

MYER HOLDINGS LIMITED

ABN 14 119 085 602

APPENDIX 4E PRELIMINARY FINANCIAL REPORT

ASX Listing Rule 4.3A

Current reporting period: 53 weeks ended 30 July 2016

Previous corresponding period: 52 weeks ended 25 July 2015

Results for announcement to the market				\$A'000
Total sales value from ordinary activities	up	2.94%	to	3,289,568
Profit attributable to members of Myer Holdings Limited	up	102.99%	to	60,543
Net profit after tax before strategic review, restructuring, store and brand exit costs and impairment of assets	down	(10.63%)	to	69,262

Dividends	Amount per security	Franked amount per security
Current reporting period		
2016 final dividend	3.0 cents	3.0 cents
2016 interim dividend (paid 5 May 2016)	2.0 cents	2.0 cents
Previous corresponding period		
2015 final dividend	Nil	Nil
2015 interim dividend (paid 7 May 2014)	7.0 cents	7.0 cents

Record date for determining entitlements to the final dividend 29 September 2016

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	30 July 2016	25 July 2015
Net tangible assets per ordinary security	\$0.21	(\$0.12)

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 30 July 2016 consolidated financial statements and accompanying notes.

ANNUAL FINANCIAL REPORT

FOR THE PERIOD ENDED 30 JULY 2016

MYER

Myer Holdings Limited
ABN 14 119 085 602

CONTENTS

Directors' Report	3
Auditor's Independence Declaration	14
Remuneration Report	15
Financial Statements	38
Directors' Declaration	74
Independent Auditor's Report	75

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 30 July 2016.

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
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
Dave Whittle	Independent non-executive director	30 November 2015

Rupert Myer AO retired from the Board with effect from 20 November 2015. Dave Whittle was appointed to the Board with effect from 30 November 2015. All other directors served as directors of the Company for the whole financial period and until the date of this Directors' Report.

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

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.

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.

RICHARD UMBERS

Chief Executive Officer and Managing Director

- > Member of the Board since 2 March 2015

Richard 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 resides in Victoria.

DIRECTORS' REPORT

Continued

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 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.

Other current directorships

Anne is a director of Argo Investments Limited, Charter Hall Group, Nufarm Limited and Rabobank Limited (Australia and New Zealand), as well as O'Connell Street Associates.

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 of the Advanced Management Programme at Harvard. Ian resides in New South Wales.

Other current directorships

Ian is a non-executive director of Baby Bunting Group Limited 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.

BOB THORN

Independent non-executive director

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

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

Prior to Bob's 13 years with Super Retail Group, he was 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, MotorCycle Holdings Limited, Babies Galore, and Unity Water.

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

Other current directorships

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

DIRECTORS' REPORT

Continued

DAVE WHITTLE

Independent non-executive director

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

Dave has considerable digital and omni-channel retail experience in marketing and advertising, including his expertise in helping brands appeal to consumers. Previously, Dave spent 10 years with global advertising group M&C Saatchi in a number of local and international leadership roles, culminating in three years as Managing Director in Australia. During this time, he advised clients including Commonwealth Bank, Optus, IAG, ANZ, Qantas Loyalty and Google

on brand, data, omni-channel retail, and digital transformation. Prior to joining M&C Saatchi, Dave was the first employee of a marketing services group that built four digital service and software businesses. Two were acquired locally, and the other two were acquired by Oracle and Netratings in the US.

Dave has a Bachelor of Arts and a Bachelor of Commerce from Deakin University. Dave resides in New South Wales.

Other current directorships

Dave is a non-executive director of the Melbourne Festival and the GWS GIANTS Foundation.

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 2013, and the period during which each directorship has been held.

Director	Listed entity	Period directorship held
Paul McClintock AO	-	-
Rupert Myer AO	AMCIL Limited Healthscope Limited eCargo Holdings Limited	January 2000 – present June 2014 – present August 2014 – present
Richard Umbers	-	-
Anne Brennan	Charter Hall Group Nufarm Limited Argo Investments Limited Echo Entertainment Group Limited (now The Star Entertainment Group Limited)	October 2010 – present February 2011 – present September 2011 – present March 2012 – October 2014
Ian Cornell	Goodman Fielder Limited Baby Bunting Group Limited	February 2014 – March 2015 January 2015 – present
Chris Froggatt	Goodman Fielder Limited	August 2009 – March 2015
Bob Thorn	MotorCycle Holdings Limited PWR Holdings Limited	March 2016 – July 2016 August 2015 – present
Dave Whittle	-	-

3. MEETINGS OF DIRECTORS AND BOARD COMMITTEES

The number of meetings of the Board and of each Board Committee held during the period ended 30 July 2016 are set out below.

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

Director	Meetings of directors^		Audit, Finance and Risk Committee		Human Resources and Remuneration Committee		Nomination Committee	
	Meetings Held*	Attended	Meetings Held*	Attended	Meetings Held*	Attended	Meetings Held*	Attended
Paul McClintock AO	17	17	-	-	-	-	7	4***
Rupert Myer AO**	8	8	3	2	2	2	4	4
Richard Umbers	17	17	-	-	-	-	-	-
Anne Brennan	17	17	6	6	4	4	7	7
Ian Cornell	17	17	-	-	4	4	-	-
Chris Froggatt	17	16	-	-	4	4	7	6
Bob Thorn	17	17	6	6	-	-	-	-
Dave Whittle**	9	9	2	2	-	-	-	-

^ Including teleconferences and meetings associated with the 2015 capital raising and the New Myer strategy.

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

** Rupert Myer AO retired from the Board with effect from 20 November 2015; and Dave Whittle was appointed to the Board with effect from 30 November 2015.

*** In accordance with the Nomination Committee Charter, Mr McClintock did not attend the meetings of the Nomination Committee which considered the role of the Chair.

DIRECTORS' REPORT

Continued

4. DIRECTORS' RELEVANT INTERESTS IN SHARES

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

Director	Ordinary shares	Options	Performance rights
Paul McClintock AO	258,400	Nil	Nil
Richard Umbers	212,230	Nil	1,507,879
Anne Brennan	75,122	Nil	Nil
Ian Cornell	16,000	Nil	Nil
Chris Froggatt	24,056	Nil	Nil
Bob Thorn	225,400	Nil	Nil
Dave Whittle	Nil	Nil	Nil

5. COMPANY SECRETARY AND OTHER OFFICERS

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

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

Myer's Chief Financial Officer is Grant Devonport, and Daniel Bracken is Myer's Deputy CEO and Chief Merchandise and Customer Officer. Details of their experience and background is set out in the Management Team section of Myer's Investor Centre website.

6. PRINCIPAL ACTIVITIES

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

7. OPERATING AND FINANCIAL REVIEW

SUMMARY OF FINANCIAL RESULTS FOR 53 WEEKS ENDED 30 JULY 2016

- > FY2016 sales up 2.9%* to \$3,289.6 million, up 3.0%** on comparable store sales basis
- > Operating gross profit (OGP) of \$1,274.3 million with margin 164 basis points lower
- > Cost of Doing Business/sales reduced by 93 basis points to 32.5%^
- > FY2016 Net Profit After Tax (NPAT) of \$69.3 million, excluding implementation costs associated with New Myer^
- > Statutory FY2016 NPAT of \$60.5 million (after implementation costs associated with New Myer of \$8.8 million post tax)
- > Earnings Before Interest Tax Depreciation, Amortisation (EBITDA) of \$206.2 million, with margin 71 basis points lower^
- > Basic earnings per share (EPS) 8.8 cents (FY2015: 13.2 cents)^
- > Operating cash flow improved by \$36 million
- > Final dividend of 3.0 cents per share, fully franked, to be paid on 10 November 2016 (Record Date is 29 September 2016)

The New Myer strategy included four key target metrics, against which the delivery of New Myer is being assessed across the five year plan. The FY2016 results against these metrics after the first year of the New Myer strategy are as follows:

New Myer target metrics	FY2016
Average sales growth greater than 3% between 2016 and 2020	FY2016 sales up 2.9%
Greater than 20% improvement in sales per square metre by 2020	Sales per square metre increased by 5.6% on FY2015 base year
EBITDA growth ahead of sales growth by 2017	EBITDA down by 7.6%
	Sales up 2.9%
Return on funds employed (ROFE) greater than 15% by 2020	ROFE 9.1%

Total sales grew by 2.9 percent to \$3,289.6 million, up 3.0 percent on a comparable stores basis, driven by the rollout of wanted brands and enhanced service strategies as well as continued growth in our online business. Sales in the fourth quarter grew by 1.8 percent on a comparable stores basis.**

* On a 52-week basis, total sales were up 1.6% to \$3,245.9 million.

** Comparable store sales are on a 52-week basis, new and closed stores are excluded and sales for refurbished stores are excluded for the period of refurbishment only.

^ Certain items have been separately identified and presented as implementation costs associated with New Myer based on the nature and/or impact these items have on the Group's financial performance for the period.

DIRECTORS' REPORT

Continued

Our Flagship and Premium stores in New South Wales and Victoria outperformed with comparable sales growth of 5.6 percent, reflecting a continued focus on executing the New Myer strategy in these stores.

Operating gross profit declined by 164 basis points to 38.7 percent.

This result was driven by the strong customer response to our new wanted brands, which included a higher concession mix with higher sales productivity but lower gross profit margin. The continued focus on a more powerful and reduced range of Myer Exclusive Brands negatively impacted margin. In addition, the OGP margin was impacted by Australian dollar depreciation, which was in part mitigated by the focus on product, price, and markdown efficiencies.

The Cost of Doing Business margin reduced by 93 basis points to 32.5 percent.

Savings in store salaries as a result of both the voluntary redundancy program and the increase in concessions were largely reinvested in additional customer-facing hours, particularly in our Flagship and Premium stores.

Steps taken to achieve a simplified business model supporting a narrower and more focused range of brands have led to ongoing cost efficiencies across the business. However these cost efficiencies were largely offset by higher project opex and capex spend to support the New Myer strategy.

Net finance costs reduced by \$8.1 million to \$14.6 million as a result of lower net debt following the Entitlement Offer in September 2015.

NPAT pre implementation costs associated with New Myer was \$69.3 million, in line with guidance, with post-tax implementation costs of \$8.8 million (\$18.3 million pre-tax), broadly in line with expectations leading to statutory NPAT of \$60.5 million.

Net operating cash flows improved by \$36 million, supporting the Board's decision to determine a final dividend of 3.0 cents per share, taking the full year dividend to 5.0 cents per share.

Inventory was \$14 million higher at \$396 million compared to the end of FY2015, but represented a \$12 million improvement compared to the end of the first half.

Following the slower start to Winter sales due to unseasonably warm weather, the focus has been to reduce seasonal Winter product as a priority. The increase in stock levels is mainly in non-seasonal merchandise.

Cash capital expenditure was lower at \$59 million compared to \$63 million in FY2015, reflecting lower costs associated with the wanted brands rollout and store upgrades, compared with store openings in FY2015.

PROFIT & LOSS STATEMENT FOR THE 53 WEEKS TO 30 JULY 2016

	FY2016 30 Jul 2016 \$m	FY2015 25 Jul 2015 \$m	Change vs. LY
Total Sales	3,289.6	3,195.6	+2.9%
Concessions	610.6	501.2	+21.8%
Myer Exclusive Brands	616.2	660.1	(6.7%)
National Brands	2,062.8	2,034.3	+1.4%
Operating Gross Profit	1,274.3	1,290.4	(1.2%)
<i>Operating Gross Profit margin</i>	38.74%	40.38%	(164bps)
Cost of Doing Business	(1,068.1)	(1,067.2)	+0.1%
<i>Cost of Doing Business/Sales</i>	32.47%	33.40%	+93bps
EBITDA	206.2	223.2	(7.6%)
<i>EBITDA margin</i>	6.27%	6.98%	(71bps)
Depreciation and amortisation	(92.7)	(89.7)	+3.3%
EBIT	113.5	133.5	(15.0%)
<i>EBIT margin</i>	3.45%	4.18%	(73bps)
Net Finance Costs	(14.6)	(22.7)	(35.7%)
Net Profit Before Tax	98.9	110.7	(10.7%)
Tax	(29.6)	(33.2)	(10.8%)
Net Profit After Tax (NPAT)	69.3	77.5	(10.6%)
Implementation costs associated with New Myer (post tax)	(8.8)	(47.7)	
Statutory NPAT	60.5	29.8	+103.0%

DIRECTORS' REPORT

Continued

BALANCE SHEET AS AT 30 JULY 2016

	As at 30 July 2016	As at 25 July 2015
	\$m	\$m
Inventory	396	382
Other Assets	77	66
Less Creditors	(400)	(387)
Less Other Liabilities	(212)	(195)
Property	24	25
Fixed Assets	421	444
Intangibles	904	916
Total Funds Employed	1,210	1,251
<i>Comprising of:</i>		
Debt	147	441
Less Cash	(45)	(53)
Net Debt	102	388
Equity	1,108	863
	1,210	1,251

CASH FLOW FOR THE 53 WEEKS TO 30 JULY 2016

	FY2016	FY2015
	\$m	\$m
EBITDA*	196	183
Working capital movement	(10)	(33)
Operating cash flow	186	150
<i>Conversion</i>	95%	82%
Capex paid/acquisitions**	(59)	(63)
Free cash flow	127	87
Tax	(20)	(31)
Interest	(16)	(23)
Dividends	(16)	(73)
Net proceeds from Entitlement Offer	212	0
Net cash flow	287	(40)

* EBITDA represents statutory EBITDA for the period, including implementation costs. This is reconciled to earnings pre implementation costs under 'Non-IFRS financial measures' on page 9.

** Net of landlord contributions.

OTHER STATISTICS AND FINANCIAL RATIOS

	FY2016	FY2015
Return on Total Funds Employed*	9.1%	10.7%
Gearing	8.4%	31.0%
Net Debt/EBITDA*	0.5x	1.7x
Stock Turn	3.4x	3.4x
Creditor Days	70 days	72 days

* Calculated on a rolling 12 month basis.

SHARES AND DIVIDENDS

	FY2016	FY2015
Shares on Issue	821.3 million	585.7 million
Basic EPS*	8.8 cents	13.2 cents
Dividend per Share	5.0 cents	7.0 cents

* Calculated on weighted average number of shares of 786.8 million (FY2015: 585.7 million) and based on NPAT pre implementation costs.

DIRECTORS' REPORT

Continued

NON-IFRS FINANCIAL MEASURES

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

Income Statement reconciliation

\$ millions	EBITDA	EBIT	NPAT
Statutory reported result	196.2	95.2	60.5
<i>Add back: Individually Significant Items</i>	10.0	18.3	8.8
Underlying result	206.2	113.5	69.3

FY2016 OPERATIONS

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. Myer's future way of working will embody a continued focus on execution. New Myer is a strategic refocusing that acknowledges our proud history, and allows us to look to the future with great optimism. The primary elements of the New Myer strategy continue to be:

- 1) a customer led offer based on wanted brands. This includes optimising our category and brands offer, store localisation and supplier collaboration;
- 2) wonderful experiences, with a focus on the best customer service. This includes elevated visual merchandise, improved fitting rooms and dwell spaces; trained and capable staff and targeted customer engagement;
- 3) an enhanced omni-channel offer, built on the right infrastructure and operations, to support a strengthened operation and seamless customer experience; and
- 4) a productivity step change based on the optimisation of our store footprint, right-sizing the support office and a focus on cost and efficiencies.

The New Myer strategy is underpinned by our organisational capability; based on an efficient operating model, an execution focused culture, the right technology, processes and systems, and supported by a strengthened balance sheet.

During FY2016, Myer further developed and executed the New Myer strategy. This included:

- > introducing over 850 new or upgraded brand destinations across the store network;
- > exiting over 150 brands;
- > markedly improving our customer service, particularly in our Flagship and Premium stores;
- > continued development of Myer's omni-channel offering, including the launch of the Myer eBay store, expansion of the in-store iPad service and Click & Collect, upgrades to the myer.com.au site and launching selected concessions online; and
- > improved productivity through optimisation of the store footprint and a reduction in operating costs.

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

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS IN FY2016

In addition to those matters described in section 7 above, the following significant changes occurred during FY2016:

- > Rupert Myer AO retired from the Board in November 2015.
- > A new director, Dave Whittle, was appointed to the Board of Myer Holdings Limited in November 2015. His background, experience and particular skills that he brings to the Board are set out on page 5.
- > Mark Cripsey was appointed Chief Digital and Data Officer in November 2015, and Michael Scott was appointed Executive General Manager, Brand and Marketing in June 2016. Details of Myer's executives are set out in the Management Team section of Myer's Investor Centre website.

DIRECTORS' REPORT

Continued

- > Myer acquired a 25% interest in Austradia Pty Ltd, the Australian rights holder of the TOPSHOP TOPMAN brands, and a number of TOPSHOP TOPMAN spaces have been launched within Myer stores.
- > The Myer store in Top Ryde was exited in July 2015.
- > It was announced that Myer will not be proceeding with planned stores at Coomera and Tuggerah, and that Myer will exit stores at Brookside, Orange and Wollongong during FY2017.
- > On 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 institutional component of the Entitlement Offer was successfully completed on 2 September 2015. The retail component of the Entitlement Offer closed on 17 September 2015. The proceeds of the Entitlement Offer were used to reduce core debt and provide balance sheet flexibility to implement the New Myer strategy.

9. BUSINESS STRATEGIES AND FUTURE DEVELOPMENTS

Key objectives for FY2017 continued to focus on the primary elements of the New Myer strategy.

In FY2017, we will be accelerating capital investment in our priority stores. The new Werribee store opened in July 2016, and a new store at Warringah is scheduled to open in November 2016.

We will also commence refurbishments and upgrades at a number of stores including Melbourne, Sydney, Maroochydore, Eastland, Doncaster, Chatswood and Pacific Fair.

We have announced that Myer will exit the Logan store in FY2018 and that Myer will not be proceeding with the planned Darwin store.

During 2017 we will build on our wanted brands focus with the continued roll out of a number of brands including TOPSHOP TOPMAN, Industrie, Mimco, and the introduction of SABA, Orotan and John Lewis homewares. In addition, we will roll out the service and investment model for our key MEB master brands to 40 stores.

In line with New Myer's published target metrics and based on the progress made in the first year, and the pipeline of initiatives planned for the next 12 months, Myer continues to anticipate EBITDA growth ahead of sales growth to be delivered from FY2017, as well as a return to NPAT growth (pre implementation costs).

On 29 August 2016, Myer transitioned the management of its share registry from Computershare Investor Services Pty Ltd to Link Market Services Limited.

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 RISKS

Macro-economic factors such as the fluctuation of the Australian dollar; poor consumer confidence; changes in government policies; external, natural or unforeseen events, such as an act of terrorism or national strike; and weakness in the global economy could adversely impact the Company's ability to achieve sales growth. Myer regularly analyses and uses economic and available 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, INCLUDING CYBER SECURITY

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

BRAND REPUTATION RISKS

Myer's strong brand reputation is crucial for building positive relationships with customers, 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.

DIRECTORS' REPORT

Continued

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.

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.

As reported in the FY2015 Annual Report, Myer received enquiries from ASIC relating to Myer's continuous disclosure practices during the period of 1 November 2014 to 18 March 2015. ASIC has since withdrawn its enquiries. 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 30 July 2016 in respect of this matter.

11. 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

No final dividend was determined by the Board for the full year FY2015.

Myer paid an interim dividend of 2.0 cents per share, fully franked, on 5 May 2016 (with a Record Date of 29 March 2016), totalling \$16.4 million.

The Board has determined a final dividend of 3.0 cents per share to be paid on 10 November 2016 (with a Record Date of 29 September 2016).

This takes the FY2016 dividend to 5.0 cents per share.

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

13. OPTIONS AND PERFORMANCE RIGHTS GRANTED OVER UNISSUED SHARES

The Myer Long Term Incentive Plan (LTIP) operates for selected senior executives and has been in operation since December 2006. Under the LTIP, the Company has granted eligible executives 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 LTIP in the financial year ended 30 July 2016, and no options have been granted since the end of the year. The last remaining grant of options under the LTIP over unissued shares of the Company expired during the financial year ended 25 July 2015. There are no further options which remain on issue as at the date of this Directors' Report.

PERFORMANCE RIGHTS

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

During the financial year, the Company granted 939,130 performance rights to the CEO under the LTIP (CEO Offer); and 3,895,861 performance rights were granted to other selected senior executives under the LTIP (LTIP Offer); totalling 4,834,991 performance rights granted.

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

No performance rights have been granted since the end of the financial year ended 30 July 2016.

A prior grant of 178,167 performance rights to senior executives made on 29 January 2013 expired on 31 October 2015.

On 2 September 2015, a total of 927,604 performance rights granted under the LTIP in 2013 vested, and 927,604 fully paid ordinary shares in the Company were issued.

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

DIRECTORS' REPORT

Continued

Date performance rights granted	Expiry date	Issue price	Number of performance rights remaining on issue*
27 November 2013 (grant to senior executives under the LTIP Offer)	31 October 2016	Nil	226,833
15 December 2014 (grant to CEO under the CEO Offer, which is retained on departure)	31 October 2017	Nil	568,749
15 December 2014 (grant to senior executives under the LTIP Offer)	31 October 2017	Nil	1,550,869
5 January 2016 (grant to CEO under the CEO Offer)	31 October 2020	Nil	939,130
5 January 2016 (grant to senior executives under the LTIP Offer)	31 October 2020	Nil	3,711,949
Closing balance			6,997,530

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

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

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

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

From time to time, the Company issues fully paid ordinary shares in the Company to the Myer Equity Plans Trust (Trust) for the purpose of meeting anticipated exercises of securities granted under the LTIP. To calculate the issue price of shares issued to the Trust, the Company uses the 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 ended 30 July 2016, 927,604 fully paid ordinary shares were issued to the Trust and 927,604 shares were transferred from the Trust for performance rights issued under the LTIP in 2013 (vested 2 September 2015). Since 30 July 2016, no shares have been issued to or otherwise acquired by the Trust, and no fully paid ordinary shares of the Company held by the Trust were transferred to participants in the LTIP.

15. REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 15.

16. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

Consistent with (and in addition to) the provisions in the Company's Constitution outlined above, the Company has also entered into deeds of access, indemnity, and insurance with all directors of the Company which provide indemnities against losses incurred in their role as directors, subject to certain exclusions, including to the extent that such indemnity is prohibited by the *Corporations Act 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.

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 seventh report to the Greenhouse and Energy Data Officer in September 2015 and is due to submit its eighth report by 31 October 2016.

19. NON-AUDIT SERVICES

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

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

The Board has considered the position and, in accordance with advice received from the Audit, Finance and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 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, 14 September 2016

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the period 26 July 2015 to 30 July 2016, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
14 September 2016

REMUNERATION REPORT

Dear Shareholders,

On behalf of the Board, we are pleased to present Myer's FY2016 Remuneration Report.

FY2016 marks the first year of execution of the five year New Myer strategy, a strategy to reposition Myer for a sustainable future. As was previously highlighted to the market, FY2016 was a transitional year, in which we began to make significant investments to provide a foundation for future profitable and sustainable growth. We are encouraged by our early progress in mobilising the transformation while maintaining company performance in accordance with our strategic plan.

Net Profit after Tax (NPAT) excluding implementation costs associated with New Myer was \$69.3 million in FY2016, in line with our previous guidance to the market.

Our focus on building organisational capability by attracting and retaining suitably qualified talent must be supported by a remuneration framework structured to reward progress towards our transformation goals. The Board continues to take a responsible approach to both fixed and variable reward outcomes in order to balance our need for retaining the right talent with the creation of shareholder value.

The remuneration outcomes for our Key Management Personnel (KMP) reflect satisfactory performance across the company against our objectives, and progress towards the medium and long term goals. We are pleased that we have achieved some of the objectives set by the Board for the FY2016 Short Term Incentive (STI) plan and are therefore able to make payments under the plan to eligible employees, including KMP, for the first time in several years. STI payments for KMP ranged from 38 percent to 41 percent of their maximum opportunity, reflecting both company and individual performance.

In addition, we have introduced a deferral component to the STI for KMP, under which 40 percent of any award is deferred for a period of 12 months. The introduction of deferral is expected to support the retention of key executives while providing a mechanism to mitigate risk through a clawback mechanism. Further details on these changes are provided in this report.

Performance rights granted to KMP in November 2013 under the FY14 Long Term Incentive Plan (LTIP) will be tested for vesting following the release of our financial results in September 2016, against the Earnings per Share (EPS), relative Total Shareholder Return (TSR) and business transformation hurdles.

The Board periodically reviews the remuneration framework to ensure alignment with strategy and performance, and to ensure appropriate remuneration outcomes for executives. As a result of these reviews, we have adjusted LTIP performance hurdles for the grant offered in FY2016 to reflect the key drivers of shareholder value creation during this critical transition phase. Under the revised plan, half of the LTIP award is linked to Myer's Return on Funds Employed (ROFE) performance, and half is linked to Myer's sales growth per square metre. These are two of the critical performance metrics that reflect our focus on returns and productivity in delivering New Myer. The FY16 LTIP also provides for a one off additional award of performance rights to be made in 2018, if the initial performance rights vest. Any performance rights awarded as part of an additional award will also be subject to performance hurdles.

We have made some minor changes to the structure of the FY2016 Remuneration Report to improve readability and we believe that it demonstrates the links between our strategy, our performance, and executive remuneration outcomes. We welcome any feedback on our remuneration practices and disclosures, and look forward to your continued support at our Annual General Meeting (AGM) in November 2016.

Yours faithfully,



Paul McClintock, AO
Chairman



Chris Froggatt
Chairman, Human Resources and Remuneration Committee

REMUNERATION REPORT

Continued

CONTENTS

Section 1	Introduction
Section 2	Remuneration Strategy
Section 3	Company performance and remuneration outcomes for FY2016
Section 4	Changes to remuneration frameworks in FY2016
Section 5	Remuneration governance
Section 6	Executive remuneration
Section 7	Remuneration outcomes for executive KMP
Section 8	Executive service arrangements
Section 9	Equity
Section 10	Loans and other transactions
Section 11	Dealing in securities
Section 12	Non-executive director remuneration

1. INTRODUCTION

The Directors of Myer Holdings Limited (the Company) present the Remuneration Report for the financial year ended 30 July 2016 prepared in accordance with the requirements of the Corporations Act 2001 and its regulations.

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

The information provided within this report has been audited as required by section 308(3C) of the Corporations Act and forms part of the Directors' Report.

The table below details the Company's KMP during the 2016 financial year.

Name	Role
Non-executive directors	
P McClintock	Chairman, Independent non-executive director
R Myer ¹	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
D Whittle ²	Independent non-executive director
Executive directors	
R Umbers	Chief Executive Officer and Managing Director
Executive Key Management Personnel	
D Bracken	Deputy Chief Executive Officer and Chief Merchandise and Customer Officer
G Devonport	Chief Financial Officer
A Sutton	Executive General Manager Stores

(1) Mr Myer ceased as a Director on 20 November 2015.

(2) Mr Whittle was appointed as a Director on 30 November 2015.

2. REMUNERATION STRATEGY

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

Attract and retain high calibre executives

- > Reward competitively in the markets in which Myer operates
- > Provide a balance of fixed and 'at risk' remuneration

Align executive rewards with Myer's performance

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

In FY2016 the Board reviewed the remuneration frameworks and made some changes to ensure that they continue to effectively meet the Company's strategic objectives. These changes are detailed in Section 4: Changes to Remuneration Frameworks in FY2016.

The table overleaf summarises the remuneration framework and objectives for FY2016.

REMUNERATION REPORT

Continued

	STRATEGIC OBJECTIVES & LINK TO PERFORMANCE	PERFORMANCE MEASURE	AT RISK WEIGHT
TOTAL FIXED COMPENSATION (TFC)	<ul style="list-style-type: none"> > To attract and retain high calibre executives > Provides 'predictable' base level of reward > Set with reference to market using external benchmark data 	<ul style="list-style-type: none"> > Varies based on employee's experience, skills and performance > Consideration given to both internal and external relativities 	-
SHORT TERM INCENTIVE	<ul style="list-style-type: none"> > Designed to drive the financial and strategic direction of the Company, which are intended to translate to shareholder return > Majority of award subject to the achievement of NPAT targets > Other individual objectives aligned to Company metrics that matter and strategic priorities, such as: <ul style="list-style-type: none"> - Operating Gross Profit; - Sales growth per Square Metre; - Onmi-channel sales & profitability; - Cost savings; - Introduction of new 'wanted brands'; - Net Promoter Score (NPS); and, - Safety performance. > 40% of annual STI is deferred for 12 months following the end of the performance period to support retention and enable a mechanism for clawback 	<p>NPAT 'gateway' – minimum threshold performance level below which no STI is paid</p> <ul style="list-style-type: none"> > Minimum threshold NPAT ensures a minimum acceptable level of Company profit before executives receive any STI award > NPAT (80% of available STI) > Individual objectives (20% of available STI) aligned to key Company metrics and the Company's strategic objectives 	<p>CEO: Maximum 80% of TFC</p> <p>Other executive KMP: Maximum 60% of TFC</p>
LONG TERM INCENTIVE	<ul style="list-style-type: none"> > Delivered in equity to align executives with shareholder interests > Focused on delivery of long term business strategy and outcomes > Measures are aligned with the Company 'Metrics that Matter' > Performance period aligned with the transformation period to drive performance and support the retention of key executives 	<p>Initial Award (granted in FY2016)</p> <ul style="list-style-type: none"> > Performance measures: <ul style="list-style-type: none"> - Return on Funds Employed (50% of award) - Sales growth per square metre (50% of award) > Performance measured over a 3 year performance period (FY2016 – FY2018) > Shares provided on vesting subject to restriction for 1 year (50% of award) to 2 years (50% of award) <p>One off Additional Award (granted in FY2018) equal to 50% of any vested Initial Award</p> <ul style="list-style-type: none"> > Performance measures: <ul style="list-style-type: none"> - Relative Total Shareholder Return (50% of award) - Compound Annual Growth Rate in Earnings per Share (50% of award) > Measured over 2 performance periods of 3 years each (tranche 1 from FY2017 to FY2019 and tranche 2 from FY2018 to FY2020) > Shares provided on vesting not subject to restriction 	<p>CEO: 90% of TFC</p> <p>Other executive KMP: Between 60% and 90% of TFC</p>

TOTAL REMUNERATION

Overall, the total remuneration mix is designed to attract, retain and motivate capable executives and drive progress of the transformation strategy for the delivery of superior shareholder returns over the short and long term, while aligning executive remuneration outcomes with the experience of shareholders.

REMUNERATION REPORT

Continued

3. COMPANY PERFORMANCE AND REMUNERATION OUTCOMES FOR FY2016

3.1 COMPANY PERFORMANCE

The Company's remuneration structure aligns executive remuneration with shareholder interests over the short and long term and provides an appropriate reward on delivering our strategy. During FY2016, we;

- > made pleasing progress on our transformation;
- > delivered Net Profit After Tax of \$69.3 million (pre implementation costs) in line with guidance;
- > introduced over 850 new or upgraded brand destinations across the store network;
- > improved customer service, as measured by an overall 6 percent increase in our Net Promoter Score;
- > grew omni-channel sales by 74 percent, with profit growth ahead of sales;
- > reduced operating costs and commenced store network optimisation.

The table below presents the Company's annual performance against key financial metrics since 2011.

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016 ⁽¹⁾
Basic EPS (cents)	27.9	23.9	21.8	16.8	13.2 ⁽²⁾	8.8 ⁽²⁾
NPAT before individually significant items (\$m)	163.2	139.4	127.2	98.5	77.5	69.3
NPAT after individually significant items (\$m)	159.7	139.4	127.2	98.5	29.8	60.5
Dividends (cents per share)	22.5	19.0	18.0	14.5	7.0	5.0
Share price at beginning of year (\$)	3.45	2.31	1.83	2.66	2.24	1.18 ⁽³⁾
Share price at end of year (\$)	2.31	1.83	2.66	2.24	1.18	1.34 ⁽⁴⁾
Market capitalisation (\$m)	1,347.1	1,015.1	1,552.4	1,311.9	694.0	1112.8

(1) FY2016 results are impacted by the fully underwritten accelerated pro rata non-renounceable Entitlement Offer completed by the Company in September 2015. The Entitlement Offer resulted in the issue of 234,661,660 new shares at \$0.94 per share.

(2) FY2015 and FY2016 Basic EPS excludes Individually Significant Items.

(3) Share price before Entitlement Offer completed in September 2015.

(4) Share price after Entitlement Offer completed in September 2015.

REMUNERATION REPORT

Continued

3.2 REMUNERATION OUTCOMES

Total Fixed Compensation

FY2016 Outcomes	<p>A review of Total Fixed Compensation (TFC) for KMP, including the CEO, was undertaken by the Human Resources and Remuneration Committee in the 2016 financial year. Only one adjustment was made, being a 10 percent increase to TFC for Mr Sutton, in recognition of his increased responsibility and criticality in driving the transformation strategy through the store network.</p> <p>The Board resolved to make no further increases to TFC for KMP at this time, noting that KMP remuneration is appropriately positioned against the comparator market.</p>
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Short term incentive

FY2016 Outcomes	<p>The net profit gateway condition, which requires a minimum level of NPAT to be achieved before STI can be awarded, was met in respect of the FY2016 STI. This gateway was set at \$68.0 million NPAT before implementation costs. The Board believes that excluding these items provides a robust basis for year on year comparison of the underlying business performance, and has determined that management should not be penalised for incurring costs in the current year that are for the longer term benefit of the Company.</p> <p>FY2016 represents the first time in five years that STI awards have been made to KMP, and reflect the partial achievement of objectives designed to realign the brand offering to set the Company up for a sustainable future.</p> <p>Performance against the STI objectives during the year was as follows:</p> <ul style="list-style-type: none"> > The Company NPAT result was slightly above threshold, and accordingly the gateway was 'opened' and an STI payment made in respect of the NPAT measure; > Individual performance objectives for KMP included a range of measures linked to the metrics that matter, strategic priorities, and each incumbent's specific role accountabilities. The following objectives were achieved, and accordingly a proportion of the STI related to them was awarded: <ul style="list-style-type: none"> - The introduction of a range of new and upgraded brand destinations; - Our Net Promoter Score (NPS) increased by 6.0 percent on FY2015; - Increased omni-channel sales by 74 percent, with profit growth ahead of sales; - Reduction in Cost of Doing Business as a percentage of sales were above target; - The Long Term Injury Free Rate (LTIFR) reduced by 23 percent on the previous year; and, - A number of internal process improvement measures were delivered, resulting in cost and efficiency improvements in key areas of the business. <p>There were a number of other objectives that were not met, and accordingly, no STI payment was made in respect of these measures.</p>
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Long term incentive

FY2016 Outcomes	<p>FY2013 LTI (granted in January 2013)</p> <p>As flagged in the FY2015 remuneration report, the performance rights granted to executives in January 2013 were tested against the EPS and relative TSR hurdles following the release of our financial results in September 2015 and, as the hurdles were not met, all rights lapsed.</p> <p>FY2014 LTI (granted in November 2013)</p> <p>Performance rights granted to KMP in November 2013 will be tested for vesting following the release of our financial results in September 2016, against the EPS, relative TSR and business transformation hurdles. Full details of performance against the hurdles and any vesting will be reported in the Company's FY2017 remuneration report.</p>
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REMUNERATION REPORT

Continued

4. CHANGES TO REMUNERATION FRAMEWORKS IN FY2016

Short term incentive plan

Changes in FY2016

Following a review of the remuneration framework, the Board approved some changes to the design of the STI plan applicable to KMP in FY2016. These changes are outlined below, with additional detail provided in Section 6.2.

Performance Measures

Once the gateway is achieved, there are two key components that determine any awards under the STI plan. The achievement of NPAT is the key measure, accounting for up to 80 percent of the maximum award for KMP. Individual objectives aligned with the strategic objectives of the Company determine the remaining 20 percent of any payment. The plan is subject to an overarching NPAT gateway condition, below which no STI is payable.

Deferral

In FY2016 the Board introduced a deferred component to the STI, equating to 40 percent of any award granted. For the CEO, this amount will be provided as deferred ordinary shares in Myer, which the CEO will not be able to deal in for a deferral period of 12 months (Restricted Shares). For other members of the Group Executive, the deferred amount is paid in cash, also after 12 months following the end of the performance period.

If participants cease employment prior to the end of the deferral period, the deferred award is forfeited unless otherwise determined by the Board.

The Board considers that this design feature supports executive focus on the medium term implications of annual performance, whilst also supporting retention of critical talent.

REMUNERATION REPORT

Continued

Long term incentive plan

Changes in FY2016

The Board has reviewed the structure of the LTIP and made amendments to key design features to further align the plan with the transformation program. The revised plan has specific features related to the transformation, and as such is not intended to form the ongoing LTIP design. Specifically this is a 5 year plan, punctuated with an initial award with performance measured over 3 years (from FY2016 to FY2018), followed by the potential of additional awards in FY2018 each measured over a separate 3 year period (being FY2017 to FY2019 and FY2018 to FY2020). The changes are outlined below, with additional detail provided in Section 6.3.

Shareholders approved the grant of performance rights to the CEO with the new design features at the Company's FY2015 Annual General Meeting (this was referred to as the "Initial Award" in the Notice of Annual General Meeting 2015 (2015 AGM Notice)). Awards under this plan have also been made to other members of the Executive Management Team and incumbents in key strategic roles in the Company. As indicated in the 2015 AGM Notice, if performance rights granted to the CEO and Managing Director in FY2016 vest and shareholder approval is obtained at the 2018 Annual General Meeting, an additional award of performance rights will be awarded (Additional Award). If awarded, the Additional Award will be made in two separate tranches, each of which will be measured over three years (FY2017 to FY2019 inclusive for tranche 1, and FY2018 to FY2020 inclusive for tranche 2).

Initial Award

An award of performance rights with two performance hurdles, designed to reflect transformation based performance:

- > 50 percent of the award is subject to growth in Return on Funds Employed (ROFE) over the performance period (ROFE Hurdle)
- > 50 percent of the award is subject to a hurdle based on the Company's growth in sales per square metre (Sales/m² Growth) over the performance period (Sales/m² Growth Hurdle)

The performance period for the Initial Award is 3 years. Any shares provided on vesting of the Initial Award performance rights (Initial Award shares) will be subject to defined restriction periods.

Additional Award

If the Initial Award performance rights vest, and subject to shareholder approval being obtained at the 2018 Annual General Meeting in respect of the CEO, an Additional Award of performance rights will be awarded equal to 50 percent of the number of Initial Award performance rights that have vested. If awarded, the Additional Award will be granted in 2 tranches, the details of which are shown below.

Tranche 1

- > 50 percent of any Additional Award performance rights
- > Performance period of three years (FY2017 to FY2019)
- > 50 percent of this tranche subject to a relative TSR performance hurdle (TSR Hurdle)
- > 50 percent of this tranche subject to a Compound Annual Growth Rate (CAGR) in EPS hurdle (EPS Hurdle)

Tranche 2

- > 50 percent of any Additional Award performance rights
- > Performance period of three years (FY2018 to FY2020)
- > 50 percent of this tranche subject to the TSR Hurdle
- > 50 percent of this tranche subject to the EPS Hurdle

The hurdles for both the Initial Award and any Additional Award have been chosen to align shareholder returns and the delivery of the transformation program measured over the combined five year performance period. A more detailed explanation of why the hurdles were chosen is included in Section 6.3.

REMUNERATION REPORT

Continued

5. REMUNERATION GOVERNANCE

5.1 ROLE OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

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 Investor Centre website.

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

Ms Chris Froggatt chairs the Committee. Other members of the Committee are Ms Anne Brennan and Mr Ian Cornell.

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

- > non-executive director fees;
- > executive remuneration (for the Managing Director and CEO and other executives) including specific recommendations on remuneration packages and other terms of employment;
- > the overarching remuneration framework including the policy, strategy and practices for fixed reward and both short and long term incentive plans and performance hurdles; and
- > the 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 Chairman, the CEO, and the Head of the Human Resources function are regular attendees at the Committee meetings. The CEO was not present during any Committee or Board meetings when his remuneration was considered or discussed during the financial year.

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

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

5.2 USE OF REMUNERATION CONSULTANTS

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

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

During FY2016 the Board continued to engage Ernst & Young (EY) to provide various remuneration advice, including benchmarking data, market commentary and professional guidance regarding Myer's executive remuneration and incentive plans. During this engagement no remuneration recommendations (as defined by the Corporations Act) were provided to the Company by EY.

REMUNERATION REPORT

Continued

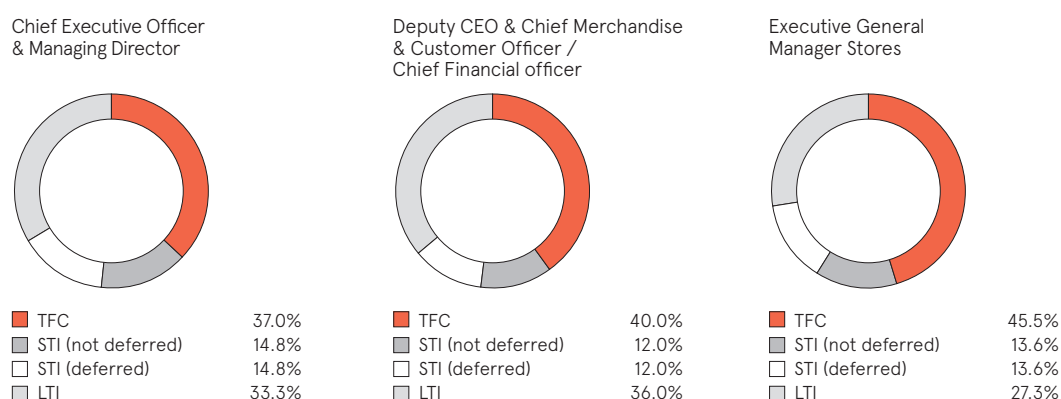
6. EXECUTIVE REMUNERATION

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

As outlined in the diagram in Section 2: Remuneration Framework, executive remuneration is made up of three components:

- > TFC – base pay and benefits, including superannuation;
- > STI; and
- > LTI.

The combination of these components comprises an executive's total remuneration. The charts below show the relative weighting of each component, as a proportion of the total potential remuneration for KMP, for the 2016 financial year.



6.1 TOTAL FIXED COMPENSATION

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

Features of Total Fixed Compensation

What is included in TFC?	TFC is structured as a total fixed remuneration package, made up of base salary, superannuation, other benefits and Fringe Benefits Tax, where applicable. Some of the benefits include the opportunity to receive a portion of their fixed remuneration in a variety of forms, including fringe benefits such as motor vehicles, or to make additional contributions to superannuation or retirement plans (as permitted by relevant legislation).
How is TFC reviewed?	<p>TFC levels for each executive are set with reference to the market median, the scope and nature of each role, the incumbent's experience and individual performance.</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 consider adjustments to executive remuneration outside of this as recommended by the CEO, such as on promotion or as a result of additional duties performed by the executive.</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 prior to the offer and execution of a new employment contract.</p>
Which benchmarks are used?	Remuneration for KMP is considered in the context of the skills and experience being sought, the global senior retail market, and benchmarked against peer groups consisting of local industry peers and/or companies with a similar market capitalisation to Myer.

REMUNERATION REPORT

Continued

6.2 SHORT TERM INCENTIVE

Myer's STI plan for KMP and other senior executives operates on an annual basis subject to Board review and approval. The FY2016 STI applied to all eligible executives including KMP, subject to certain conditions and performance criteria being met which are reviewed and approved annually by the Board.

Form and purpose of the plan

What is the STI plan?	The STI plan is an annual, at risk component of an executive's reward opportunity, designed to put a meaningful part of the executive's remuneration at risk. Payment under the STI is subject to achieving pre-determined company and individual performance criteria. All senior managers, including the KMP and Group Executive participate in the STI.
What is the value of the STI opportunity?	STI targets are set as a percentage of the executive's TFC. The current target levels for KMP are set out below. > CEO – 80 percent of TFC > Other KMP – 60 percent of TFC
Does the STI include a deferred component?	40 percent of any award payable to members of the Group Executive is deferred for a period of 12 months following the end of the performance period. The deferred component of the CEO's STI is provided as Restricted Shares while the deferred component for other Group Executives is paid in cash following the end of the deferral period.

Gateway and performance measures

Is there a performance 'gateway' and how is it determined?	The Board considers it critical that the Group should achieve a minimum acceptable level of profit before any payments are made under the STI plan, to reflect the focus on returns to shareholders. No STI is awarded if minimum performance across the Company does not reach the pre-determined threshold NPAT level. The NPAT gateway is determined by the Board each year, with reference to the annual business plan, economic conditions and other relevant factors. Performance at or above the NPAT gateway determines the size of the STI pool which is available for payment, with profit above the threshold split between shareholders and STI plan participants, with a greater allocation towards shareholders. The size of the STI pool is then used to moderate the total outcome for all participants, resulting in individual payouts that are proportional to their achievement and size of the pool.
What were the FY2016 performance measures?	To incentivise performance against the transformation agenda, the FY2016 STI was structured around two key components: > NPAT, weighted at 80 percent of the total potential award > Individual objectives, weighted at 20 percent of the total potential award. While each measure is assessed in isolation, any payment is subject to the achievement of the NPAT gateway.
Why were the performance measures selected?	Overall performance measures are selected to align with annual and long term business plans. Details of the FY2016 performance measures, and the strategic objectives they are aligned to, are set out in the diagram in section 2. The Board believes that the largest component of an executive's FY2016 STI award should be driven by the financial performance of the Company, and accordingly 80 percent of the STI is linked to Company NPAT, providing close alignment with shareholder outcomes. Individual objectives are set by the CEO (and approved by the Committee and the Board). These objectives and their targets align with our strategic goals, and the measures selected for each executive are determined by reference to the specific objectives of the executive's role for the financial year. 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.

REMUNERATION REPORT

Continued

Governance

When are performance targets set and reviewed?	Performance objectives and targets are set at the beginning of the financial year, while performance against these targets is reviewed following the end of the financial year.
How is performance measured?	<p>The Committee determines whether, or the extent to which, each target is satisfied following the end of the financial year, once the Company's annual accounts are audited and have been approved by the directors.</p> <p>If the hurdle is satisfied, a STI may be paid to participating KMP and other executives. The quantum of any STI reward provided will depend on the extent to which the maximum reward is achieved. A minimum threshold is also set, below which no STI reward will be provided. Once it has been determined whether each objective has been satisfied, the Committee will make a recommendation to the Board for approval of the STI awards to be paid to the CEO and executives</p> <p>The Committee is responsible for assessing whether the performance criteria are met. To help make this assessment, the Committee receives reports on the Company's performance from management. All proposed STI awards are verified by internal and external audit review prior to any award being made. The Committee has the discretion to recommend to the Board an adjustment to any award in light of unexpected or unintended circumstances.</p>
When are incentives paid?	<p>The component of the STI awards approved by the Board that is not subject to deferral is paid to participating KMP and executives in the month following the release of the Company's results to the ASX.</p> <p>The deferred component of the CEO's STI is provided as Restricted Shares, which the CEO will not be able to deal with during the 12 month deferral period. The deferred component of other Group Executives is paid in cash following the end of the 12 month deferral period.</p>

Cessation of employment, clawback or change of control

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

FY2016 Outcomes

A detailed discussion of the FY2016 STI outcomes is presented in section 3.2. The percentage of the available STI reward that was paid in the financial year, and the percentage and value that was not paid is set out below. There has been no discretion applied to individual awards made to KMP under the STI in FY2016.

Name	Maximum STI (as % of TFC)	Maximum STI	STI % awarded ⁽¹⁾	Actual STI paid (cash)	Actual STI deferred ⁽²⁾	Total STI Awarded	Proportion of max. STI not paid ⁽³⁾	Amount of max. STI not paid ⁽³⁾
R Umbers	80%	\$960,000	39.0%	\$224,793	\$149,862	\$374,655	61.0%	\$585,345
D Bracken	60%	\$600,000	37.8%	\$136,252	\$90,834	\$227,086	62.2%	\$372,914
G Devonport	60%	\$525,000	39.9%	\$125,708	\$83,806	\$209,514	60.1%	\$315,486
A Sutton	60%	\$396,000	40.6%	\$96,349	\$64,233	\$160,582	59.4%	\$235,418

(1) Proportion of maximum STI awarded after scaling of STI pool.

(2) Mr Umbers' deferred STI component is awarded as restricted shares, which are subject to certain restrictions for 12 months. For all other KMP, the deferred STI component is paid in cash, 12 months following the initial payment date and subject to certain conditions.

(3) Reflects the proportion and amount of the maximum STI that was forfeited due to the performance criteria not being achieved and scaling of the STI pool.

REMUNERATION REPORT

Continued

6.3 FY2016 LONG TERM INCENTIVE PLAN

Features of the LTIP are outlined in the table below. In FY2016 the Board granted performance rights under the LTIP to KMP and other senior executives.

Form and purpose of the plan

What is the LTIP?	<p>The LTIP is an incentive that is intended to promote alignment between executive and shareholder interests over the longer term. Under the LTIP, performance rights may be offered annually to the CEO and nominated executives, including KMP. The employees invited to participate in the plan include executives who are considered to play a leading role in achieving the Company's long term strategic and operational objectives.</p> <p>Each right offered is an entitlement to one fully paid ordinary share in the Company, subject to adjustment for capital actions, on terms and hurdles determined by the Board, including hurdles linked to Company performance and service.</p>
How is the LTIP delivered?	<p>The LTIP is delivered via a grant of performance rights. The number of performance rights that vest is not determined until after the end of the performance period.</p> <p>The performance right will therefore not provide any value to the holder between the 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>
How is the number of performance rights determined?	<p>The number of performance rights for each executive is determined as part of the calculation of total remuneration for an executive role. The Committee determines LTIP awards by assessing the quantum required to provide a market competitive total remuneration level, for on target performance.</p> <p>The exact number of performance rights allocated depends on each executive's LTIP target. The value of the performance rights at the time they are granted is calculated based on the Volume Weighted Average Price (VWAP) of the Company's shares for the five trading days up to and including the closing date of the offer.</p> <p>The number of Additional Award performance rights granted, if any, will be equal to 50 percent of the number of Initial Award performance rights that vest.</p>

REMUNERATION REPORT

Continued

Vesting and performance hurdles

What is the performance period?	<p>Initial Award</p> <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 FY2016 LTIP, the performance period started on 26 July 2015 and ends after three years on 28 July 2018. Following the end of the performance period and after the Company has lodged its full year audited financial results for 2018 with the ASX, the Board will test the performance hurdles that apply to the FY2016 LTIP offer and will determine how many performance rights (if any) are eligible to vest.</p> <p>Additional Award</p> <p>If the Initial Award performance rights vest and, in respect of the CEO, subject to shareholder approval at the 2018 Annual General Meeting, an Additional Award of performance rights will be awarded in two separate tranches, each with a performance period of three years (from FY2017 to FY2019 inclusive for tranche 1, and FY2018 to FY2020 inclusive for tranche 2).</p>
What are the performance hurdles?	<p>Initial Award</p> <p>The financial performance measures approved by the Board for the FY2016 LTIP offer were ROFE and Sales/m² Growth.</p> <ul style="list-style-type: none"> > 50 percent of the Initial Award is subject to the ROFE Hurdle. > 50 percent of the Initial Award is subject to the Sales/m² Growth Hurdle. <p>Additional Award</p> <ul style="list-style-type: none"> > The financial performance measures approved for the Additional Award for the FY2016 LTIP offer are relative TSR and CAGR EPS. 50 percent of each tranche of the Additional Award is subject to the TSR Hurdle, which measures the Company's relative TSR performance against peer companies over the relevant Additional Award performance period. > 50 percent of each tranche of the Additional Award is subject to the EPS Hurdle, which measures the Company's growth in EPS over the relevant Additional Award performance period.
Why were the performance hurdles chosen?	<p>The hurdles were chosen to align shareholder returns and the delivery of the transformation program measured over the combined five year performance period of the Initial Award and any Additional Award.</p> <p>Initial Award</p> <p>The ROFE and Sales/m² Growth Hurdles have been selected in order to balance the transformation requirements with the needs of shareholders.</p> <p>Significant investment in additional capital and short term costs is required in the first two years of the New Myer plan, and is expected to transform the business in order to achieve sustained improvements in earnings and share price.</p> <p>Additional Award</p> <p>The TSR Hurdle was selected in order to ensure alignment between comparative shareholder return and reward for executives. This measure also provides a direct comparison of the Company's performance over the performance period against a comparator group of companies that would, broadly, be expected to be similarly impacted by changes in market conditions.</p> <p>The EPS Hurdle was selected as the Board considers it an effective measure for determining the underlying profitability of the business.</p> <p>Both the TSR hurdle and the EPS hurdle are designed to reflect shareholder performance outcomes, including during the subsequent two years following the Initial Award performance period.</p>

REMUNERATION REPORT

Continued

What is the 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 percent of the performance rights will vest. Only a percentage of performance rights will vest for performance below that level. If Myer does not achieve certain minimum thresholds then all the applicable performance rights will lapse and no performance rights can vest.</p> <p>For the FY2016 LTIP offer the following vesting hurdles apply:</p> <p>Initial Award</p> <p>Performance rights subject to the ROFE Hurdle (50 percent of the Initial Award)</p> <table> <tr> <th>Myer's ROFE at the end of the Initial Award performance period</th><th>% of performance rights subject to the ROFE Hurdle that will vest (rounded down to the nearest whole number)</th></tr> <tr> <td>Less than 13.8%</td><td>Nil</td></tr> <tr> <td>Between 13.8% and 15%</td><td>Pro rata, with a linear progression between 50% and up to 100%</td></tr> <tr> <td>Greater than 15%</td><td>100%</td></tr> </table> <p><i>Performance rights subject to the Sales/m² Growth Hurdle (50 percent of the Initial Award)</i></p> <p>For the Sales/m² Growth Hurdle to be satisfied, there are two conditions that need to be satisfied. First, Myer's sales growth rate must be greater than its cost growth rate over the Initial Award performance period. This is so as to ensure that the achievement of the Sales/m² Growth Hurdle is in line with Myer's strategic plan.</p> <p>If this first gateway condition is satisfied, the Sales/m² Growth Hurdle will vest according to the following schedule.</p> <table> <tr> <th>Growth in sales per square metre</th><th>% of performance rights subject to the Sales/m² Growth Hurdle that will vest (rounded down to the nearest whole number)</th></tr> <tr> <td>Less than 20%</td><td>Nil</td></tr> <tr> <td>Between 20% and 30%</td><td>Pro rata, with a linear progression between 50% and up to 100%</td></tr> <tr> <td>Greater than 30%</td><td>100%</td></tr> </table>	Myer's ROFE at the end of the Initial Award performance period	% of performance rights subject to the ROFE Hurdle that will vest (rounded down to the nearest whole number)	Less than 13.8%	Nil	Between 13.8% and 15%	Pro rata, with a linear progression between 50% and up to 100%	Greater than 15%	100%	Growth in sales per square metre	% of performance rights subject to the Sales/m ² Growth Hurdle that will vest (rounded down to the nearest whole number)	Less than 20%	Nil	Between 20% and 30%	Pro rata, with a linear progression between 50% and up to 100%	Greater than 30%	100%
Myer's ROFE at the end of the Initial Award performance period	% of performance rights subject to the ROFE Hurdle that will vest (rounded down to the nearest whole number)																
Less than 13.8%	Nil																
Between 13.8% and 15%	Pro rata, with a linear progression between 50% and up to 100%																
Greater than 15%	100%																
Growth in sales per square metre	% of performance rights subject to the Sales/m ² Growth Hurdle that will vest (rounded down to the nearest whole number)																
Less than 20%	Nil																
Between 20% and 30%	Pro rata, with a linear progression between 50% and up to 100%																
Greater than 30%	100%																

REMUNERATION REPORT

Continued

What is the vesting framework?
(continued)

Additional Award

Performance rights subject to the TSR Hurdle (50 percent of the Additional Award)

The TSR Hurdle will be tested by calculating the TSR of the Company and the TSR of each company in the peer group over the relevant Additional Award performance period. The peer group comprises Standard & Poor's / ASX 200 market constituents with some exclusions. Vesting is based on the scale outlined below.

TSR performance	% of performance rights subject to the TSR Hurdle that will vest (rounded down to the nearest whole number)
Below the 50 th percentile	Nil
Between 50 th and 75 th percentiles	Pro rata, with a linear progression between 50% and up to 100%
Above the 75 th percentile	100%

Performance rights subject to the EPS Hurdle (50% of the Additional Award)

EPS is calculated on the CAGR over the relevant Additional Award performance period. The base number for this calculation will be Myer's fully diluted EPS calculated on a pro forma basis using Myer's final audited results at the end of FY2016, adjusted for the effect of the entitlement offer completed during the year, as though the adjusted capital structure had applied to FY2016 (tranche 1) and at the end of FY2017 (tranche 2). The CAGR from this base will be calculated on Myer's fully diluted EPS using Myer's final audited results for FY2019 (tranche 1) and FY2020 (tranche 2). The resulting CAGR will be used to determine the level of vesting for the Additional Award performance rights that are subject to the EPS Hurdle.

For any of the Additional Award performance rights subject to the EPS Hurdle to vest, the EPS target, as determined by the Board, must be achieved. The table below sets out the percentage of Additional Award performance rights subject to the EPS Hurdle that can vest depending on the Company's performance against the EPS Hurdle over the relevant Additional Award performance period.

CAGR of Myer's EPS over the relevant Additional Award performance period	% of Additional Award performance rights subject to the EPS Hurdle that will vest (rounded down to nearest whole number)
Less than 10%	Nil
Between 10% and 15%	Pro rata, with a linear progression between 50% and up to 100%
Greater than 15%	100%

Are the performance hurdles subject to retesting? No. Each performance hurdle is only tested once at the end of the performance period.

Do any restrictions apply once the rights vest? 50 percent of any Initial Award shares are restricted for approximately one year and the other 50 percent are restricted for approximately two years following allocation of the shares. During this time executives cannot trade in the Initial Award shares, but will receive dividends and have voting rights.

Cessation of employment, change of control, clawback, participation in future issues and hedging arrangements

Cessation of employment

Generally, any performance rights granted will lapse on cessation of employment if they have not been exercised (whether vested or unvested at that time). Generally, if an executive ceases employment prior to the end of the relevant restriction period for Initial Award shares, the executive will forfeit their interest in the Initial Awards shares. 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).

The treatment of the CEO's performance rights on cessation of employment will depend on the date as well as the circumstances of cessation. Further detail is provided in Myer's 2015 AGM Notice. Generally, if the CEO ceases employment on or before the end of the relevant restriction period for Initial Award shares due to resignation, termination for cause or gross misconduct, he will forfeit his interest in the Initial Award shares. If he ceases employment on or before the end of the relevant restriction period for other reasons, he will retain his interest in the Initial Award shares. Subject to applicable law, the Board has a discretion to allow different treatment (although the discretion is only likely to be exercised in exceptional circumstances).

REMUNERATION REPORT

Continued

How would a change of control impact LTI entitlements?	The Board has absolute discretion to allow full or pro rated accelerated vesting of performance rights in the event of certain change of control events, and would exercise this discretion in the best interests of the Company.
Does a 'clawback' apply?	The LTIP includes provisions for rights to lapse and interests in Initial Award shares allocated and subject to restriction to be forfeited, at the Board's discretion, if granted, eligible to vest or allocated as a result of a material misstatement in, or omission from, the Company's financial statements. The Myer Board would only exercise this discretion in respect of those executives who were KMP of the Company at the time the financial statements were approved by the Board and issued by the Company.
How would a bonus or rights issue impact performance rights under the LTIP?	The rights and entitlements attaching to performance rights may be adjusted if the Company undertakes a bonus or rights issue or a capital reconstruction in relation to the Company's shares. For example, in the event of a rights issue, the number of shares which an executive is entitled to be allocated on exercise of performance rights may be changed in a manner determined by the Myer Board and consistent with the ASX Listing Rules.
Do performance rights expire?	At the end of the applicable performance period, any performance rights that have not vested will lapse and no shares will be provided for those performance rights
Do any other restrictions apply to Performance Rights prior to vesting or Initial Award shares subject to restriction?	Executives are forbidden from entering into any hedging arrangements affecting their economic exposure to Performance Rights or Initial Award shares. Executives are also forbidden from entering into transactions or arrangements prohibited under the Company's Guidelines for Dealing in Securities.

In FY2016, KMP and other senior executives received a grant of performance rights under the LTIP. The awards granted may deliver value to executives at the end of the three year Initial Award performance period, subject to satisfaction of performance hurdles as set out in the table above.

In addition, under the conditions of his appointment, Mr Devonport was awarded additional performance rights to the value of \$200,000 under the LTIP in FY2016 and may be, subject to meeting certain contractual conditions, awarded a similar grant in 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 and FY2017 LTIP respectively.

The following table summarises the FY2016 performance rights granted to KMP during the year.

Name	Total value of performance rights at grant date \$	Fair Value of each performance right at grant date \$	Number of performance rights granted	Exercise price	Applicable hurdles	End of performance period
R Umbers	1,080,000	1.01	469,565	nil	ROFE	25 July 2020
		1.01	469,565	nil	Sales/m ² Growth	25 July 2020
D Bracken	900,000	1.01	391,304	nil	ROFE	25 July 2020
		1.01	391,304	nil	Sales/m ² Growth	25 July 2020
G Devonport	987,500	1.01	342,391	nil	ROFE	25 July 2020
		1.01	342,391	nil	Sales/m ² Growth	25 July 2020
		1.01	173,913	nil	Service	28 July 2018
A Sutton	360,000	1.01	156,521	nil	ROFE	25 July 2020
		1.01	156,521	nil	Sales/m ² Growth	25 July 2020

During FY2016, the Board has continued to monitor the Company's remuneration frameworks to ensure that they align with our transforming business. As a result, the Board has reviewed the current LTIP and made some changes to the existing plan to apply from 2017. These changes, intended to more closely align executive reward with key outcomes during transformation and beyond, will be outlined in the FY2016 Notice of Meeting (where applicable to the CEO) and for other KMP, disclosed in the FY2017 Remuneration Report.

REMUNERATION REPORT

Continued

7. REMUNERATION OUTCOMES FOR EXECUTIVE KMP

The following table has been prepared in accordance with section 300A of the Corporations Act. It shows details of the nature and amount of each element of the remuneration paid or awarded for services provided in this period. In the case of share based payments and retention incentives, the amounts disclosed reflect the amount expensed during the 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 page.

Name	FY	Short term employee benefits					Post employment benefits ⁽⁶⁾	Long term benefits				Total remuneration expense		% of Performance related remuneration consisting of rights	
		Cash salary ⁽¹⁾	STI ⁽²⁾	Sign on award ⁽³⁾	Non-monetary benefits ^(4,5)	Other ^(4,5)		Super-annuation ⁽⁷⁾	Subtotal	Long service leave ⁽⁸⁾	Termination & other payments	Excluding share based payments ⁽⁹⁾	Share based payment expense ⁽¹⁰⁾		
Executive Directors															
R Umbers	2016	1,180,692	374,655	-	41,416	-	19,308	1,616,071	1,712	-	1,617,783	279,141	1,896,924	34%	15%
	2015	792,129	-	590,000	33,443	-	25,045	1,440,617	3,197	-	1,443,814	98,426	1,542,240	6%	6%
Executive KMP															
D Bracken	2016	980,692	227,086	-	41,778	-	19,308	1,268,864	1,421	-	1,270,285	202,137	1,472,422	29%	14%
	2015	720,767	-	390,000	62,595	-	29,740	1,203,102	2,656	-	1,205,758	68,693	1,274,451	5%	5%
G Devonport	2016	757,328	209,514	400,000	7,570	-	18,138	1,392,550	1,642	-	1,394,192	123,830	1,518,022	22%	8%
	2015	9,091	-	-	750	-	210	10,051	-	-	10,051	-	10,051	-	-
A Sutton	2016	627,392	160,582	-	27,773	-	19,308	835,055	10,539	-	845,594	133,097	978,691	30%	14%
	2015	460,933	-	-	7,628	-	29,740	498,301	30,687	-	528,988	107,223	636,211	17%	17%
Former executives															
B Brookes	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2015	2,338,056	-	-	245,597	-	34,511	2,618,164	-	1,553,721	4,171,885	82,069	4,253,954	2%	2%
M Ashby	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2015	810,928	-	-	14,323	-	28,175	853,426	-	-	853,426	-151,528	701,898	-22%	-22%
Total executive KMP remuneration															
	2016	3,546,104	971,837	400,000	118,537	-	76,062	5,112,540	15,314	-	5,127,854	738,205	5,866,059		
	2015	5,131,904	-	980,000	364,336	-	147,421	6,623,661	36,540	1,553,721	8,213,922	204,883	8,418,805		

REMUNERATION REPORT

Continued

Footnotes

- (1) Cash salary includes short term compensated absences and any salary sacrifice arrangement implemented by the executives, including additional superannuation contributions.
- (2) STI payments relate to program performance and conditions for the year they were earned, not the year of actual payment.
- (3) The FY2015 sign on awards for R Umbers and D Bracken relate to sign on arrangements agreed to secure their appointment. In addition, G Devonport was awarded a sign-on award of \$400,000, payable 12 months following his appointment, to recognise remuneration forgone from his previous employer in order to join Myer.
- (4) Other payments include the movement in Annual Leave accrual and Fringe Benefits Tax paid by the Company in respect of Company provided car parking up to the end of March 2016 (in accordance with the FBT year). Other payments for B Brookes in FY2015 include payments for rental subsidy and certain other services in relation to provision of accommodation.
- (5) This table has been restated to reflect the movement in Annual Leave accrual between FY2014 and FY2015 that was not reported in the FY2015 Remuneration Report.
- (6) There were no post employment benefits paid other than superannuation.
- (7) Executives receive a statutory superannuation contribution up to a threshold limit in line with the ATO published maximum superannuation contribution base.
- (8) This benefit includes the movement in long service leave accrual.
- (9) 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.
- (10) The share based payment expense represents the amount expensed for the period based on valuations determined under AASB 2 Share based Payment. This expense is based on the fair value at grant date, and reflects expectations of the number of 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.

7.1 UNVESTED PERFORMANCE RIGHTS

Details of performance rights granted to KMP under the previous LTIP that remain unvested as at 30 July 2016 are set out in the table below.

Grant type	Grant date	Number of instruments	Value per instrument at grant date \$	Vesting date (if holder remains employed by a Myer Group company)	Expiry date
Rights (EPS hurdle) ⁽¹⁾	27 Nov 2013	22,290	\$2.36	End of perf. period	31 Oct 2016
Rights (TSR hurdle) ⁽¹⁾	27 Nov 2013	44,580	\$1.57	End of perf. period	31 Oct 2016
Rights (Business Transformation hurdle) ⁽¹⁾	27 Nov 2013	22,290	\$2.36	End of perf. period	31 Oct 2016
Rights (EPS hurdle) ⁽¹⁾	15 Dec 2014	215,624	\$1.08	End of perf. period	31 Oct 2017
Rights (TSR hurdle) ⁽¹⁾	15 Dec 2014	431,250	\$0.30	End of perf. period	31 Oct 2017
Rights (Business Transformation hurdle) ⁽¹⁾	15 Dec 2014	215,624	\$1.08	End of perf. period	31 Oct 2017
Rights (Service hurdle) ^(1,2)	15 Dec 2014	375,000	\$1.08	End of perf. period	31 Oct 2017
Rights (CFO only service hurdle)	5 Jan 2016	173,913	\$1.01	End of perf. period	31 Oct 2018
Rights (ROFE hurdle)	5 Jan 2016	1,359,781	\$1.01	End of perf. period	31 Oct 2020
Rights (Sales Growth hurdle)	5 Jan 2016	1,359,781	\$1.01	End of perf. period	31 Oct 2020
Total		4,220,133			

- (1) The Board considers it important that participants are protected from the dilutive impacts of a rights issue in which they are ineligible to participate. The Board therefore determined in August 2015, in accordance with the terms of the FY2014 and FY2015 LTI awards, to adjust the number of shares that may be provided on exercise of the performance rights to take into account the dilution in the value of the Company following the entitlement offer made in September 2015 so that performance rights holders are not disadvantaged as a result of the rights issue. The number of shares which a performance rights holder is entitled to be provided with in the event that the relevant performance rights vest will be calculated in accordance with the following calculation:

$$= PR \times (B/A)$$

where:

PR = the total number of shares the performance rights holder is entitled to be provided with on exercise of a performance right prior to the entitlement offer;

A = the theoretical price (Theoretical Ex-Rights Price or TERP) at which Myer shares should trade immediately after the ex-date for the Entitlement Offer (being \$1.1329); and

B = the share price at which Myer shares traded at the close of business on the day immediately prior to the Entitlement Offer (being \$1.21).

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

- (2) These performance rights apply to Mr Umbers (250,000 rights) and Mr Bracken (125,000 rights).

REMUNERATION REPORT

Continued

7.2 EQUITY INSTRUMENTS GRANTED TO KMP

Name	Vesting Date	Number of performance rights granted ⁽¹⁾	Value of performance rights at grant date ⁽²⁾ \$	Number of options vested during the period	Value of options at vest date \$
R Umbers	28 July 2018	939,130	1,080,000	-	-
D Bracken	28 July 2018	782,608	900,000	-	-
G Devonport	28 July 2018	858,695	987,500	-	-
A Sutton	28 July 2018	313,042	360,000	45,249	54,751

During FY2016, 443,478 performance rights were granted to Mr Gary Williams, being the next highest remunerated executive during the year, with a value at grant date of \$510,000.

(1) No performance rights were granted to Non-Executive Directors during the reporting period.

(2) The VWAP for the allocation of the 2016 grant was \$1.15.

7.3 SHARES PROVIDED ON EXERCISE OF OPTIONS

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

7.4 LONG TERM INCENTIVES ON ISSUE

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

Name	Year granted (FY)	Vested %	Forfeited %	Value of vested performance rights	The remaining financial years in which performance rights may vest	Maximum total value of grant yet to vest
R Umbers	2016	-	-		2019 & 2020	989,462
	2015	-	-		2017	348,480
D Bracken	2016	-	-		2019 & 2020	759,550
	2015	-	-		2017	243,212
G Devonport	2016	-	-		2019 & 2020	745,164
A Sutton	2016	-	-		2019 & 2020	302,618
	2015	-	-		2017	97,373
	2014 ⁽¹⁾	-	-		2016	50,305
	2013	100	0	54,751	-	-

(1) The rights granted under the FY2014 LTIP will be tested for vesting following the release of the FY2016 results and details disclosed in the FY2017 remuneration report.

8. EXECUTIVE SERVICE AGREEMENTS

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

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

REMUNERATION REPORT

Continued

9. EQUITY

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

	Opening balance	Granted as compensation	Exercised	Other changes	Closing balance ⁽²⁾
FY2016⁽¹⁾					
R Umbers	568,749	939,130	-	-	1,507,879
D Bracken	443,749	782,608	-	-	1,226,357
G Devonport	-	858,695	-	-	858,695
A Sutton	359,409	313,042	(45,249)	-	627,202
FY2015					
R Umbers	-	568,749	-	-	568,749
D Bracken	-	443,749	-	-	443,749
G Devonport	-	-	-	-	-
A Sutton	134,409	225,000	-	-	359,409
B Brookes ⁽³⁾	2,058,383	375,000	-	(2,350,134)	83,249
M Ashby ⁽⁴⁾	634,339	300,000	-	(934,339)	-

(1) As noted on page 32, the number of shares Mr Umbers, Mr Bracken and Mr Sutton will be entitled to be provided with in the event performance rights awarded to them under the FY2014 and FY2015 LTI awards vest has been adjusted in accordance with the terms of those awards. If performance rights under the FY2014 and FY2015 LTI awards vest, the adjustments will result in an additional 38,701, 30,191 and 15,310 (respectively) shares being provided in relation to performance rights under the FY2014 LTI plan, and an additional 63,910, 53,252 and 21,298 (respectively) shares being provided in relation to performance rights under the FY2015 LTI plan. An additional 58,435 shares would be provided to Mr Devonport in respect of the FY2015 LTI award based on the same adjustment. Mr Devonport did not participate in the FY2014 LTI award.

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

(3) Mr Brookes ceased employment on 2 March 2015.

(4) Mr Ashby ceased employment on 22 May 2015.

REMUNERATION REPORT

Continued

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

	Opening balance	Ceased employment	Other changes	Closing balance
FY2016				
Directors				
P McClintock	181,000	-	77,400	258,400
A Brennan	53,658	-	21,464	75,122
I Cornell	10,000	-	6,000	16,000
C Froggatt	10,040	-	14,016	24,056
R Thorn	161,000	-	64,400	225,400
D Whittle	-	-	-	-
R Myer	733,999	-	188,680	922,679
Other KMP				
R Umbers	-	-	212,230	212,230
D Bracken	50,000	-	-	50,000
G Devonport	-	-	250,000	250,000
A Sutton	25,000	-	20,249	45,249
FY2015				
Directors				
P McClintock	181,000	-	-	181,000
A Brennan	53,658	-	-	53,658
I Cornell	10,000	-	-	10,000
C Froggatt	10,040	-	-	10,040
R Thorn	-	-	161,000	161,000
R Myer ⁽¹⁾	733,999	-	-	733,999
B Brookes ⁽²⁾	10,178,952	(10,178,952)	-	-
Other KMP				
R Umbers	-	-	-	-
D Bracken	-	-	50,000	50,000
G Devonport	-	-	-	-
A Sutton	-	-	25,000	25,000
M Ashby ⁽³⁾	245,257	(245,257)	-	-

(1) Mr Myer ceased as a Director of the Company on 20 November 2015.

(2) Mr Brookes ceased employment on 2 March 2015.

(3) Mr Ashby ceased employment on 22 May 2015.

10. LOANS AND OTHER TRANSACTIONS

There were no loans made to KMP or entities related to them, including their personally related parties, or any other transactions at any time during FY2015 or FY2016.

11. 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 Investor Centre website.

REMUNERATION REPORT

Continued

12. NON-EXECUTIVE DIRECTOR REMUNERATION

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

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

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

Non-executive directors who chair a committee also receive additional yearly fees for their role in serving that committee. Base fees for non-executive directors include payment for participation on Board Committees, however an additional payment is made to those who serve as Chairman on a committee to recognise the additional responsibility and time requirements involved in chairing a committee. Base fees for non-executive directors have not increased since 2009. The following yearly fees applied in FY2016:

Base annual fees

Chairman (all inclusive)	\$400,000
Other non-executive directors	\$150,000

Additional annual fees

Deputy Chairman ⁽¹⁾	\$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	–

(1) Deputy Chairman fees no longer apply with the retirement of Mr Myer.

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.

REMUNERATION REPORT

Continued

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

Name	FY	Cash salary ⁽¹⁾	Superannuation	Total
Non-executive directors				
P McClintock	2016	380,692	19,308	400,000
	2015	381,217	18,783	400,000
A Brennan	2016	162,900	17,100	180,000
	2015	162,900	17,100	180,000
I Cornell	2016	135,750	14,250	150,000
	2015	135,750	14,250	150,000
C Froggatt	2016	156,113	16,387	172,500
	2015	155,547	16,328	171,875
R Thorn	2016	135,750	14,250	150,000
	2015	121,650	28,350	150,000
D Whittle	2016	79,188	8,312	87,500
	2015	-	-	-
Former non-executive directors				
R Myer	2016	70,734	6,718	77,452
	2015	162,900	17,100	180,000
Total non-executive directors				
	2016	1,121,127	96,325	1,217,452
	2015	1,119,964	111,911	1,231,875

(1) Cash salary includes any applicable Committee Fees.

FINANCIAL STATEMENTS

for the period ended 30 July 2016

Contents

Consolidated income statement	39
Consolidated statement of comprehensive income	40
Consolidated balance sheet	41
Consolidated statement of changes in equity	42
Consolidated statement of cash flows	43
Notes to the consolidated financial statements	
A. Group performance	
A1 Segment information	44
A2 Revenue	44
A3 Expenses	45
A4 Income tax	46
A5 Earnings per share	47
B. Working capital	
B1 Trade and other receivables and prepayments	48
B2 Inventories	48
B3 Trade and other payables	48
C. Capital employed	
C1 Property, plant and equipment	49
C2 Intangible assets	50
C3 Provisions	52
C4 Deferred income	53
D. Net debt	
D1 Cash and cash equivalents	54
D2 Reconciliation of profit after income tax to net cash inflow from operating activities	54
D3 Borrowings	55
E. Risk management	
E1 Financial risk management	56
E2 Derivative financial instruments	60
F. Equity	
F1 Contributed equity	62
F2 Retained earnings and reserves	63
F3 Dividends	64
G. Group structure	
G1 Subsidiaries	65
G2 Deed of cross guarantee	66
G3 Parent entity financial information	68
G4 Equity accounted investment	69
H. Other information	
H1 Contingencies	69
H2 Commitments	69
H3 Related party transactions	70
H4 Share-based payments	70
H5 Remuneration of auditors	72
H6 Events occurring after the reporting period	72
I. Other accounting policies	73

CONSOLIDATED INCOME STATEMENT
for the period ended 30 July 2016

		2016 53 weeks \$'000	2015 52 weeks \$'000
	Notes		
Total sales value	A2	3,289,568	3,195,626
Concession sales		(610,553)	(501,153)
Sale of goods	A2	2,679,015	2,694,473
Sales revenue deferred under customer loyalty program		(38,861)	(40,122)
Revenue from sale of goods	A2	2,640,154	2,654,351
Other operating revenue	A2	161,689	131,423
Cost of goods sold		(1,527,552)	(1,495,382)
Operating gross profit		1,274,291	1,290,392
Other income		71	108
Selling expenses		(842,217)	(828,906)
Administration expenses		(318,039)	(328,138)
Share of net profit/(loss) of equity-accounted associate	G4	(620)	-
Strategic review, restructuring, store and brand exit costs and impairment of assets	A3	(18,250)	(61,687)
Earnings before interest and tax		95,236	71,769
Finance revenue	A2	906	753
Finance costs	A3	(15,447)	(23,488)
Net finance costs		(14,541)	(22,735)
Profit before income tax		80,695	49,034
Income tax expense	A4	(20,152)	(19,208)
Profit for the period attributable to owners of Myer Holdings Limited		60,543	29,826
Earnings per share attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	A5	7.7	5.1
Diluted earnings per share	A5	7.7	5.1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 July 2016

		2016	2015
		53 weeks	52 weeks
	Notes	\$'000	\$'000
Profit for the period		60,543	29,826
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cash flow hedges	F2	(14,486)	14,514
Exchange differences on translation of foreign operations	F2	(221)	(2,875)
Other comprehensive income for the period, net of tax		(14,707)	11,639
Total comprehensive income for the period attributable to owners of Myer Holdings Limited		45,836	41,465

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

CONSOLIDATED BALANCE SHEET
as at 30 July 2016

	Notes	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	D1	45,207	53,323
Trade and other receivables and prepayments	B1	37,883	30,363
Inventories	B2	396,297	381,907
Derivative financial instruments	E2	351	15,211
Total current assets		479,738	480,804
Non-current assets			
Property, plant and equipment	C1	445,379	469,006
Intangible assets	C2	904,171	916,108
Deferred tax assets	A4	27,056	18,016
Derivative financial instruments	E2	80	-
Investment in associate	G4	9,203	-
Other non-current assets		2,271	2,614
Total non-current assets		1,388,160	1,405,744
Total assets		1,867,898	1,886,548
LIABILITIES			
Current liabilities			
Trade and other payables	B3	400,590	387,182
Provisions	C3	94,228	85,728
Deferred income	C4	10,812	6,997
Current tax liabilities		7,033	512
Derivative financial instruments	E2	7,127	99
Other liabilities		795	871
Total current liabilities		520,585	481,389
Non-current liabilities			
Borrowings	D3	147,273	441,179
Provisions	C3	19,754	21,198
Deferred income	C4	69,702	75,112
Derivative financial instruments	E2	2,819	4,654
Total non-current liabilities		239,548	542,143
Total liabilities		760,133	1,023,532
Net assets		1,107,765	863,016
EQUITY			
Contributed equity	F1	739,338	524,755
Retained earnings	F2	379,483	335,366
Reserves	F2	(11,056)	2,895
Total equity		1,107,765	863,016

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 July 2016

	Notes	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Total \$'000
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
Net profit for the period		-	60,543	-	60,543
Other comprehensive income for the period		-	-	(14,707)	(14,707)
Total comprehensive income for the period		-	60,543	(14,707)	45,836
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	F1	214,583	-	-	214,583
Dividends paid	F3	-	(16,426)	-	(16,426)
Employee share schemes	F2	-	-	756	756
		214,583	(16,426)	756	198,913
Balance as at 30 July 2016		739,338	379,483	(11,056)	1,107,765

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 30 July 2016

		2016 53 weeks \$'000	2015 52 weeks \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		3,101,149	3,096,099
Payments to suppliers and employees (inclusive of goods and services tax)		(2,915,467)	(2,946,252)
		185,682	149,847
Other income		71	108
Interest paid		(15,894)	(22,601)
Tax paid		(20,369)	(30,439)
Net cash inflow from operating activities	D2	149,490	96,915
Cash flows from investing activities			
Payments for property, plant and equipment		(40,479)	(63,099)
Net investment in associate		(8,680)	-
Payment for brands acquisition		-	(1,000)
Payments for intangible assets		(11,891)	(17,276)
Lease incentives and contributions received		1,856	18,225
Interest received		943	800
Net cash outflow from investing activities		(58,251)	(62,350)
Cash flows from financing activities			
Repayment of borrowings net of transaction costs		(295,000)	17,927
Proceeds from the issue of shares, net of transaction costs		212,011	23
Dividends paid to equity holders of the parent	F3	(16,426)	(73,211)
Other		60	455
Net cash outflow from financing activities		(99,355)	(54,806)
Net (decrease)/increase in cash and cash equivalents		(8,116)	(20,241)
Cash and cash equivalents at the beginning of the financial period		53,323	73,564
Cash and cash equivalents at end of period	D1	45,207	53,323

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 30 July 2016

A. GROUP PERFORMANCE

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

A1 SEGMENT INFORMATION

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

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

The Group also undertakes activities outside the department store retail business through its subsidiaries, sass & bide and 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

	2016 53 weeks \$'000	2015 52 weeks \$'000
<i>Sales revenue</i>		
Total sales value	3,289,568	3,195,626
Concession sales	(610,553)	(501,153)
Sale of goods	2,679,015	2,694,473
Sales revenue deferred under customer loyalty program	(38,861)	(40,122)
Revenue from sale of goods	2,640,154	2,654,351
<i>Other operating revenue</i>		
Concessions revenue	140,416	118,019
Other	21,273	13,404
	161,689	131,423
<i>Finance revenue</i>		
Interest revenue	906	753
Total revenue	2,802,749	2,786,527

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

Accounting policy

Total sales value presented in the income statement represents proceeds from sale of goods (both from the Group and concession operators) and prior to the deferral of revenue under the Myer customer loyalty program. Concession sales presented in the income statement represents 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 revenue within other operating revenue at the time the sale is made.

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

Critical accounting estimates and judgements – customer loyalty program

The Group operates a loyalty program where customers accumulate award points for purchases made which entitle them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of revenue 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 30 July 2016

A3 EXPENSES

	2016 53 weeks \$'000	2015 52 weeks \$'000
Profit before income tax includes the following specific expenses:		
<i>Employee benefits expenses</i>		
Defined contribution superannuation expense	39,528	41,561
Other employee benefits expenses	456,174	443,662
Total employee benefits expenses	495,702	485,223
<i>Depreciation, amortisation and write-off expense</i>	92,758	89,743
<i>Finance costs</i>		
Interest and finance charges paid/payable	13,146	21,808
Fair value losses on interest rate swap cash flow hedges, transferred from equity	2,301	1,680
Finance costs expensed	15,447	23,488
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	228,955	225,552
Contingent rentals	4,522	4,210
Total rental expense relating to operating leases	233,477	229,762
<i>Net foreign exchange gains</i>	(5,737)	(7,595)

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	5,754	11,828
Store and brand exit costs and other asset impairments ³	12,496	24,488
Support office onerous lease expense and impairment of assets ⁴	-	14,780
	18,250	61,687
Income tax benefit	(9,531)	(14,009)
Strategic review, restructuring, store and brand exit costs and impairment of assets, net of tax	8,719	47,678

1. In 2015, the Group incurred costs associated with the development of the New Myer strategy, as well as subsequent costs associated with its implementation. These costs related 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 net costs associated with the announcement of store closures (Brookside, Orange, Wollongong and Logan) (2015: Top Ryde and Hurstville), new store terminations and space optimisation during or after the end of the period that have been committed to prior to the end of the period. In 2015, the Group recognised a provision for the exit of brands from our stores identified as part of the New Myer strategy and asset impairments related to those brands, as well as the impairment of lease rights. Refer to note B2, C1, C2 and C3 for more information.

4. In 2015, the Group recognised a \$12.2 million onerous lease provision relating to surplus space identified at the support office due to restructuring completed. This provision expense was partially offset by the write-back of the fixed lease rental increase provision and deferred income associated with this space. The assets associated with this surplus space were impaired and included in this amount. Refer to note C1 and C3 for more information.

Accounting policy

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

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

Individually Significant Items

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 July 2016

A4 INCOME TAX

	2016 53 weeks \$'000	2015 52 weeks \$'000
(a) Income tax expense		
<i>(i) Income tax expense</i>		
Current tax	26,740	23,526
Deferred tax	(6,588)	(4,318)
Income tax expense ¹	20,152	19,208
Deferred income tax expense included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets	(1,094)	(4,344)
Increase/(decrease) in deferred tax liabilities	(8,065)	26
	(9,159)	(4,318)
<i>(ii) Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit before income tax expense	80,695	49,034
Tax at the Australian tax rate of 30% (2015: 30%)	24,208	14,710
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible asset impairments	-	4,593
Non-deductible losses	880	-
Applied capital losses not previously recognised	(4,038)	-
Sundry items	(383)	(157)
	20,667	19,146
Adjustments for current tax of prior periods	(515)	62
Income tax expense ¹	20,152	19,208

1. Income tax expense includes an income tax benefit of \$9.5 million (2015: \$14 million) 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.

	2016 \$'000	2015 \$'000
(b) Deferred tax assets		
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits	18,202	18,398
Non-employee provisions and accruals	17,763	17,468
Amortising deductions	3,304	1,218
Trading stock	4,374	5,496
Tax losses	1,709	1,797
Total deferred tax assets	45,352	44,377
Set off of deferred tax liabilities pursuant to set off provisions	(18,296)	(26,361)
Net deferred tax assets	27,056	18,016
Movement		
Carrying amount at beginning of period	44,377	40,033
Credited/(charged) to income statement	(1,596)	4,344
Credited/(charged) to contributed equity	2,571	-
Carrying amount at end of period	45,352	44,377
(c) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Property, plant, equipment and software	6,985	14,111
Brand names	8,465	8,465
Deferred income	2,121	2,968
Sundry items	725	817
	18,296	26,361
Set off of deferred tax liabilities pursuant to set off provisions	(18,296)	(26,361)
Net deferred tax liabilities	-	-
Movement		
Carrying amount at beginning of period	26,361	26,335
Charged/(credited) to income statement	(8,065)	26
Charged/(credited) to other comprehensive income	-	-
Carrying amount at end of period	18,296	26,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

A4 INCOME TAX (CONTINUED)

Accounting policy

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

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

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

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

Goods and Services Tax (GST)

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

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

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

A5 EARNINGS PER SHARE

	2016 cents	2015 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	7.7	5.1
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	7.7	5.1
	2016	2015
	\$'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	60,543	29,826
	2016	2015
	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	786,845,842	585,683,950
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	2,216,778	4,640,752
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	789,062,620	590,324,702

(e) Information concerning the classification of securities

Performance rights

Performance rights granted to employees under the Myer Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights granted have not been included in the determination of basic earnings per share. Details relating to options and performance rights are set out in note H4.

All performance rights outstanding at period end have been included in the calculation of diluted earnings per share because no rights are considered antidilutive for the period ended 30 July 2016.

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 30 July 2016

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.

BI TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016 \$'000	2015 \$'000
Trade receivables	11,565	4,314
Provision for impairment	(1,546)	(1,311)
	10,019	3,003
Other receivables	18,925	10,580
Prepayments	8,939	16,780
	27,864	27,360
	37,883	30,363

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

	2016 \$'000	2015 \$'000
Retail inventories	396,297	381,907

Provision for write-down of inventories to net realisable value amounted to \$12.7 million (2015: \$11.4 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 provision for write-down of inventories to net realisable value relating to exit brands amounting to \$1.0 million (2015: \$3.8 million) 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

	2016 \$'000	2015 \$'000
Trade payables	188,511	191,713
Other payables	212,079	195,469
	400,590	387,182

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 30 July 2016

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.

CI 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 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
Period ended 30 July 2016						
Carrying amount at beginning of period	9,600	15,030	200,883	234,099	9,394	469,006
Additions	-	-	3,648	2,228	47,967	53,843
Transfer between classes	-	-	8,103	19,845	(28,456)	(508)
Assets written off – cost	-	-	(16,366)	(2,162)	-	(18,528)
Assets written off – accumulated depreciation	-	-	14,757	500	-	15,257
Impairment ¹	-	-	(8,338)	-	-	(8,338)
Depreciation charge	-	(488)	(33,402)	(31,162)	-	(65,052)
Exchange differences	-	-	(251)	(48)	(2)	(301)
Carrying amount at end of period	9,600	14,542	169,034	223,300	28,903	445,379
At 30 July 2016						
Cost	9,600	19,500	440,088	428,274	28,903	926,365
Accumulated depreciation and impairment	-	(4,958)	(271,054)	(204,974)	-	(480,986)
Net book amount	9,600	14,542	169,034	223,300	28,903	445,379

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 (2015: 40 years)
- Fixtures and fittings 3 – 12.5 years (2015: 3 – 12.5 years)
- Plant and equipment, including leasehold improvements 10 – 20 years (2015: 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 30 July 2016

C2 INTANGIBLE ASSETS

	Goodwill \$'000	Brand names and trademarks \$'000	Software \$'000	Lease rights \$'000	Total \$'000
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	-	(3,683)	(123,133)	(25,786)	(152,602)
Net book amount	376,631	426,275	113,202	-	916,108
Period ended 30 July 2016					
Carrying amount at beginning of period	376,631	426,275	113,202	-	916,108
Additions	-	-	12,011	-	12,011
Transfer between classes	-	-	508	-	508
Assets written off – cost	-	-	(1,074)	-	(1,074)
Assets written off – accumulated amortisation	-	-	130	-	130
Amortisation charge ²	-	(8)	(23,483)	-	(23,491)
Exchange differences	-	-	(21)	-	(21)
Carrying amount at end of period	376,631	426,267	101,273	-	904,171
At 30 July 2016					
Cost	376,631	429,958	247,759	25,786	1,080,134
Accumulated amortisation and impairment	-	(3,691)	(146,486)	(25,786)	(175,963)
Net book amount	376,631	426,267	101,273	-	904,171

1. 2015: 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 \$23.5 million (2015: \$22.4 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 (2015: \$349.5 million) cannot be allocated to the Group's individual cash generating units (CGU's) (the Group's stores), and hence has been allocated to the Myer business as a whole. Similarly, brand names which have an indefinite useful life and amounting to \$402.8 million (2015: \$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 discounted cash flow model. This model 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. The key assumptions used in the model are as follows:

- discount rate (pre-tax) 14.4% (2015: 14.4%)
- terminal growth rate 2.5% (2015: 2.5%)
- operating gross profit margin 39.5% (2015: 40%)

Management has determined that, given the level of excess future cash flows over asset carrying values of the Myer CGU, there are no reasonably possible changes in key assumptions which could occur to cause the carrying value of CGU to exceed the recoverable amount.

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 discounted cash flow model. This model uses cash flow projections based on financial budgets approved by management covering a five year period. The key assumptions in the model are consistent with those noted above. Based on this, no indicators of impairment were identified at a Myer store level (2015: \$9.8 million impairment charge for lease right asset).

sass & bide

The goodwill arising on the acquisition of the sass & bide business is \$27.1 million (2015: \$27.1 million) and the sass & bide brand name, which has an indefinite useful life, is \$23.5 million (2015: \$23.5 million). The goodwill and brand name cannot be allocated to the individual CGU's (the sass & bide stores), and hence have 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 discounted cash flow model. This model uses cash flow projections based on financial budgets approved by management covering a five year period. The key assumptions to which the valuation outcome is most sensitive relates to sales growth and operating gross profit margin. Sensitivity analysis on these assumptions indicates that the recoverable amount of goodwill and indefinite useful life assets relating to sass & bide would be impacted by an adverse movement in sales and operating gross profit margin of between 4% and 5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

C2 INTANGIBLE ASSETS (CONTINUED)

Accounting policy

(i) Impairment of assets

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

(ii) Goodwill

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

(iii) Brand names and trade marks

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

(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 five 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 July 2016

C3 PROVISIONS

	2016 \$'000	2015 \$'000
Current		
Employee benefits	56,405	56,582
Support office onerous lease (i)	3,185	3,418
Restructuring (ii)	18,948	8,267
Workers' compensation (iii)	10,882	11,838
Sales returns (iv)	2,030	2,772
Other	2,778	2,851
	94,228	85,728
Non-current		
Employee benefits	4,317	4,786
Support office onerous lease (i)	6,138	8,880
Fixed lease rental increases (v)	9,247	7,478
Other	52	54
	19,754	21,198

(i) Support office onerous lease

The support office onerous lease provision relates to excess office space identified, due to changes completed during the prior 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.

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
2016							
Carrying amount at beginning of period	12,298	8,267	11,838	2,772	7,478	2,905	45,558
Additional provisions recognised	-	18,948	3,848	2,030	2,064	12,583	39,473
Amounts utilised	(2,975)	(8,267)	(4,804)	(2,772)	(295)	(12,658)	(31,771)
Carrying amount at end of period	9,323	18,948	10,882	2,030	9,247	2,830	53,260

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.

	2016 \$'000	2015 \$'000
Current long service leave obligations expected to be settled after 12 months	23,610	25,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

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 at 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

	2016 \$'000	2015 \$'000
Current		
Lease incentives and contributions	10,812	6,997
Non-current		
Lease incentives and contributions	69,702	75,112
	80,514	82,109

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

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 30 July 2016 and 25 July 2015 is as follows:

	2016 \$'000	2015 \$'000
Total borrowings	147,273	441,179
Less: cash and cash equivalents	(45,207)	(53,323)
Net debt	102,066	387,856

D1 CASH AND CASH EQUIVALENTS

	2016 \$'000	2015 \$'000
Cash on hand	2,800	2,937
Cash at bank	42,407	50,386
	45,207	53,323

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

	2016 53 weeks \$'000	2015 52 weeks \$'000
Profit for the period	60,543	29,826
Depreciation and amortisation, including lease incentives and contributions	93,896	101,697
Interest income	(906)	(753)
Interest expense	1,094	1,221
Share-based payments expense	1,080	1,445
Share of net (profit)/loss of equity-accounted associate	620	-
Net exchange differences	(221)	(2,875)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(3,457)	(4,107)
(Increase)/decrease in inventories	(14,622)	(6,615)
Decrease/(increase) in deferred tax asset	(6,792)	(4,437)
Decrease/(increase) in derivative financial instruments	5,717	(2,797)
(Decrease)/increase in trade and other payables	(964)	(19,494)
(Decrease)/increase in current tax payable	6,521	(6,809)
Increase/(decrease) in provisions	7,057	10,720
(Decrease)/increase in other liabilities	(76)	(107)
Net cash inflow from operating activities	149,490	96,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

D3 BORROWINGS

(a) Structure of debt

The debt funding of the Group at 30 July 2016 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, 9 July 2013 and 23 June 2015. At balance date the following amounts were drawn:

	2016 \$'000	2015 \$'000
Bank loans	150,000	445,000
Less: transaction costs	(2,727)	(3,821)
Borrowings	147,273	441,179

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 30 July 2016 is unsecured, subject to various representations, undertakings, events of default and review events which are usual for a facility of this nature.

(c) Fair value

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

(d) Risk exposures

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

Accounting policy

Borrowings

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

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

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

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.

E.I FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

	2016			2015		
	USD \$'000	EURO \$'000	NZD \$'000	USD \$'000	EURO \$'000	GBP \$'000
Trade payables	11,147	413	121	18,016	433	89
Forward exchange contracts	209,151	12,587	-	172,803	6,637	-

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 30 July 2016, 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 \$16.6 million lower/\$20.2 million higher (2015: \$14.8 million lower/\$17.9 million higher) had the Australian dollar strengthened/weakened by 10% against the US dollar and Euro, arising from foreign exchange contracts designated as cash flow hedges. The Group's exposure to other foreign exchange movements is not material.

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

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The risk is managed by the use of floating to fixed interest rate swap contracts and the Group policy is to fix the rates between 0 and 50% of its average gross debt. This policy applied for the entire period with the exception of the period from 23 September 2015 until 22 August 2016 where the policy was temporarily increased to 0 – 80% to accommodate for the reduction in average gross debt due to the proceeds received from the entitlement offer. The level of fixed interest rate swaps reduced due to contract expiry on 22 August 2016, at which point the temporary policy extension has ended and the policy has returned to 0 – 50%.

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:

	2016		2015	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans - variable	3.1%	150,000	3.6%	445,000
Interest rate swaps (notional principal amount)	4.8%	(150,000)	5.0%	(200,000)
Net exposure to cash flow interest rate risk		-		245,000

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 July 2016

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 30 July 2016, 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 nil (2015: \$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 \$0.2 million higher/\$0.2 million lower (2015: \$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.

	2016 \$'000	2015 \$'000
Cash at bank and short term bank deposits		
AAA	-	-
AA	45,207	53,323
A	-	-
	45,207	53,323
Derivative financial assets		
AAA	-	-
AA	431	15,211
A	-	-
	431	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:

	2016 \$'000	2015 \$'000
Floating rate		
Expiring within one year (revolving cash advance facility)	-	-
Expiring beyond one year (revolving cash advance facility)	450,000	155,000
	450,000	155,000

The long term revolving cash advance facility comprises the following three tranches totalling \$600 million with \$150 million drawn at period end:

- Tranche A \$145 million, expires on 21 August 2019
- Tranche B \$180 million, \$150 million drawn expires on 21 August 2017
- Tranche C \$275 million, expires on 21 August 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 July 2016

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
2016							
Non-derivatives							
Non-interest bearing	292,772	-	-	-	-	292,772	292,772
Variable rate	2,304	2,127	151,064	-	-	155,495	150,000
Total non-derivatives	295,076	2,127	151,064	-	-	448,267	442,772
Derivatives							
Net settled (interest rate swaps)	1,094	1,018	525	-	-	2,637	2,689
Gross settled							
- (inflow)	(118,488)	(71,747)	(25,369)	-	-	(215,604)	(431)
- outflow	124,198	72,639	25,593	-	-	222,430	7,257
Total derivatives	6,804	1,910	749	-	-	9,463	9,515
2015							
Non-derivatives							
Non-interest bearing	280,872	-	-	-	-	280,872	280,872
Variable rate	7,203	7,706	15,738	469,061	-	499,708	445,000
Total non-derivatives	288,075	7,706	15,738	469,061	-	780,580	725,872
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)

(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 30 July 2016 and 25 July 2015:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2016				
Assets				
Derivatives used for hedging	-	431	-	431
Total assets	-	431	-	431
Liabilities				
Derivatives used for hedging	-	9,946	-	9,946
Total liabilities	-	9,946	-	9,946
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

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

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

Accounting policy

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held to maturity investments

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

(iv) Available for sale financial assets

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

Recognition and derecognition

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

Measurement

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

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

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

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

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

Impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 July 2016

E2 DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2015
	\$'000	\$'000
Current assets		
Forward foreign exchange contracts (i)	351	15,211
Total current derivative financial instrument assets	351	15,211
Non-current assets		
Forward foreign exchange contracts (i)	80	-
Total current derivative financial instrument assets	80	-
Current liabilities		
Forward foreign exchange contracts (i)	6,969	-
Interest rate swap contracts (ii)	158	99
Total current derivative financial instrument liabilities	7,127	99
Non-current liabilities		
Forward foreign exchange contracts (i)	288	-
Interest rate swap contracts (ii)	2,531	4,654
Total non-current derivative financial instrument liabilities	2,819	4,654

(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 30 July 2016 nil (2015: nil) was reclassified from equity and included in the cost of inventory. There was no hedge ineffectiveness in the current or prior period.

(ii) Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 3.09% (2015: 3.56%). 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 100% (2015: 44.9%) 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 2.61% and 3.90% (2015: 2.97% and 3.9%) 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 30 July 2016, \$2.3 million was reclassified in profit and loss (2015: \$1.7 million) and included in finance cost. There was no hedge ineffectiveness in the current period.

(b) Risk exposures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

E2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Accounting policy

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

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

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

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

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

F. EQUITY

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

FI CONTRIBUTED EQUITY

	2016 Number of shares	2015 Number of shares	2016 \$'000	2015 \$'000
Opening balance	585,689,551	585,684,551	564,258	564,246
Shares issued under Entitlement Offer, net of transaction costs ¹	234,661,660	-	214,583	-
Shares issued to Myer Equity Plans Trust at market value	927,604	5,000	1,122	12
	821,278,815	585,689,551	779,963	564,258
Treasury shares				
Opening balance	(4,200)	(9,200)	(39,503)	(39,514)
Shares issued to Myer Equity Plans Trust at market value	(927,604)	(5,000)	(1,122)	(12)
Shares issued for performance rights granted	927,604	-	-	-
Shares allocated on exercise of options at \$2.34	-	10,000	-	23
Closing balance of Treasury shares	(4,200)	(4,200)	(40,625)	(39,503)
Closing balance	821,274,615	585,685,351	739,338	524,755

1. During September 2015, the Group completed a fully underwritten accelerated pro rata non-renounceable Entitlement Offer resulting in the issue of 234,661,660 new shares at \$0.94 per share. The entitlement offer raised \$221 million less transaction costs (net of tax) of \$6 million.

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 30 July 2016 and 25 July 2015 were as follows:

	2016 \$'000	2015 \$'000
Total borrowings (note D3)	147,273	441,179
Less: cash and cash equivalents (note D1)	(45,207)	(53,323)
Net debt	102,066	387,856
Total equity	1,107,765	863,016
Total capital	1,209,831	1,250,872
Gearing ratio	8%	31%

The decrease in the gearing ratio during 2016 was primarily driven by a decrease in net debt and an increase in equity associated with the fully underwritten accelerated pro rata non-renounceable Entitlement Offer completed during 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
for the period ended 30 July 2016

F2 RETAINED EARNINGS AND RESERVES

	2016 \$'000	2015 \$'000
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of period	335,366	378,751
Profit for the period	60,543	29,826
Dividends	(16,426)	(73,211)
Balance at end of period	379,483	335,366
(b) Reserves		
Share-based payments (i)	25,613	24,857
Cash flow hedges (ii)	(7,441)	7,045
Other reserve (iii)	(25,621)	(25,621)
Foreign currency translation (iv)	(3,607)	(3,386)
	(11,056)	2,895
Movements in reserves were as follows:		
<i>Share-based payments</i>		
Balance at beginning of period	24,857	23,531
Share-based payments expense recognised (note H4)	1,080	1,445
Income tax (note A4)	(324)	(119)
Balance at end of period	25,613	24,857
<i>Cash flow hedges</i>		
Balance at beginning of period	7,045	(7,469)
Net gain/(loss) on revaluation	(21,512)	17,760
Transfer to net profit	7,026	(3,246)
Balance at end of period	(7,441)	7,045
<i>Foreign currency translation</i>		
Balance at beginning of period	(3,386)	(511)
Currency translation differences arising during the period	(221)	(2,875)
Balance at end of period	(3,607)	(3,386)

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

Accounting policy

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Myer Holdings Limited's functional and presentation currency.

(ii) Transactions and balances

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

F2 RETAINED EARNINGS AND RESERVES (CONTINUED)

Accounting policy (continued)

(iii) Group companies

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

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

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

F3 DIVIDENDS

	2016 \$'000	2015 \$'000
(a) Ordinary shares		
There was no final dividend for the period ended 25 July 2015 (2014: 5.5 cents per fully paid share fully franked paid 13 November 2014)	-	32,213
Interim fully franked dividend for the period ended 30 July 2016 of 2.0 cents (2015: 7.0 cents) per fully paid share paid 5 May 2016 (2015: 7 May 2015)	16,426	40,998
Total dividends paid	16,426	73,211
(b) Dividends not recognised at the end of the reporting period		
The directors have recommended the payment of a final dividend of 3.0 cents (2015: nil) per fully paid ordinary share fully franked based on tax paid at 30% payable on 10 November 2016		
The aggregate amount of the proposed dividend expected to be paid after period end, but not recognised as a liability at period end, is:	24,638	-
(c) Franked dividends		
The franked portions of the final dividends recommended after 30 July 2016 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 29 July 2017.		
Franking credits available for subsequent financial periods based on a tax rate of 30% (2015: 30%)	28,585	9,266

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 \$11 million (2015: nil).

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

G. GROUP STRUCTURE

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

G1 SUBSIDIARIES

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

Name of entity	Notes	Country of incorporation	Class of shares	Equity holdings (4)	Equity holdings (4)
				2016 %	2015 %
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 (as amended) 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.

Accounting policy

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Myer Holdings Limited ('Company' or 'parent entity') as at 30 July 2016 and the results of all subsidiaries for the period then ended.

Subsidiaries

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

The acquisition method of accounting is used to account for business combinations by the Group (refer note C2).

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

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

Employee Share Trust

The Group has 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 July 2016

G2 DEED OF CROSS GUARANTEE

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

- Myer Holdings Limited
- NB Elizabeth Pty Ltd
- NB Russell Pty Ltd
- Myer Group Pty Ltd
- NB Lonsdale Pty Ltd
- NB Collins Pty Ltd
- Warehouse Solutions Pty Ltd
- Myer Pty Ltd
- Myer Group Finance Limited
- The Myer Emporium Pty Ltd
- Boogie & Boogie Pty Ltd
- sass & bide Pty Ltd
- sass & bide Retail Pty Ltd
- sass & bide Retail (NZ) Pty Ltd
- 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 30 July 2016:

	2016 53 weeks \$'000	2015 52 weeks \$'000
Income statement		
Total sales value	3,288,717	3,194,597
Concession sales	(610,553)	(501,153)
Sale of goods	2,678,164	2,693,444
Sales revenue deferred under customer loyalty program	(38,861)	(40,122)
Revenue from sale of goods	2,639,303	2,653,322
Other operating revenue	161,689	131,423
Cost of goods sold	(1,527,069)	(1,494,144)
Operating gross profit	1,273,923	1,290,601
Other income	68	76
Selling expenses	(841,199)	(828,432)
Administration expenses	(317,975)	(327,743)
Share of net profit/(loss) of equity-accounted associate	(620)	-
Strategic review, restructuring, store and brand exit costs and impairment of assets	(18,250)	(61,687)
Earnings before interest and tax	95,947	72,815
Finance revenue	905	734
Finance costs	(15,447)	(23,487)
Net finance costs	(14,542)	(22,753)
Profit before income tax	81,405	50,062
Income tax expense	(20,146)	(19,452)
Profit for the period attributable to Deed of Cross Guarantee group	61,259	30,610
Statement of comprehensive income		
Profit for the period	61,259	30,610
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedges	(14,486)	14,514
Exchange differences on translation of foreign operations	1,832	(817)
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the period, net of tax	(12,654)	13,697
Total comprehensive income for the period	48,605	44,307
Summary of movements in retained earnings		
Opening balance	341,421	384,022
Profit for the period	61,259	30,610
Dividends paid	(16,426)	(73,211)
Closing balance	386,254	341,421

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 July 2016

G2 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 July 2016 of the closed group:

	2016 \$'000	2015 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	44,306	52,647
Trade and other receivables and prepayments	51,079	43,608
Inventories	392,441	378,518
Derivative financial instruments	351	15,211
Total current assets	488,177	489,984
Non-current assets		
Property, plant and equipment	445,299	468,573
Intangible assets	903,611	915,525
Deferred tax assets	24,721	15,556
Derivative financial instruments	80	-
Investment in associate	9,203	-
Other non-current assets	3,819	4,091
Total non-current assets	1,386,733	1,403,745
Total assets	1,874,910	1,893,729
LIABILITIES		
Current liabilities		
Trade and other payables	398,224	385,523
Provisions	93,998	85,383
Deferred income	12,114	6,997
Current tax liabilities	7,424	889
Derivative financial instruments	7,127	99
Other liabilities	794	871
Total current liabilities	519,681	479,762
Non-current liabilities		
Borrowings	147,273	441,179
Provisions	19,702	21,144
Deferred income	68,401	75,112
Derivative financial instruments	2,819	4,654
Total non-current liabilities	238,195	542,089
Total liabilities	757,876	1,021,851
Net assets	1,117,034	871,878
EQUITY		
Contributed equity	739,339	524,755
Retained earnings	386,254	341,421
Reserves	(8,559)	5,702
Total equity	1,117,034	871,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

G3 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2016 \$'000	2015 \$'000
Balance sheet		
Current assets	149,318	241,111
Total assets	1,076,467	1,166,215
Current liabilities	27,243	22,271
Total liabilities	177,047	468,103
Shareholders' equity		
Issued capital	739,338	524,755
Reserves		
Cash flow hedges	(2,705)	(4,769)
Other reserve	(2,653)	(2,653)
Share-based payments	19,538	18,458
Retained earnings	145,902	162,321
Profit for the period	7	96,685
Total comprehensive income	2,072	94,572
(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 the deed of cross guarantee. The details of the deed of cross guarantee are set out in note G2. At balance date, no liability has been recognised in relation to these guarantees on the basis that the potential exposure is not considered material.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 July 2016 or 25 July 2015.

(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 30 July 2016 or 25 July 2015.

(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 30 July 2016

G4 EQUITY ACCOUNTED INVESTMENT

On 28 September 2015, the Company acquired a 25% interest in an associate entity, Austradia Pty Limited (Austradia). Austradia is an entity domiciled in Australia and holds the franchise rights to TOPSHOP TOPMAN in Australia, including the operation of standalone speciality retail stores as well as concession outlets. The Group is the exclusive Australian department store for TOPSHOP TOPMAN, with concessions in the process of being rolled out to a number of Myer department stores. The Group accounts for its investment in associates using the equity accounting method.

The carrying value of the equity accounted investment as at 30 July 2016 is \$9.2 million.

The share of net loss on the equity accounted investment in Austradia from the acquisition date of 28 September 2015 to 30 July 2016 is \$0.6 million.

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 30 July 2016 in respect of:

Guarantees

The Group has issued bank guarantees amounting to \$41.3 million (2015: \$44.6 million), of which \$22.6 million (2015: \$26.0 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:

	2016 \$'000	2015 \$'000
<i>Property, plant, equipment and software</i>		
Payable:		
Within one year	9,702	2,132
Later than one year but not later than five years	-	-
Later than five years	-	-
	9,702	2,132

(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	228,574	225,595
Later than one year but not later than five years	854,132	878,427
Later than five years	1,857,764	2,069,321
	2,940,470	3,173,343

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 30 July 2016

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 30 July 2016 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.

	2016 \$	2015 \$
Short term employee benefits	6,157,605	7,596,204
Post employment benefits	172,387	259,332
Long term benefits	15,314	36,540
Termination and other payments	-	1,553,721
Share-based payments	738,205	204,883
	7,083,511	9,650,680

Detailed remuneration disclosures are provided in the Remuneration Report on pages 15 to 37.

(ii) Loans

In 2016 and 2015 there were no loans made to directors of Myer Holdings Limited and other Key Management Personnel of the Group, including their related parties.

(iii) Other transactions

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

(d) Transactions with other related parties

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

H4 SHARE-BASED PAYMENTS

(a) Long Term Incentive Plan

The Myer Long Term Incentive Plan (LTIP) is an incentive that is intended to promote alignment between executive and shareholder interests over the longer term. Under the LTIP, performance rights may be offered annually to the Chief Executive Officer and nominated executives. The employees invited to participate in the plan include executives who are considered to play a leading role in achieving the Company's long term strategic and operational objectives.

Each right offered is an entitlement to one fully paid ordinary share in the Company, subject to adjustment for capital actions, on terms and hurdles determined by the Board, including hurdles linked to Company performance and service.

The LTIP is delivered via a grant of performance rights. The number of performance rights that vest is not determined until after the end of the performance period. The performance right will therefore not provide any value to the holder between the date the performance right is granted until after the end of the performance period, and then only if the performance hurdles are satisfied. Performance rights do not carry entitlements to ordinary dividends or other shareholder rights until the performance rights vest and shares are provided. Accordingly, participating executives do not receive dividends during the performance period.

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

2016

	Balance 25 July 2015	Granted	Exercised	Expired and lapsed	Balance 30 July 2016
Total	3,754,563	4,834,991	(927,604)	(664,420)	6,997,530
Weighted average exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

2015

	Balance 26 July 2014	Granted	Exercised	Expired and lapsed	Balance 25 July 2015
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

The number of options which expired during the period was nil (2015: 2,176,650).

The weighted average share price at the date of exercise of options exercised during the period ended 30 July 2016 was nil (2015: \$2.44).

The weighted average remaining contractual life of share rights outstanding at the end of the period was 2.9 years (2015: 1.6 years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

H4 SHARE-BASED PAYMENTS (CONTINUED)

(a) Long Term Incentive Plan (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:

	2016 LTIP Rights (ROFE)	2016 LTIP Rights (Sales per Sqm Growth)	2016 LTIP Rights (Service)
(a) Fair value of performance rights granted	\$1.01	\$1.01	\$1.01
(b) Grant date	5-Jan-16	5-Jan-16	5-Jan-16
(c) Expiry date	31-Oct-20	31-Oct-20	31-Oct-18
(d) Share price at grant date	\$1.20	\$1.20	\$1.20
(e) Expected price volatility of the Group's shares	38%	38%	38%
(f) Expected dividend yield	5.8%	5.8%	5.8%
(g) Risk-free interest rate	2.20%	2.20%	2.20%

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:

	2016 \$'000	2015 \$'000
Rights issued under the LTIP	1,080	1,445

Share-based payment transaction expenses represent the amount recognised in the period in relation to share-based remuneration plans. Where expectations of the number of rights expected to vest changes, the life to date expense is adjusted, which can result in a negative expense for the period due to the reversal of amounts recognised in prior periods.

Accounting policy

Share-based compensation benefits are provided to employees through the Myer Long Term Incentive Plan (LTIP).

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

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

The LTIP is administered by the Myer Equity Plan Trust (refer to note G1). When rights are vested, the trust transfers the appropriate number of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 30 July 2016

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:

	2016 \$	2015 \$
(a) PwC Australia		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	594,600	396,380
<i>Other assurance services</i>		
Audit of rent certificates	48,000	46,970
Total remuneration for audit and other assurance services	642,600	443,350
(ii) Taxation services		
Tax compliance services	2,000	46,900
Total remuneration of PwC Australia	644,600	490,250
(b) Overseas practices of PwC		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	84,617	72,717
(ii) Taxation services		
Tax compliance services	35,314	8,958
Total remuneration for overseas practices of PwC	119,931	81,675

H6 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividends on the Company's ordinary shares

The directors have determined to pay a final dividend of 3.0 cents per share, fully franked at the 30% corporate income tax rate, payable on 10 November 2016 for the period ended 30 July 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the period ended 30 July 2016***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 2016 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) 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.

(c) New accounting standards and interpretations*(i) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time in the annual reporting period commencing 26 July 2015:

- AASB 2014-4 *Amendments to Australian Accounting Standards - Clarification of acceptable methods of depreciation and amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*
- AASB 2016-1 *Amendments to Australian Accounting Standards - Recognition of deferred tax assets for unrealised losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*

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 30 July 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations, that were considered relevant for the consolidated entity, is set out below:

• AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is not applicable until 1 January 2018. There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The Group also does not have any available for sale financial assets. The Group has not yet assessed how its hedging arrangements would be affected by the new rules; however, it does not expect the impact to be material. Increased disclosures may be required in the financial statements.

• AASB 15 *Revenue from Contracts with Customers* is a new revenue recognition standard that's core principle is that revenue must be recognised when the control of goods or services are transferred to the customer, at the transaction price. The standard is not applicable until 1 January 2018 and the Group does not expect the standard to have a significant impact.

• On 13 January 2016 the International Accounting Standards Board (IASB) issued IFRS 16 *Leases*. This standard has not yet been issued by the AASB. IFRS 16 replaces IAS 17 *Leases* and eliminates the classification between operating and finance leases and introduces a single lessee accounting model. The new model requires the recognition of a leased asset, and its corresponding lease liability, for all leases that have a term of more than 12 months, unless the underlying asset is of low value and the separate recognition of the depreciation charge on the leased asset from the interest expense on the lease liability.

The standard is applicable from 1 January 2019 with early adoption permitted if, and only if, AASB 15 is also early adopted. The application of IFRS 16 will impact the financial results and position of the Group to the extent that leases currently classified as operating leases will need to be brought on balance sheet. In addition, the current operating lease expense recognised in the income statement will be replaced with a depreciation and finance charge. The Group is currently assessing the impact of the new standard and at this stage is unable to estimate the financial impact upon adoption.

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 38 to 73 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 30 July 2016 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, 14 September 2016.



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 30 July 2016, 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 26 July 2015 to 30 July 2016, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Myer Holdings Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 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*.

PricewaterhouseCoopers, ABN 52 780 433 757

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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 30 July 2016 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards 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 15 to 37 of the directors' report for the period ended 30 July 2016. 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 30 July 2016 complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of PricewaterhouseCoopers in cursive script.

PricewaterhouseCoopers

A stylized, handwritten signature of Jason Perry in cursive script.

Jason Perry
Partner

Melbourne
14 September 2016