not recommended the payment of a final dividend (2014: 5.5 cents per fully paid ordinary share fully franked based on tax paid at 30%). The aggregate amount of the proposed dividend expected to be paid after period end, but not recognised as a liability at period end, is:	-	32,212
(c) Franked dividends		
The franked portions of the final dividends recommended after 25 July 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 30 July 2016. Franking credits available for subsequent financial periods based on a tax rate of 30% (2014: 30%)	9,266	17,175

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

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

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

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of nil (2014: reduction of \$14 million).

Accounting policy

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

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G. Group structure

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

G1 Subsidiaries

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

Name of entity	Notes	Country of incorporation	Class of shares	Equity	Equity
				holdings (4)	holdings (4)
				2015	2014
				%	%
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	100
sass & bide Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide Retail Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide Retail (NZ) Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide UK Limited		United Kingdom	Ordinary	100	100
sass & bide USA inc.		USA	Ordinary	100	100
sass & bide inc.		USA	Ordinary	100	100
FSS Retail Pty Ltd	(2), (3)	Australia	Ordinary	100	100

(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 to note G2.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

G2 Deed of cross guarantee

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

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

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

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'.

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

Set out below is a consolidated income statement, statement of comprehensive income and a summary of movements in consolidated retained earnings for the closed group for the year ended 25 July 2015:

	2015 52 weeks \$'000	2014 52 weeks \$'000
Income statement		
Total sales value (excluding GST)	3,194,597	3,141,961
Concession sales	(501,153)	(491,482)
Sale of goods (excluding GST)	2,693,444	2,650,479
Sales revenue deferred under customer loyalty program	(40,122)	(39,378)
Revenue from sale of goods (excluding GST)	2,653,322	2,611,101
Other operating revenue (excluding finance revenue)	131,423	128,769
Cost of goods sold	(1,494,144)	(1,454,015)
Operating gross profit	1,290,601	1,285,855
Other income	76	6,356
Selling expenses	(828,432)	(810,112)
Administration expenses	(327,743)	(319,771)
Strategic review, restructuring, store and brand exit costs and impairment of assets	(61,687)	-
Earnings before interest and tax	72,815	162,328
Finance revenue	734	991
Finance costs	(23,487)	(22,930)
Net finance costs	(22,753)	(21,939)
Profit before income tax	50,062	140,389
Income tax expense	(19,452)	(40,106)
Profit for the period	30,610	100,283
Profit is attributable to:		
Deed of Cross Guarantee group	30,610	100,240
Non-controlling interests	-	43
	30,610	100,283
Statement of comprehensive income		
Profit for the period	30,610	100,283
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedges	14,514	(13,320)
Exchange differences on translation of foreign operations	(817)	248
Income tax relating to components of other comprehensive income	-	(349)
Other comprehensive income for the period, net of tax	13,697	(13,421)
Total comprehensive income for the period	44,307	86,862
Summary of movements in retained earnings		
Opening balance	384,022	379,398
sass & bide opening retained earnings	-	3,854
Profit for the period	30,610	100,240
Dividends paid	(73,211)	(99,470)
Closing balance	341,421	384,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

G2 Deed of cross guarantee (continued)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 25 July 2015 of the closed group:

	2015 \$'000	2014 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	52,647	71,185
Trade and other receivables and prepayments	43,608	42,497
Inventories	378,518	372,853
Derivative financial instruments	15,211	-
Total current assets	489,984	486,535
Non-current assets		
Property, plant and equipment	468,573	502,327
Deferred tax assets	15,556	12,001
Intangible assets	915,525	932,138
Other non-current assets	2,628	2,932
Other financial assets	1,463	1,462
Total non-current assets	1,403,745	1,450,860
Total assets	1,893,729	1,937,395
LIABILITIES		
Current liabilities		
Trade and other payables	385,523	427,167
Derivative financial instruments	99	5,253
Current tax liabilities	889	7,516
Provisions	85,383	81,616
Deferred income	6,997	6,045
Other liabilities	871	2,029
Total current liabilities	479,762	529,626
Non-current liabilities		
Borrowings	441,179	422,030
Derivative financial instruments	4,654	3,401
Provisions	21,144	13,997
Deferred income	75,112	68,900
Total non-current liabilities	542,089	508,328
Total liabilities	1,021,851	1,037,954
Net assets	871,878	899,441
EQUITY		
Contributed equity	524,755	524,732
Retained earnings	341,421	384,022
Reserves	5,702	(9,313)
Total equity	871,878	899,441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

G3 Parent entity financial information

(a) Summary financial information

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

	2015 \$'000	2014 \$'000
Balance sheet		
Current assets	241,111	208,420
Total assets	1,166,215	1,129,970
Current liabilities	22,271	29,136
Total liabilities	468,103	454,567
Shareholders' equity		
Issued capital	524,755	524,732
Reserves		
Cash flow hedges	(4,769)	(3,418)
Other reserve	(2,653)	(1,891)
Share-based payments	18,458	17,133
Retained earnings	162,321	138,847
Profit for the period	96,685	128,721
Total comprehensive income	94,572	126,952
(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 G2. At balance date, no liability has been recognised in relation to these guarantees on the basis that the potential exposure is not considered material.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 25 July 2015 or 26 July 2014.

(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 25 July 2015 or 26 July 2014.

(e) Event subsequent to balance date

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

Accounting policy

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

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

H. Other information

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

H1 Contingencies

Contingent liabilities

The Group had contingent liabilities at 25 July 2015 in respect of:

Guarantees

The Group has issued bank guarantees amounting to \$44.6 million (2014: \$49.4 million), of which \$26 million (2014: \$30.5 million) represents guarantees supporting workers' compensation self insurance licences in various jurisdictions.

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

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

H2 Commitments

(a) Capital commitments

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

	2015 \$'000	2014 \$'000
<i>Property, plant, equipment and software</i>		
Payable:		
Within one year	2,132	10,553
Later than one year but not later than five years	-	-
Later than five years	-	-
	2,132	10,553

(b) Operating lease commitments

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

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	225,595	225,526
Later than one year but not later than five years	878,427	880,983
Later than five years	2,069,321	2,145,696
	3,173,343	3,252,205

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

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

Accounting policy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

H3 Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note G1.

(c) Key Management Personnel

(i) Compensation

Key Management Personnel compensation for the period ending 25 July 2015 is set out below. The Key Management Personnel of the Group are persons having the authority for planning, directing and controlling the Company's activities directly or indirectly, including the directors of Myer Holdings Limited.

	2015	2014
	\$	\$
Short-term employee benefits	7,499,154	5,313,490
Post employment benefits	259,332	253,983
Long-term benefits	36,540	94,606
Termination and other payments	1,553,721	-
Share-based payments	204,883	519,666
	9,553,630	6,181,745

Detailed remuneration disclosures are provided in the Remuneration Report on pages 20 to 45.

(ii) Loans

In 2015 and 2014 there were no loans made to directors of Myer Holdings Limited and other Key Management Personnel of the Group, including their related parties.

(iii) Other transactions

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

(d) Transactions with other related parties

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

H4 Share-based payments

(a) 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:

2015						
	Balance 26 July 2014	Granted	Exercised	Expired and lapsed	Balance 25 July 2015	Vested and exercisable
Total	8,734,292	3,370,332	(10,000)	(8,340,061)	3,754,563	-
Weighted average exercise price	\$0.60	\$0.00	\$2.34	\$0.62	\$0.00	\$0.00

2014						
	Balance 27 July 2013	Granted	Exercised	Expired and lapsed	Balance 26 July 2014	Vested and exercisable
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

The number of options which expired during the period was 2,176,650 (2014: 158,813).

The weighted average share price at the date of exercise of options exercised during the period ended 25 July 2015 was \$2.44 (2014: \$2.61).

The weighted average remaining contractual life of share options and rights outstanding at the end of the period was 1.6 years (2014: 0.6 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

H4 Share-based payments (continued)

(a) Equity Incentive Plans (continued)

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:

	2015 EEIP Rights (EPS)	2015 EEIP Rights (TSR)	2015 EEIP Rights (Business Transformation)	2015 EEIP Rights (Service)
(a) Fair value of performance rights granted	\$1.08	\$0.30	\$1.08	\$1.08
(b) Exercise price at grant date	\$0.00	\$0.00	\$0.00	\$0.00
(c) Grant date	15-Dec-14	15-Dec-14	15-Dec-14	15-Dec-14
(d) Expiry date	31-Oct-17	31-Oct-17	31-Oct-17	31-Oct-17
(e) Share price at grant date	\$1.35	\$1.35	\$1.35	\$1.35
(f) Expected price volatility of the Group's shares	32%	32%	32%	32%
(g) Expected dividend yield	8.9%	8.9%	8.9%	8.9%
(h) Risk-free interest rate	2.30%	2.30%	2.30%	2.30%

The expected price volatility is based on the historic volatility (based on the remaining life of the performance rights), adjusted for any expected changes to future volatility due to publicly available information.

Where rights are issued to employees of subsidiaries within the Group, the subsidiaries compensate the Company for the amount recognised as expense in relation to these rights.

(b) Expenses arising from share-based payment transactions

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

	2015 \$'000	2014 \$'000
Options and rights issued under the MEIP and EEIP	1,445	1,850

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.

Accounting policy

Share-based compensation benefits are provided to employees via the Myer Equity Incentive Plan.

The fair value of options granted under the plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions but excludes the impact of any services and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of revisions to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The Myer Equity Incentive Plan is administered by the Myer Equity Plan Trust (see note 1(b)(ii)). When options are exercised, the trust transfers the appropriate number of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

H5 Remuneration of auditors

During the period, the following fees were paid or payable for services provided by the auditor of the Group, and its related practices:

	2015 \$	2014 \$
(a) PwC Australia		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	396,380	392,530
<i>Other assurance services</i>		
Audit of rent certificates	46,970	44,250
Total remuneration for audit and other assurance services	443,350	436,780
(ii) Taxation services		
Tax compliance services	46,900	46,900
Total remuneration of PwC Australia	490,250	483,680
(b) Overseas practices of PwC		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	72,717	68,109
(ii) Taxation services		
Tax compliance services	8,958	25,331
Total remuneration for overseas practices of PwC	81,675	93,440

H6 Events occurring after the reporting period

Dividends on the Company's ordinary shares

The directors have determined that no final dividend will be payable for the period ended 25 July 2015.

Entitlement offer

On 1 September 2015, the Company announced the launch of a fully underwritten 2 for 5 accelerated pro-rata non-renounceable entitlement offer to raise approximately \$221 million, at an offer price of \$0.94 (Entitlement Offer).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 25 July 2015

I. Other accounting policies

This section provides a list of other accounting policies adopted in the preparation of these consolidated financial statements. Specific accounting policies are disclosed in their respective notes to the financial statements. This section also provides information on the impacts of new accounting standards, amendments and interpretations, and whether they are effective in 2015 or later years.

The principal accounting policies adopted in the preparation of these consolidated financial statements ('financial statements' or 'financial report') are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Myer Holdings Limited and its subsidiaries ('Group').

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. Myer Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of Myer Holdings Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative instruments), which have been measured at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in notes A4, B2 and C2.

(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 25 July 2015 and the results of all subsidiaries for the period then ended.

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

The acquisition method of accounting is used to account for business combinations by the Group (refer note I(d)).

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) 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 generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 25 July 2015

I. Other accounting policies (continued)

(d) Business combinations

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

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(e) 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 (refer to note B1).

(iii) Held to maturity investments

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

(iv) Available for sale financial assets

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

Recognition and derecognition

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

Measurement

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

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

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

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

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

Impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 25 July 2015

I. Other accounting policies (continued)

(f) Goods and Services Tax (GST)

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

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

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

(g) 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.

(h) New accounting standards and interpretations

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in the annual reporting period commencing 27 July 2014:

- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting*
- AASB 2014-1 *Amendments to Australian Accounting Standards - Part A: Annual Improvements 2010-2012 and 2011-13 Cycles*
- AASB 2014-1 *Amendments to Australian Accounting Standards - Part C: Materiality*

These revised standards did not affect any of the Group's accounting policies or any of the amounts recognised and affected only the disclosures in the notes to the financial statements.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 25 July 2015 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	<i>Financial Instruments</i>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>In December 2013, a revised Standard was issued and sets out the new rules for hedge accounting. The main changes are described below:</p> <ul style="list-style-type: none"> • 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	<p>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.</p> <p>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.</p>	27 July 2019
IFRS 15	<i>Revenue from Contracts with Customers</i>	The core principle of the new revenue recognition standard is that revenue must be recognised when the control of 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

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 46 to 82 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 25 July 2015 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note G2.

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

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

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



Paul McClintock, AO

Chairman

Melbourne, 1 September 2015.



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 25 July 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 27 July 2014 to 25 July 2015, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Myer Holdings Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the 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 I, 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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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 25 July 2015 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 I.

Report on the Remuneration Report

We have audited the remuneration report included in pages 20 to 45 of the directors' report for the period ended 25 July 2015. 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 25 July 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers
PricewaterhouseCoopers


Andrew Mill
Partner

Melbourne
1 September 2015