ASX Release

26 October 2012

Myer Holdings Limited 2012 Annual Report
Myer Holdings Limited 2012 Notice of Meeting

Myer Holdings Limited today released the following documents:

- Annual Report for the year ended 28 July 2012
- Notice of Meeting for the 2012 Annual General Meeting including Proxy Form

The documents will be dispatched today to shareholders who have elected to receive a copy. The 2012 Annual Report is available for download from the Investor Centre section of Myer's website at www.myer.com.au/investor.

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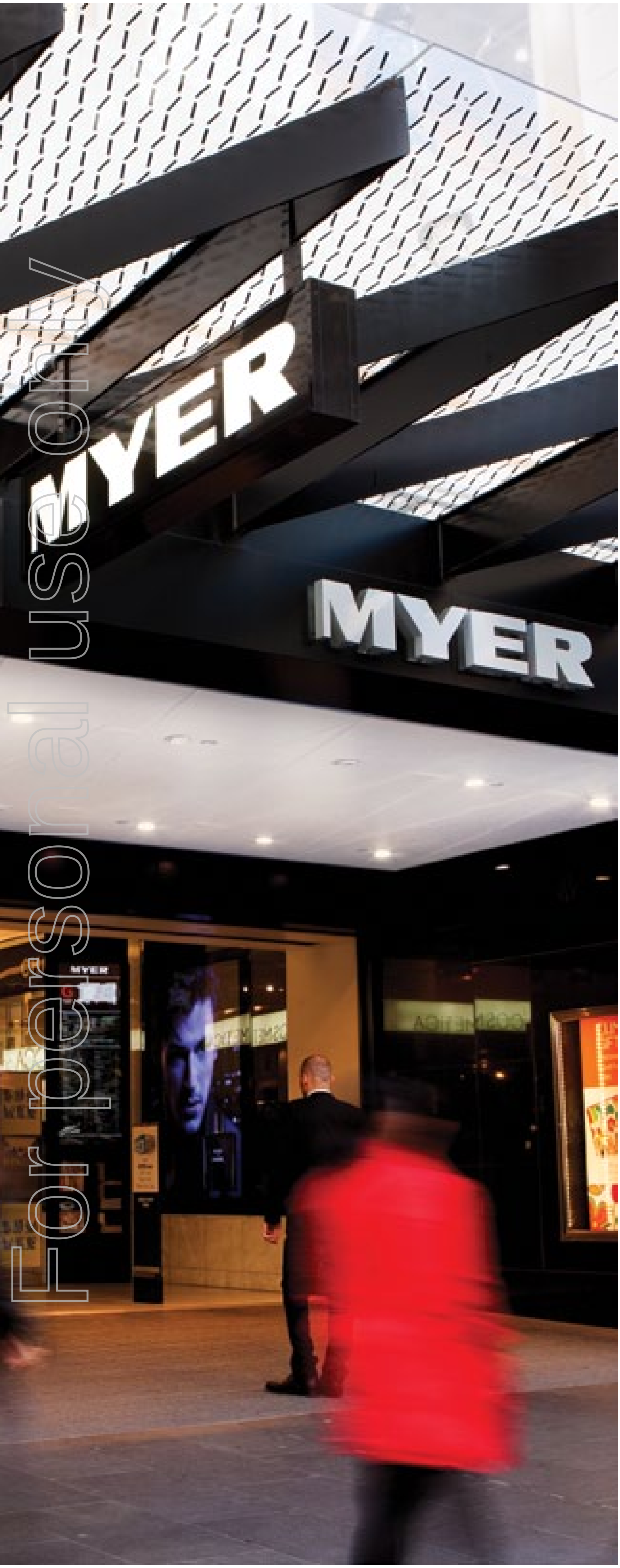
ANNUAL REPORT 2012

MYER

67 STORES IN PRIME LOCATIONS

FIRST CHOICE

for fashion, cosmetics and the home



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Annual General Meeting

The 2012 Annual General Meeting of Myer Holdings Limited will be held at Mural Hall, Level 6, Myer Melbourne, Bourke Street Mall, Melbourne, Victoria on Friday, 7 December 2012 at 11am.

Myer Holdings Limited ABN 14 119 085 602

ABOUT MYER

Myer is Australia's largest department store group, synonymous with style and fashion for over 100 years.

Our focus on providing inspiration to everyone includes our customers, our 12,500 team members, our 54,000 shareholders, our 1,200 suppliers globally and the many communities that we engage with our strong brand.

Myer is a significant employer and has a long history of philanthropy and local community engagement.

The store network includes a footprint of 67 stores in prime retail locations across Australia.

The Myer merchandise offer includes 11 core product categories: Womenswear; Menswear; Miss Shop (Youth); Childrenswear; Intimate apparel; Beauty, fragrance and cosmetics; Homewares; Electrical goods; Toys; Footwear, handbags and accessories; and General merchandise.

Myer's five-point strategic plan

Myer's strategy is comprised of five key elements:

1. Optimise our store network
2. Enhance our merchandise offer
3. Improve customer service and efficiency
4. Strengthen our loyalty offer
5. Build a leading omni-channel offer.

Optimise our store network

We have a strong network of 67 stores across the country, and a strategy to optimise the store network with a pipeline of new stores, replacement stores, and refurbishments.

We continue our focus on maximising returns per square metre.

We recognise that our customers want to be able to touch and feel products in store, as well as engage with knowledgeable and helpful staff. Our store network is integral to delivering a seamless customer experience across all digital and retail touch points.

Enhance our merchandise offer

We have a focus on inspiring and delighting our customers with newness and fashionability across all categories. We want to be the first choice when shopping for fashion, cosmetics and the home.

The Myer brand offering includes well-known national brands, Australian and international designers, as well as 57 brands which are owned and distributed exclusively by Myer, known as 'Myer Exclusive Brands'.

Our vertically-integrated Myer Exclusive Brand model of managing the design, development and sourcing of wanted brands provides us with significant control and flexibility. This model, together with our two sourcing offices in Asia, our world-class supply chain, and updated IT and merchandise systems, delivers speed to market, and effective inventory control, and gives us a key competitive advantage.

We also seek to acquire wanted brands where it makes commercial sense and where the addition of the brand will further strengthen our merchandise offer.

Improve customer service and efficiency

We have a focus on improving the customer experience that incorporates a number of service and efficiency initiatives. Service initiatives include investment in high service categories at high service times, additional training and selling skills programs, and enhanced reward and recognition.

Efficiency initiatives include improving staff availability at sales points, ensuring more efficient delivery of stock to the shop floor, and reducing the level of theft and fraud in our stores.

Strengthen our loyalty offer

The **MYER one** loyalty program is one of Australia's leading loyalty programs, with 4.7 million members and over 6 million cards in circulation.

Members receive two Shopping Credits for every dollar spent in Myer stores, with a $20 **MYER one** rewards gift card for every 2,000 Shopping Credits. On average, customers spend 3.8 times the value of their rewards card on redemption.

With the growth in loyalty programs in Australia, we are focused on strengthening the **MYER one** loyalty program with a number of initiatives to ensure that the program continues to be leading edge.

Sales using the **MYER one** card represent approximately 70 percent of total sales. The data from the program provide insights into customer shopping preferences and assist in the evaluation of the success of stores, brands, space, marketing, products and services mix.

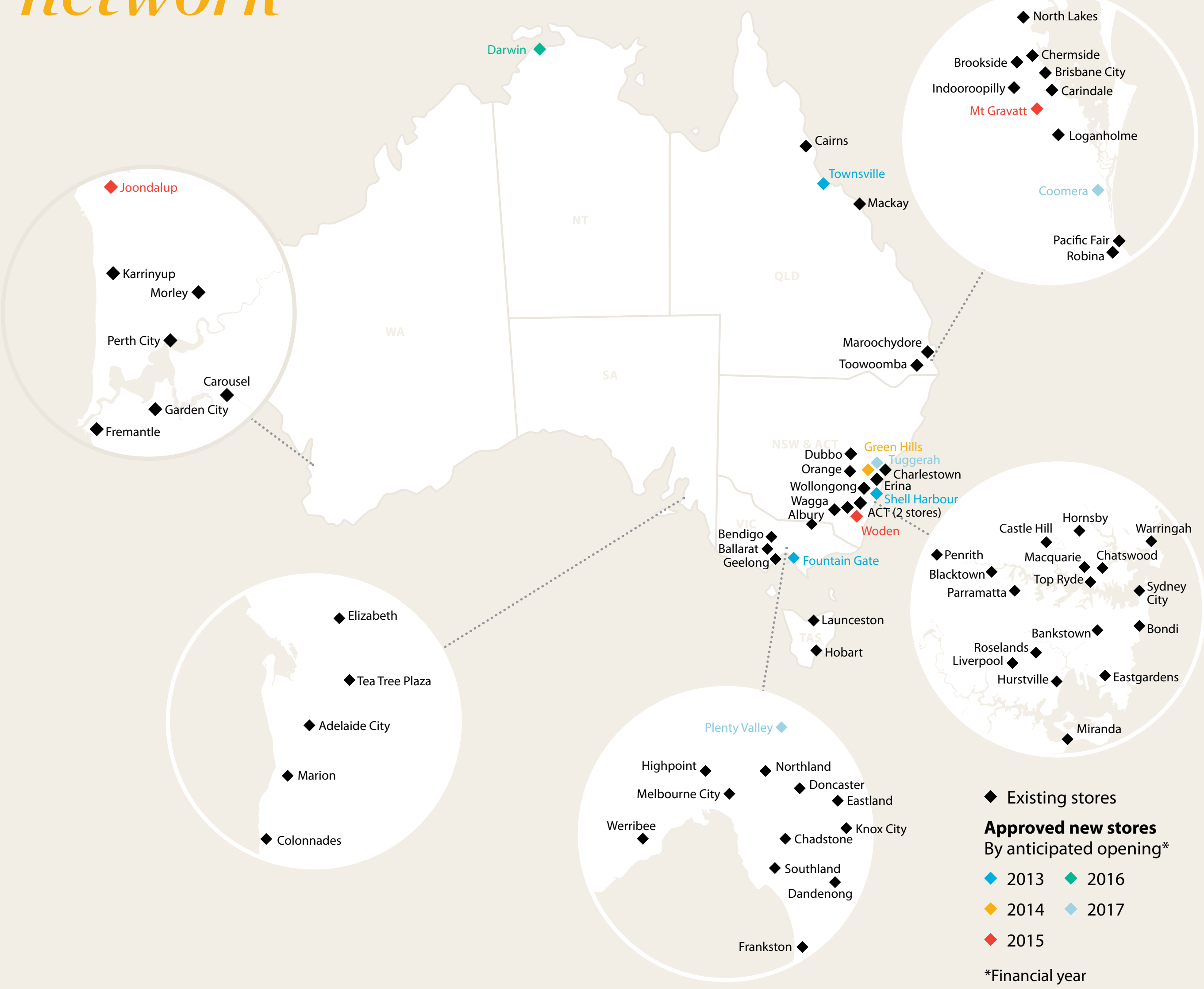
Build a leading omni-channel offer

In a rapidly changing technology environment, customers' shopping preferences continue to evolve. We are focused on delivering a seamless experience for our customers, whether in store, online, or on mobile devices. The right combination of physical stores and technology, together with the right offer and fast, efficient fulfilment is critical to our success in omni-channel retailing.

We are capitalising on our strong brand, depth of offer, store network and popular loyalty program in order to become Australia's leading omni-channel retailer.

We increasingly integrate our marketing, balancing traditional media with innovation and digital marketing opportunities. Digital marketing and social media are now part of our everyday marketing focus on all campaigns.

National store network



VISION

To be an international-class retailer providing inspiration to everyone

2012 FINANCIAL RESULTS

Our key categories of Miss Shop (Youth), Womenswear, Menswear and Cosmetics all performed ahead of last year in sales and gross profit. The best performing states were Western Australia and Queensland.

Full year 2012 total sales were $3,119 million. Sales in our Myer Exclusive Brands grew by over five percent to $586 million during the year and now represent 19 percent of the sales mix, up from 17.6 percent in 2011.

The overall strong operating gross profit result reflects the success of a number of key initiatives including an improved merchandise mix, an increase in Myer Exclusive Brands, reduced markdowns, lower shrinkage, and improved sourcing, as well as the contribution of sass & bide.

As a result of a shift to brands focused on design, quality, colour and innovation, we achieved an improved gross profit margin across the Electrical category. During the year, we also achieved sales growth in some Electrical businesses despite ongoing significant price deflation, particularly in TVs. However, the category overall continues to be challenging. The managed exit of white goods, gaming and consoles, and the rationalisation of CDs, DVDs and navigation systems, impacted sales by $31 million during FY2012. This was part of our longer-term plan to exit categories where we have limited competitive advantage.

A significant reduction in our overall markdowns was achieved in FY2012, benefiting the gross profit result. While there was price deflation during the year associated with being more globally competitive, this was offset by the success of our markdown reduction program.

As a result of the combined effort across all stores, we successfully achieved our target of reducing shrinkage due to theft and fraud to less than one percent of sales. This result represents global best practice for department stores.

Our sourcing offices have exceeded our expectations in their first year of operation, delivering improved margin, enhanced product quality, and faster speed to market.

Growth in operating gross profit was achieved despite cycling the $17 million of profit underpinning (landlord contribution) associated with the Melbourne store rebuild received in FY2011. Excluding this impact, the operating gross profit margin improved by 150 basis points (bps) compared to FY2011.

We faced significant additional costs in FY2012, including:

1. Increased investment in customer facing hours totalling $17 million, in addition to $9 million invested during FY2011; and
2. Increased operational costs including store wages, penalty rates and loadings, store occupancy (rents, rates, taxes and utilities), and a full year of operating costs associated with sass & bide.

In addition to this result there were also some one-off costs and gains with a negligible net profit after tax (NPAT) effect. There was a one-off gain of $16.2 million* relating to the renegotiation of the Adelaide store lease and the subsequent write-back of a fixed lease rental increase provision that applied to that store. Offsetting this were $13.1 million* of one-off costs associated with the rationalisation of our store portfolio and the full exit of the CDs and DVDs category. In addition, there was a one-off cost associated with the restructuring of the support office which took place in July 2012, amounting to $3.1 million*.

Strong balance sheet

We maintained our disciplined focus on inventory management, and overall inventory was clean at the end of the period, totalling $385.7 million, up 1.2 percent. Underlying inventory increased by 0.5 percent to $383 million (adjusted for additional inventory held for new stores at Mackay, Fountain Gate and Townsville, additional inventory held for sass & bide and adjusted for the impact of store closures at Forest Hill and Tuggeranong).

Net debt was flat against last year at $383 million, and our net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) ratio remained solid at 1.23 times, well within our covenant of less than 2.5 times.

We continue to generate strong cash flow, have a stable balance sheet and there remains significant headroom in our banking covenants to support our strategic plan and investment in the future.

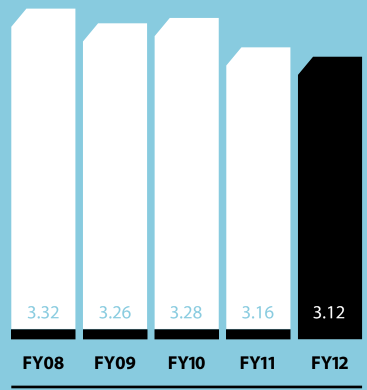
*post tax

EBIT

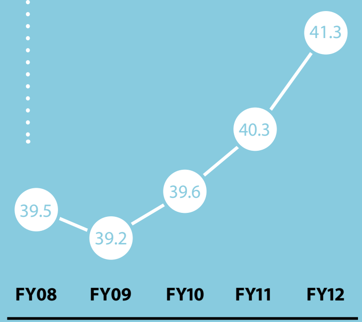
impacted by increased costs and depreciation

STRONG RESULT

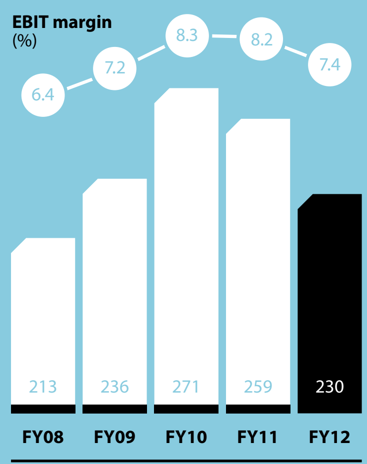
reflecting delivery on key initiatives



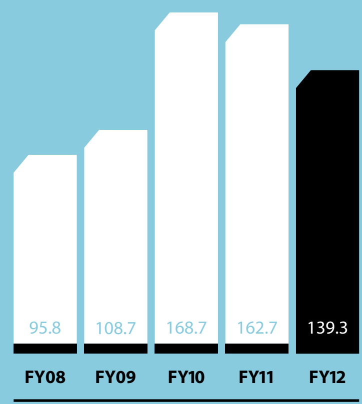
Sales ($b)



Operating gross profit margin (%)



Earnings before interest and tax (EBIT) ($m)



Net profit after tax ($m)

Financial Summary	FY2012	FY2011	Change (%)
Sales **($m)**	3,119.1	3,158.8	(1.3)
Operating gross profit **($m)**	1,288.4	1,271.6	1.3
Operating gross profit margin **(%)**	41.31	40.26	+105 bps
Cash cost of doing business **($m)**	976.6	933.7	4.6
Earnings before interest, tax, depreciation, amortisation (EBITDA) **($m)**	311.8	337.9	(7.7)
Earnings before interest and tax (EBIT) **($m)**	230.0	258.9	(11.2)
Statutory net profit after tax (after non-controlling interest) **($m)**	139.4	159.7	(12.7)
Impact of one-off items **($m)**	(0.1)	3.0	
Net profit after tax (NPAT) (after non-controlling interest) **($m)**	139.3	162.7	(14.3)

FY2012 NPAT of $139.3m excludes store closure and restructuring costs of $13.1m (after tax), the cost of redundancies of $3.1m (after tax) and the gain on the write-back of the fixed lease rental increase provision of $16.2m (after tax). FY2011 NPAT of $162.7m excludes residual Initial Public Offering (IPO) costs of $3.5m (after tax), store closure and restructuring costs of $7.6m (after tax), and the profit on sale of our shareholding in Harris Scarfe of $8.2m (after tax).

Earnings per share (cents)

Full year dividends (cents)

FROM THE CHAIRMAN

I am pleased to present the 2012 Myer Holdings Limited Annual Report to our shareholders.

The tough consumer environment has been widely reported and these challenging conditions continue. However, the Myer management team has successfully executed the strategy they have developed which has ensured the business delivered a solid result.

The Board is confident that the five-point strategy is the right one to drive the business through the current cycle and ensure we are well positioned for the future.

Business performance

Total sales for the full year ended 28 July 2012 were down 1.3 percent to $3,119 million.

In order to meet the changing demands of customers and rapidly evolving technology, we have exited some categories and refined our merchandise offer. Excluding these planned changes, total sales were down 0.3 percent which is a credible result considering the continued weak consumer sentiment.

Successful initiatives to refine the merchandise mix, improve sourcing, optimise promotional effectiveness, reduce shrinkage and increase the contribution of Myer Exclusive Brands have combined to deliver a strong operating gross profit result ahead of last year.

The business is facing a number of increasing costs relating to employment, occupancy and utilities. As a result, management has taken steps to rebase the cost structure of the business, reducing the impact of the cost pressures. Following our significant recent capital investment in the business, which underpins our future growth, depreciation charges have also increased.

We reported a net profit after tax of $139.3 million, down 14.3 percent on last year, and within guidance issued to the market in May 2012.

The Board was pleased to determine a fully franked final dividend of 9 cents per share, taking the full year dividend to 19 cents per share. The dividend will be paid on 14 November 2012 to all shareholders registered on 28 September 2012. We remain confident in the strength of our balance sheet and continued strong cash generation.

Operational highlights

During the year we have continued to enhance our merchandise offer with a focus on inspiring and delighting customers. Myer Exclusive Brands now contribute 19 percent of department store sales, represented across all merchandise categories and price points. The performance of our two sourcing offices in Asia has exceeded expectations and supported the continuing growth of our brands.

Following the success of the sass & bide investment in 2011, Myer made a number of strategic and important brand acquisitions which further strengthen our merchandise offer.

I am very encouraged by the feedback from customers and team members on our progress on, and commitment to, improving customer service.

There is no doubt that consumer preferences are changing as technology enables access to a proliferation of product, particularly through online retailing. I strongly believe that we are well placed to capitalise on the strength of the trusted Myer brand, store network, depth of offer and leading loyalty program to deliver a leading omni-channel offer in this new environment. However, to be successful in this, we must continue to be nimble and adaptable in our approach.

Our people and sustainability

The commitment and focus of our 12,500 team members is a significant strength of the Myer business.

I am proud that we have continued the philanthropic heritage on which Myer was built and that we are committed to communities we serve across the country. This year, the Myer Stores Community Fund contributed to over 70 charities nationwide, including The Salvation Army, the Olivia Newton John Cancer and Wellness Centre, the Smile Foundation and The Smith Family.

Our whole team is committed to continuing to build responsible and sustainable business practices. We also believe in creating a fair and inclusive environment that embraces diversity at all levels, with a particular focus on gender diversity. Our workforce gender ratios continue to reflect this commitment at management, team member, as well as at Board level.

The Board

During the year, Mr Tom Flood announced his retirement from the Board after a significant contribution of over five years of service to Myer. Tom's considerable retail experience and guidance over this time was extremely valuable, and we wish him well for the future.

In August, we announced the appointments of Mr Paul McClintock AO and Mr Ian Morrice as non-executive directors to the Myer Board. Mr Rupert Myer AM was also appointed Deputy Chairman at this time. These appointments further strengthen the Myer Board with significant strategic and retail experience.

The future

When the Company was listed in November 2009, it was predicated on a substantial recovery of Myer. Management have recovered the business from a serious loss making business to a business that is highly efficient, generating strong cash flow and profitability. Prospectus forecasts were delivered in 2010 before the onset of significant headwinds, and since then the business has been adjusted to accommodate the challenging environment. As a shareholder, I am disappointed in the current share price; however, the business will continue to concentrate on delivering returns that exceed our cost of capital and then ultimately the share price will begin to reflect our strategy.

FOCUS
ON INSPIRING & DELIGHTING CUSTOMERS

In August, I announced my intention to retire from the Board at the conclusion of the October Board meeting. The timing of my decision follows the extension of the contract of Myer CEO and Managing Director, Mr Bernie Brookes, through until August 2014, and a desire to ensure continuity of Board leadership over the period to that date and beyond.

The Board took the view in support of the decision that continuity of Board leadership is appropriate throughout the CEO succession process and beyond 2014 into the new CEO appointment term, and that a process of Board succession is equally important.

I am confident that our new Chairman, Paul McClintock, has the requisite experience to lead Myer forward. Shareholders will have the opportunity to meet Paul at our upcoming Annual General Meeting in December in Melbourne.

I would like to thank the Board, management and all Myer team members for their support throughout my time with Myer. I have enjoyed my experience immensely, and it has been a tremendous honour to serve an Australian retail business that has been in existence for over 100 years.

I would also like to express my appreciation for the support you, our shareholders and customers, have shown; and I have every confidence I am leaving the business under good leadership for the future. I look forward to following Myer's progress and achievements in coming years.

Howard McDonald
Chairman (until 10 October 2012)

I am delighted to have been chosen as the Company's new Chairman to replace Howard McDonald on his retirement from the Board in October. I have already had the chance to visit a number of stores and I am impressed by their presentation, as well as with the calibre of the management team I have also had the opportunity to meet.

I believe Myer has an exciting future and I am looking forward to working with my fellow Directors, Bernie Brookes and the entire management team to ensure we capitalise on opportunities to grow the business and maximise shareholder returns.

I look forward to meeting shareholders at the Annual General Meeting in December.

Paul McClintock
Chairman (from 10 October 2012)

FROM THE CEO

The 2012 financial year has been very challenging. Notwithstanding all the factors thwarting the retail environment, we have pursued our five-point strategic plan, which has buffered the business against the ongoing headwinds, as well as providing a clear direction for the business for the future. In addition to outlining our 2012 results, I also take this opportunity to share my thoughts on the changing consumer and discretionary retail landscape in Australia.

Financial result

Total sales for the year ended 28 July 2012 were $3.12 billion, down 1.3 percent on last year, and down 2.0 percent on a comparable store sales basis. While reflective of the general economic environment, the result continues to also be impacted by our planned category exits and rationalisations in the Electrical category (whitegoods, consoles and games, CDs, DVDs and navigation systems).

Our key categories of Miss Shop (Youth), Womenswear, Menswear and Cosmetics all performed positively against last year.

The highlight of this year's result is the strong operating gross profit, up 1.3 percent to $1.29 billion, reflecting a number of key achievements. We grew our Myer Exclusive Brands to 19 percent of sales mix, achieved our shrinkage target of one percent, reduced our markdowns and further improved our sourcing.

We reported EBITDA of $311.8 million, down 7.7 percent, and EBIT of $230.0 million, down 11.2 percent.

We maintained a disciplined focus on costs; however, as outlined in FY2011, we faced significant additional costs this year, driven by: increased investment in customer facing wages; increased depreciation; and ongoing increased operational costs.

The business delivered NPAT of $139.3 million, down 14.3 percent, a credible result in a tough environment.

These results, particularly the improvement in our gross profit, demonstrate that our five-point strategy is right for the business.

A highlight for 2012 was the encouraging results from our investment in improving customer service, with additional customer facing hours and a number of service and efficiency initiatives.

We have maintained our focus on enhancing our merchandise offer including strong growth in our Myer Exclusive Brands. Following the success of our sass & bide investment, we have continued our strategy to pursue brands which will strengthen our offer. During the year, we purchased the well-known Australian brands Trent Nathan, Bauhaus, and Grab. We have brands we own and develop, brands we have purchased, and wanted brands for which we have exclusive distribution rights. Our sourcing offices in Asia are delivering ahead of expectations, supporting the growth of our Myer Exclusive Brands through direct purchasing of product at competitive pricing levels.

During the year, we progressed our plans to build a leading omni-channel offer. The Myer brand, our store network, loyalty program and extensive merchandise offer are significant strengths as we seek to deliver a seamless experience for our customers across all retail channels.

We opened a new store in Mackay (Queensland). In September, we opened a new store in Fountain Gate (Victoria), and will shortly open a store in Townsville (Queensland).

Success in an evolving landscape

As I reflect on 2012 and look towards the future, I'd like to share my thoughts on both the challenges and opportunities facing discretionary retail in Australia today.

During the past few years, the retail industry has been under significant pressure. An increasing number of retailers have been forced into administration as they falter under the strain of a tough economic cycle, changing consumer demands and the pressure of online alternatives in the market.

The industry is faced with a significant challenge. Consumer confidence is low as customers remain nervous about domestic and global political uncertainty and cost of living pressures. They are concerned about housing values, employment, new taxes and declining superannuation balances. The uncertainty is causing consumers to save more than they have in decades.

Consumers are also now more empowered than ever. International purchasing power has been driven by the sustained strength of the Australian dollar and highly transparent pricing and product access through technology.

They are being offered more choice than ever before with new international entrants to the Australian market and the abundance of pure online operators. Consumer spending overall is also shifting to services, and investments in health and lifestyle choices. While the consumer does not shun traditional retail experiences, technology savvy customers now expect to be able to engage with retailers whenever and however they choose. We are responding to these challenges.

REPOSITIONING THE BUSINESS

In addition to these structural changes, cost pressures including significant increases in employment costs, escalating rents, and in some cases reduced prices as a result of global price harmonisation are also impacting discretionary retailers.

What do I believe discretionary retailers need to do in the face of these challenges? In order to succeed in this environment, retailers must remain flexible and adapt to the changing landscape.

At Myer, we recognise that a significant opportunity exists to respond and evolve our business to exceed the expectations of our consumers and to succeed in a changing world of retail. The traditional retail model, including the Myer model, must be re-engineered. We are reframing our business.

The strength of the Myer brand, the depth and breadth of our offering, our loyalty program and the skills and dedication of our 12,500 team members across 67 stores are key to this evolution and central to our omni-channel strategy. We are committed to continuing to improve our service to customers with an experienced, knowledgeable, and incentivised team. We will also continue to identify and progress new opportunities through our focus on innovation and in the pursuit of new business opportunities.

I would like to thank all of our team members for their hard work and support this last year.

As we look towards 2013, I am encouraged by the progress we have made and I am certain that we will continue to deliver on our plans for the business, generating the success we believe is warranted.

Bernie Brookes

Managing Director and CEO

Review of Operations

During the year, we made good progress on our strategic plan, including a number of new initiatives.

In a continued challenging retail environment with subdued consumer confidence, Myer delivered a solid result and finished the year with three months of positive comparable store sales growth.

The highlight of this year's result was the strong gross profit performance, which reflects a number of key achievements. We delivered on our objectives, growing our Myer Exclusive Brands to 19 percent of sales, achieving our shrinkage target of one percent, reducing our promotional markdowns and improving our sourcing.

The progress we made in implementing our five-point strategic plan clearly supported the profitability of the business and helped to offset ongoing cost headwinds.

We are encouraged by the continued positive feedback from customers and team members as we focus on delivering an inspiring customer solution, with improved customer service and an enhanced merchandise range.

We have delivered on a number of initiatives to improve both our loyalty program and omni-channel offer to reflect changing customer needs in this environment of rapidly evolving technology.

STRONG GROSS PROFIT

reflects a number of key achievements

OPTIMISE OUR STORE NETWORK

Represented in 29 of Australia's 30 largest shopping centres

We continued with our strategy of investing in our store network with new stores and refurbishments.

Our flagship Myer Melbourne store was recognised internationally with the Retail Store Design of the Year award at the 2011 World Retail Congress in September 2011.

Ensuring we have the appropriate selling floor space in the best retail locations and maximising space productivity continues to be a focus across the store network. Reflecting this strategy, the overall store footprint will remain broadly at 1.2 million square metres as we exit some stores as part of lease discussions and return some floor space to landlords in the context of refurbishments.

During the year, we opened a new store in Mackay (Queensland), which has traded well with particularly strong customer support of our Myer Exclusive Brands.

We recently opened a new store at Fountain Gate (Victoria), one of Australia's largest shopping centres by turnover, and where Myer is the only full-line department store.

We are looking forward to the imminent opening of our Townsville (Queensland) store in October 2012, where the community is eagerly awaiting its first full-line department store, with the area benefiting from significant resources industry investment.

During the year, we announced our intention to open a new store in Darwin (Northern Territory) in 2016.

Stores at Forest Hill (Victoria) and Tuggeranong (Australian Capital Territory) were closed during the year as the leases at these stores expired. All team members were successfully redeployed to nearby Myer stores.

In September, we announced the Fremantle (Western Australia) store lease would not be renewed notwithstanding constructive discussions with the City of Fremantle and the landlord. The store is expected to close in the first half of calendar year 2013.

We also announced the Elizabeth (South Australia) store lease would not be renewed when the lease expires in February 2014.

The Fremantle and Elizabeth stores together represent less than one percent of total sales, and **MYER one** data indicate that the majority of customers also shop at nearby Myer stores.

The refurbishment of our Liverpool (New South Wales) store delivered a complete refresh of the offer, fixtures and fittings, as well as a 30 percent reduction in total space, enabling greater efficiency and productivity. We also completed a refurbishment of our Carindale (Queensland) store and relaunched this store in March.

We have commenced the refurbishment of our store in Indooroopilly (Queensland), with scoping works underway for refurbishments at our stores in Miranda (New South Wales) and Highpoint (Victoria), and for a significant upgrade of our store in Adelaide (South Australia).

The scope of each refurbishment is dependent on the unique circumstances of the store. In all cases we aim to refresh the offer with new brands, upgrade the fixtures, fittings and floorings and ensure an optimal store layout reflecting the demands of the local demographic.

We were pleased to achieve rent reductions in a handful of stores during the year. We will continue to review all new and existing stores to ensure the returns meet our investment criteria.

ENHANCE OUR MERCHANDISE OFFER

We seek to remain relevant to changing customer preferences

SASS & BIDE

There was continued strong sales and profit growth from sass & bide

Inspiring and delighting our customers

Our focus remains on being the first choice for customers when shopping for fashion, cosmetics and the home. We have the largest range of desired brands and styles that offer newness, fashionability, quality and value, with increasing exclusivity.

Our brand hierarchy is split into three segments: Myer Exclusive Brands, International and National brands, and Concessions.

Our 57 Myer Exclusive Brands are comprised of brands developed by Myer, Designers @ Myer, National Brands owned by Myer, and Licensed National Brands. Myer Exclusive Brands are represented across a wide range of price points and all categories. We stretch key brands into new categories when they are well established and enjoy strong customer support.

Myer Exclusive Brands deliver a significantly higher margin through the vertical-integration of design, development, sourcing, supply chain, and marketing. Our sourcing offices in Shanghai and Hong Kong were established in 2011 and are exceeding expectations in both volume and pricing.

During the year, there were a number of key developments across all of our range.

The brands that performed well included **Wayne by Wayne Cooper**, **Regatta**, **Basque**, **Cue, Blaq**, **Politix**, **Ziggy**, **Review**, **Tokito**, **Lipsy**, **Miss Shop**, **Jack Stone**, **T.M. Lewin**, **Mecca Cosmetica**, **Kit**, **Benefit**, **Heritage**, **Jane Lamerton Home**, **Apple**, **Lego**, and **KitchenAid**.

There was continued strong sales and profit growth from **sass & bide**, supported by our customers' positive response in 18 of our stores and online. The recent extension of **sass & bide** into intimates has been highly successful with a very positive customer response.

As part of our focus to enhance our merchandise offer, we look to purchase unique brands that complement our brand hierarchy, offer compelling return on investment and add shareholder value. During 2012, we purchased a number of brands, including **Trent Nathan** (womenswear, menswear and jewellery), which was recently launched as a department store exclusive into 34 stores for Spring Summer 2013.

New Myer Exclusive Brands currently being launched include **Material World by Madonna**, **Fleurette by Fleur Wood**, **Grab Denim**, **Karen Walker Home**, and **Australian House and Garden** (homewares).

New brands to be shortly introduced include **Peep Toe**, **Diesel**, **Speedo**, **O.P.I** nails, **Modern Amusement**, **Eleven Paris** and **55DSL**. We also have a number of new International designer brands being launched including **Kenzo**, **Jil Sander Navy**, **Alberta Ferretti**, and **Peter Pilotto** in womenswear and **McQ by Alexander McQueen**, **Joseph** and **Hartford** in menswear.

Recent extensions of Myer Exclusive Brands into new categories include **Miss Shop** cosmetics and **Leona by Leona Edmiston** handbags and sleepwear.

Our sourcing offices are integral in supporting the continued growth in our Myer Exclusive Brands.

As we seek to remain relevant to changing customer preferences and evolving technology, we have exited a number of categories during the past three years. These have included whitegoods, gaming and consoles, and we have plans to exit CDs and DVDs.

We have refined our offer of TVs and entertainment goods, focusing on premium product in line with our focus on leading edge fashionability.

NEWNESS, FASHIONABILITY, QUALITY AND VALUE

IMPROVE CUSTOMER SERVICE

Building on our initial customer research and their recent positive feedback, we continued our investment in improving the customer experience with a number of service and efficiency initiatives during the year.

Service initiatives

We continued our targeted and measured investment in additional customer facing hours in high service categories during high service times.

We are continually refining new processes and initiatives to improve our overall engagement with customers. Some recent examples include an enhanced commission scheme, enabling stores with new technology and adjusting resources to meet customer shopping preferences.

Other service initiatives have included the national rollout of our profit-based commission scheme to our Electrical and Furniture team members, additional staffing in fitting rooms and an improved service model for Myer Exclusive Brands. An improved and extended personal shopping service was introduced into more stores, fostering closer customer relationships and encouraging increased sales productivity from our personal shopper consultants.

We continued to focus on improving team member product knowledge and selling skills. We enhanced our Reward and Recognition program with almost 1,000 team members now part of our High Performers Club. These High Performers Club team members are role models within the broader team, driving higher standards of customer service, sales, and product knowledge.

We also continue to grow our team member Customer Service recognition program, with over 6,000 of our team members now rewarded. We have also launched a reward and recognition program for our store support team members, and both of these programs have been extended to our Concession partners.

Efficiency initiatives

A highlight for 2012 was achieving our one percent shrinkage target following the investment in closed-circuit-TV and the Company wide efforts of team members to counter theft and fraud. This is a global best practice result for department stores.

Over 5,000 people were referred to police in line with Myer's zero-tolerance policy in relation to shoplifting over the past 12 months. Controlling stock loss and regular stocktake counting has also resulted in more accurate control of inventory and improved merchandise availability for customers.

We continued our program of clustering and consolidating point-of-sale (POS), and this has now been implemented in 25 stores. Our customers have provided positive feedback that there has been an improvement in staff availability at sale points.

We implemented a new seasonal management and replanning tool for improved store wage management.

We are improving the 'floor ready' standard of our merchandise, which involves delivering stock to the shop floor with reduced packaging, and ensuring that it is pre-hung, security-tagged and price-ticketed, freeing up team members to serve customers.

The customer and team member feedback in response to our focus on improving customer service has been very encouraging. All of our team members are to be commended for their commitment during a challenging year.

We will continue to refine our customer service and efficiency initiatives throughout 2013. We believe that service and the right merchandise mix are the key differentiators in an environment of increasing online competition.

MYER ONE PHONE APP

*Our new **MYER one** smart phone app will deliver digital rewards cards*

STRENGTHEN OUR LOYALTY PROGRAM

Our MYER one loyalty program with 4.7 million members is one of Australia's most successful programs, and represents a key strategic advantage.

During the year, we signed up over 500,000 new members, representing an increase of 12 percent compared to the previous year.

We have significantly improved our digital communication with members with a program of more targeted emails. This improved weekly email now includes personalised updates and targeted offers for **MYER one** members.

We now have the email addresses of 2 million **MYER one** members and over 3 million mobile phone numbers. Our store teams continue their focus on registering additional member email addresses, as this represents a low-cost opportunity to communicate with our customers with targeted and relevant offers.

During 2012, we delivered approximately $50 million in rewards gift cards to **MYER one** members, and the redemption rate continues to be on average 3.8 times the value of the rewards gift card.

Our new **MYER one** smart phone application (app) is in the final stages of testing. This app delivers digital rewards gift cards that can be redeemed directly from the smart phone.

We continued to build on our **MYER one** affiliates program and now have over 480 partners across 1,720 locations around the country.

The Myer Visa card continued to be popular with our customers, and we have a number of initiatives in development to further strengthen our offers in relation to financial and corporate services.

Our **MYER one** loyalty program provides us with a key competitive advantage as we build a leading omni-channel offer, giving us incredible insight into our customer preferences.

BUILD A LEADING OMNI-CHANNEL OFFER

Focused on delivering a seamless customer experience

Consumer expectations and preferences have changed significantly in recent years, driven by new technology.

We are well positioned to capitalise on our strong brand, store network, extensive merchandise offer, and loyalty program as we build a leading omni-channel offer.

Our previous investments in our merchandise management system, POS system, and supply chain have set the foundations for effective inventory and order management. This provides us with a significant competitive advantage in the development of our omni-channel offer.

Omni-channel retailing has emerged globally in recent times. Omni-channel for Myer is defined by the increasing expectation by our customers to interact with us in a multitude of ways, driven by their time constraints, and the desire for convenience, choice, immediacy, and research, all enabled by technology.

Our customers now expect a consistent and seamless experience whether they are in stores, on our website, using a smartphone, experiencing our marketing and promotional activity or speaking with our customer service centre.

Our online sales more than doubled and the rate of growth has accelerated. With over 14 million unique visits to the myer.com.au website during the year, we believe this represents a significant opportunity for the business.

We are making good progress on redeveloping our myer.com.au website, built on the WebSphere platform. We have successfully implemented a significant number of enhancements, both visible to customers and behind the scenes, with a strong pipeline of future improvements.

Key improvements included a new inspirational homepage design, a one-page check out, customer ratings and reviews, and enhanced conversion tactics.

The early availability of our Stocktake Sale online delivered our biggest ever sales day online.

We continue to increase the number of stock keeping units (skus) with 30,000 now online, all showcased with improved imagery and product information, ratings and reviews, and enhanced search capability to improve the customer experience.

We are increasingly focused on integrated marketing, balancing traditional media with innovation and digital marketing opportunities. Digital marketing and social media are part of our everyday marketing approach. We are encouraged by the increasing engagement of our customers across multiple social media channels.

Rich and engaging video content is being created across our business to support advertising and marketing campaigns, and to connect our designers and new brands with our customers. During the year, we increasingly used video on our website to stream our fashion season launch parades and to provide behind the scenes insight into our campaigns.

We will continue to implement a significant pipeline of enhancements for our website, building on the merchandise offer and site functionality, including **MYER one** personalisation.

We recognise that our customers want to be able to touch and feel products in store as well as engage with knowledgeable and helpful staff. We are focused on delivering a seamless customer experience across all digital and retail touch points, and our e-commerce, loyalty program and stores network are integral to the success of this strategy.

OVER
14 MILLION
UNIQUE VISITS
TO THE MYER
WEBSITE
LAST YEAR

Sustainability

At Myer we are committed to responsible business operations and development. Our sustainability strategy is built on four key pillars – people, community, business and environment.

COMMUNITY

Myer is committed to our local communities and maintaining strong relationships with local communities remains an important element of our sustainability strategy.

Charity and philanthropy

Many of our team members are engaged with their local communities through their active involvement with the Myer Stores Community Fund. The Fund contributes to children's, youth, men's and women's health charities and in 2012 raised over $1.2 million through initiatives and events including our annual Precious Metal Ball. The Fund has contributed to over 70 charities nationwide including The Salvation Army, the Olivia Newton John Cancer and Wellness Centre, the Smile Foundation and The Smith Family. In 2012, the Fund also provided relief to a number of community services in the lead up to Christmas.

Local community engagement

Our stores connect with their customers and local communities by building positive brand awareness, customer recognition and loyalty through public events and sponsorships including Chinese New Year celebrations in our Melbourne store and partnerships with the Melbourne Zoo and the Melbourne Symphony Orchestra.

We have also provided customers opportunities to attend complimentary fashion and beauty styling workshops, and meet our ambassadors at family fun days to celebrate new store openings and store refurbishment launches. In 2012, community events were held at Carindale (Queensland), Eastland (Victoria), Liverpool (New South Wales) and Mackay (Queensland). When we launched the 2012 Autumn Winter season, in-store fashion parades attracted a high level of interest and attendance from customers.

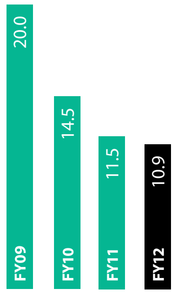
This year, we continued our partnership with Vision Australia's Carols by Candlelight, as well as supporting Christmas activities around the country including the Myer Brisbane Christmas Parade and Pantomime, the Myer Hobart Christmas Pageant and the Myer Hobart Carols by the Bay. We were pleased to celebrate the 56th anniversary of the Myer Christmas Windows, with installations in Melbourne and Brisbane stores.

Myer also helped raise funds to benefit a number of charity groups, such as the Might and Power Race Day in Sydney in July 2012 in support of the Cerebral Palsy Alliance.

To help our team members further connect with their communities, we have introduced a Volunteer Leave policy that provides one day paid leave per year to work in the community with charity groups or local organisations.

PEOPLE

Myer is one of the largest private sector employers in Australia, with over 12,500 team members throughout the country. We are committed to offering a supportive, challenging, and rewarding workplace, and enabling our people to contribute and develop to their full potential. During the year, we were recognised as the Australian Retail Association – Australian Retail Employer of the Year.



IMPROVED SAFETY PERFORMANCE
– (LTIFR)

Recruitment, learning and development

Myer continues to recruit and develop team members who are engaged and passionate about retail. We provide opportunities for career development and reward for performance. Regular appraisals and two-way feedback are a key part of performance measurement and goal setting.

Myer supports individual learning and development through a variety of channels. In stores, we develop high potential team members through structured and self-driven development plans. We have piloted learning programs in our stores with a combined Certificate II and III in Retail which provides future leaders with core retail skills.

In 2012, Myer team members were finalists in national retail awards including the National Retail Association Young Retailer of the Year and the Joe Berry Australian Retail Industry Executive Award for emerging young leaders.

Advancing diversity

The aim of our revised Diversity Policy is to create and maintain an inclusive and collaborative workplace culture, with a focus on gender diversity. More detailed information about Myer's measurable objectives for diversity is provided on page 36 of this report.

Myer also supports initiatives to present Indigenous Australians with opportunities in retail employment, signing the Australian Employment Covenant (AEC) during the year.

Benefits and rewards

We provide team members with the opportunity to balance work and family responsibilities, including graduated return to work from parental leave. We have a calendar of social, community and sporting events for our support office to help promote a healthy work-life balance. As part of our commitment to creating a supportive work environment for our people, we have introduced 'Lifestyle Leave', giving permanent salaried team members the option of greater periods of leave offset by an adjustment to pay.

We recognise and celebrate performance with a number of formal rewards programs. These form part of our employee value proposition and demonstrate our commitment to both attracting and retaining team members, as well as recognising contribution to the business.

The annual Myer Inspirational People Awards recognise the contributions of individuals and teams. This year we presented the inaugural award for 'Environmental Sustainability Passion' to the Myer Dandenong store team for their efforts towards improving paper, cardboard and plastic recycling.

Our CEO's High Performers Club and Service Heroes programs provide opportunities to reward and recognise store team members for their efforts. In 2012, we inducted more than 300 team members into the High Performers Club where members generate the highest individual sales performance in stores. We have extended our Service Heroes program to recognise those who provide superior service in non-customer facing roles.

The Myer 25 Year Club recognises the loyalty and achievements of our longstanding team members, with 166 new members inducted this year. Approximately 1,400 team members, past and present, attended 25 Year Club celebrations.

Safety

We want our stores to be a safe environment for customers to shop, and for team members to be able to do their job safely at all times. Safety is a key performance measure across the business. Myer trains team members in safe work practices including manual handling, hazard identification and incident reporting, first aid and emergency procedures. A number of stores took part in Safe Work Australia Week during October 2011.

In 2012, all our safety measures delivered improved results on last year. The hours lost associated with injury reduced by more than 18 percent. Our Lost Time Injury Frequency Rate (LTIFR) declined 5 percent from last year to 10.9.

BUSINESS

We consider the ethical and social implications of our business decisions, and aim to meet the reasonable expectations of all our stakeholders including customers, investors, suppliers and the community.

Ethical sourcing

Ethical sourcing is an integral component of our sustainability strategy. In 2011, we endorsed our formal Ethical Sourcing Policy, and in 2012, implemented an audit program to support the policy. Myer is working collaboratively with suppliers to ensure compliance and improvement is achieved.

Fair trading

We are committed to ensuring our team members deal with customers and suppliers in a responsible manner at all times. Myer's fair trading compliance program is maintained to ensure it is consistent with the principles of the *Australian Standard for Compliance Programs (AS3806)* and relevant consumer laws and associated regulations. Our training programs have been updated to incorporate the new Australian Consumer Law. We seek to ensure our advertising claims are clear and accurate for our customers.

Product responsibility

Myer is focused on ensuring our merchandise is safe, meets safety and labelling standards, and is suitable for its purpose and intended function. We have a team of merchandise compliance specialists who seek to ensure products comply with relevant regulatory requirements. We also have a robust compliance program comprising ongoing and specialised buyer education and training, and mandatory standards, tools and guidelines.

We have a comprehensive program of product testing, audits and inspection processes, where selected products are sent to accredited laboratories for testing, subjected to in-house technical audits, store-based audits, inspections at our distribution centres, or through our overseas sourcing offices. During 2012, we inspected and assessed thousands of products for compliance with safety and quality requirements.

Governance

We aim for integrity in all interactions with customers, stakeholders, government, team members and the community, and to maintain appropriate governance standards in our business dealings. All Myer team members, Directors and contractors must comply with Myer's Code of Conduct. Our commitment to Corporate Governance is described in the Corporate Governance Statement on pages 26 to 38 of this report.

Supplier relations

We are committed to developing positive and productive supplier relationships and having responsible and ethical dealings with our suppliers. The annual Myer Supplier of the Year Awards is a celebration of the important contribution our suppliers make to the business. The event provides the opportunity for us to formally recognise our top performing suppliers for outstanding support in helping us to achieve our business goals. In December 2011, De'Longhi was named as Myer Supplier of the Year. Sustainability and community initiatives are also recognised at the Awards. Chanel Australia received the award for 'Outstanding Community Support by a Supplier'.

ENVIRONMENT

At Myer we remain committed to minimising the impact of our operations on the environment and integrating environmental sustainability and accountability throughout our business.

2012
Cardboard
4,106
TONNES
Recycled

CARDBOARD RECYCLING
– tonnes

FY09	3,867
FY10	3,899
FY11	3,852
FY12	4,106

2012
Plastic
439
TONNES
Recycled

PLASTIC RECYCLING
– tonnes

FY09	239
FY10	469
FY11	380
FY12	439

Waste management and recycling

We continue to focus on recycling and waste management in our stores and support office, including reuse and recycling of paper, cardboard, plastic, toner cartridges, hangers, security hard tags, e-waste and textiles. We report on the collection of paper-based and plastic recyclable materials, with a steady increase in the amount of total recyclables over the past four years.

Our merchandise protection hard tag reuse and recycle program has also provided significant environmental benefits, with tags reused up to 12 times. Since the program began in 2010, approximately 122 tonnes of tags have been sorted, enabling reuse by our suppliers.

During 2012, we offered customers a service to recycle their old mattress when purchasing a new mattress from Myer. Approximately 1,500 mattresses were saved from landfill and recycled as a result of the program.

Delivering floor ready merchandise

Improving the 'floor ready' state of our merchandise, including having garments pre-hung, folded and tagged, improves efficiency and has positive environmental impacts, including reducing packaging materials. In July 2012, 60 percent of our signed suppliers complied with our 'floor ready' standards, compared to 33 percent in July 2011.

Commitment to the Australian Packaging Covenant

Myer has adopted the Australian Packaging Covenant (APC) Sustainable Packaging Guidelines and principles of product stewardship. As part of our commitment to the APC, we are focused on measuring packaging waste associated with our Myer Exclusive Brands, and taking steps to either eliminate or minimise waste by optimising reuse and the recyclability of packaging. This is achieved principally through modification of packaging design. We have a packaging and recycling workgroup for identifying and implementing sustainable packaging solutions.

Supply chain initiatives

Supply chain initiatives have resulted in the delivery of environmental benefits.

Our third-party central returns centre processes soiled or damaged merchandise, preparing it for on-selling to alternative markets. During 2012, 278 tonnes of merchandise was on-sold. A program to recycle redundant store fixtures was also introduced. Additionally, our supply chain function has focused on improvements in international container utilisation and efficiencies in transport.

BOARD OF DIRECTORS

01
Howard McDonald

Chairman (until 10 October 2012)
Independent non-executive director

Member of the Board since 6 November 2006, retired 10 October 2012
Non-executive Chairman since 4 August 2009
Member – Human Resources and Remuneration Committee
Chair – Nomination Committee

Howard brings significant retail and fashion experience to Myer, with 36 years of experience in consumer goods industries.

Howard was previously Managing Director of the Just Group, from December 1997 to September 2006, where he repositioned and expanded the Group. In 2001, he led the Just Jeans Group into Australia's first public to private management buyout and in May 2004 Just Group was re-listed on the ASX. Just Group is the largest specialty apparel retailer in Australasia with over 800 stores. Its stable of brands includes Just Jeans, Jay Jays, Jacqui E, Portmans, Peter Alexander Sleepwear and Dotti.

Prior to this, Howard held a number of roles within the Pacific Dunlop Group across Footwear, Clothing and Textiles, and Corporate, including head of Corporate Affairs for Pacific Dunlop where he sat on the Management Boards.

Howard's time at Pacific Dunlop culminated in the role of Managing Director of Pacific Brands Clothing.

Howard holds a Bachelor of Economics degree from Monash University and is a Fellow of the Australian Institute of Company Directors. Howard resides in Victoria and is 62 years of age.

Other current directorships

Howard is currently Chairman of Rodd & Gunn Australia Limited (a Myer supplier) and Rodd & Gunn New Zealand Limited.

02
Paul McClintock AO

Chairman (from 10 October 2012)
Independent non-executive director

Member of the Board since 8 August 2012
Appointed Chairman 10 October 2012
Chair – Nomination Committee (from 10 October 2012)

Paul has considerable experience as a director, having held significant chairman and advisory positions across a broad range of industries, as well as government.

He is a professional Board member and is highly regarded for his wide and varied experience. From 2000 to 2003 he was Secretary to Cabinet and Head of the Cabinet Policy Unit, reporting to the Prime Minister on Cabinet process and long-term policy formulation.

Paul's former Board positions include Chairman of Symbion Health, Affinity Health, Intoll, Plutonic Resources and Ashton Mining, and director of US based Homestake Mining. He was also Chairman of the Expert Panel of the Low Emissions Technology Demonstration Fund and the Woolcock Institute of Medical Research.

Paul graduated in Arts and Law from the University of Sydney and is an honorary fellow of the Faculty of Medicine of that University. He resides in New South Wales and is 63 years of age.

Other current directorships

Paul is Chairman of Medibank Private Limited, the COAG Reform Council, Thales Australia, I-Med Network and the Institute of Virology, and a director of Perpetual Limited. He is also a member of the Advisory Board of the NSW Public Service Commission. He has announced his intention to retire from the COAG Reform Council and Perpetual Limited.

03
Rupert Myer AM

Deputy Chairman
Independent non-executive director

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

Rupert serves as a non-executive Chairman and director of a number of public, private and government entities. His background includes serving in roles in the retail and property sector, investment, family office and wealth management services and community sector.

Rupert holds a Bachelor of Commerce (Honours) degree from the University of Melbourne and a Master of Arts from the University of Cambridge and is a Fellow of the Australian Institute of Company Directors. He became a Member of the Order of Australia in January 2005 for service to the arts, for support of museums, galleries and the community through a range of philanthropic and service organisations. Rupert resides in Victoria and is 54 years of age.

Other current directorships

Rupert is a director of The Myer Family Company Ltd and AMCIL Limited. He is Chairman of the Australia Council, Chairman of The Opera Australia Capital Fund Limited and Chairman of Kaldor Public Arts Projects. He serves as a member of the Felton Bequests' Committee, as a board member of Jawun – Indigenous Corporate Partnerships, The Myer Foundation and the University of Melbourne Faculty of Business and Economics Advisory Board.

04

Bernie Brookes

Chief Executive Officer and Managing Director

Member of the Board since 12 July 2006

Bernie was appointed Chief Executive Officer and Managing Director of the Myer Group on 2 June 2006.

Since his appointment, Bernie has been responsible for the turnaround and rebuilding of the Myer business. He has led the development and implementation of the Myer five-point strategic plan, repositioning the business to meet today's challenges and investing for the future. Bernie has spent over 35 years working within the retail industry in local and international roles in India and China.

Prior to joining Myer, Bernie was in a series of executive roles with Woolworths and was a chief architect of Woolworths' Project Refresh, reducing costs by more than $5 billion over five years and reinvested the savings back into the business. His Woolworths experience also included a variety of general management positions in three states across the Buying, IT, Marketing and Operations departments.

Bernie has also held a number of roles as president and executive of various industry organisations including the Retail Traders Association in Queensland and Victoria and President of the Queensland Grocery Association. He has assisted on a number of charitable and government ventures and committees. Bernie is currently patron of the Australian Joe Berry Memorial Award and the Australian representative judge of the World Retail Awards.

Bernie holds a Bachelor of Arts degree and a Diploma of Education from Macquarie University. Bernie resides in Victoria and New South Wales and is 52 years of age.

Other current directorships

Bernie is a director of the Advisory Board of The Salvation Army.

05

Anne Brennan

Independent non-executive director

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

Anne brings to the Myer business strong financial credentials and business experience. Anne has worked in a variety of senior management roles in both large corporates and professional services firms.

During Anne's executive career, she was the CFO at CSR and the 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. She has more than 20 years experience in audit, corporate finance and transaction services. Anne was also a member of the national executive team and a board member of Ernst & Young.

Anne holds a Bachelor of Commerce (Honours) degree from University College Galway. She is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Anne resides in New South Wales and is 52 years of age.

Other current directorships

Anne is currently a director of Argo Investments Limited, Charter Hall Group, Echo Entertainment Group Limited, Nufarm Limited, Rabobank Australia Limited, Rabobank New Zealand and Cuscal Limited. She has announced her intention to retire from the Board of Cuscal Limited.

06

Chris Froggatt

Independent non-executive director

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

Chris was appointed as a non-executive director of Myer Holdings Limited in December 2010. Chris has a broad industry background, including consumer branded products, retailing and hospitality, and covering industries such as beverage, food and confectionery through her appointments at Britvic, Whitbread, Diageo and Mars.

She has over 20 years' executive experience as a human resources specialist in leading international companies, including Brambles Industries plc and Brambles Industries Ltd, Whitbread Group plc, Diageo plc, Mars Inc. and Unilever NV. Chris has recently served on the Boards of Britvic plc and Sports Direct International plc 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 (UK). Chris is a Fellow of the Chartered Institute of Personnel Development and a member of the Australian Institute of Company Directors. Chris resides in New South Wales and is 54 years of age.

Other current directorships

Chris currently serves on the Board of Goodman Fielder Limited and is currently a director on the Board of the Australian Chamber Orchestra.

07

Peter Hay

Independent non-executive director

Member of the Board since 3 February 2010
Member – Audit, Finance and Risk Committee

Peter has a strong background in company law and investment banking work, with particular expertise in relation to mergers and acquisitions. He has also had significant involvement in advising governments and government-owned enterprises. Peter was the Chief Executive of law firm Freehills (2000 to 2005), where he had been partner since 1977.

Peter holds a Law Degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors. Peter resides in Victoria and is 62 years of age.

Other current directorships

Peter is currently Chairman of Lazard Pty Ltd's Advisory Board, and a director of Alumina Limited (since 2002). He is a director of Australia and New Zealand Banking Group Limited (since 2008), and a director of GUD Holdings Limited (since 2009). Peter is also a member of the Australian Institute of Company Directors' Corporate Governance Committee (since 2012) and a part-time member of the Takeovers Panel (since 2009).

Peter is also a director of Epworth Foundation (since 2008) and Landcare Australia Ltd (since 2008).

08

Ian Morrice

Independent non-executive director

Member of the Board since 8 August 2012

Ian has over three decades of strong, international retail experience and strategic understanding of the retail sector.

He has held significant retail roles, including most recently as Group CEO and Managing Director, The Warehouse Group Limited (NZ) from 2004 to 2011. Ian has previously held senior retail roles for some of the UK's leading retailers including Managing Director, B & Q Warehouse (United Kingdom), Retail Director, Woolworths (United Kingdom) and senior roles with the Dixons Group (United Kingdom).

Ian holds a Masters of Business Administration from Cranfield University School of Management in the UK. He resides in Auckland, New Zealand and is 51 years of age.

Other current directorships

Ian is currently a director of Metcash Limited and an adviser to the Board of the Spotlight group of companies.

MANAGEMENT TEAM

01
Bernie Brookes
Chief Executive Officer and Managing Director

Bernie was appointed Chief Executive Officer and Managing Director of Myer in June 2006. In his role, Bernie has been responsible for the transition of Myer following the separation from the Coles Group, rebuilding the Myer business under private ownership and now leading Myer as an ASX-listed public company.

Bernie has spent over 36 years working within the retail industry in local and international roles.

02
Mark Ashby
Chief Financial Officer

Mark was appointed Chief Financial Officer (CFO) of Myer in January 2008. As CFO, Mark's responsibilities cover all accounting, treasury management, taxation, compliance and internal audit and procurement aspects of the business.

Prior to joining Myer, Mark was CFO of Mitre 10, the Finance Director of Motorola and a Finance Director in a number of domestic and international organisations in retail and technology. Mark is a fellow of CPA Australia and a member of the Australian Institute of Company Directors.

03
Mark Goddard
Executive General Manager Retail Development

Mark was appointed Executive General Manager Retail Development in March 2012. In his role Mark is responsible for driving Myer's omni-channel strategy which includes e-commerce, loyalty, and retail commercial services, as well as all parts of Myer's Information Technology.

Mark is a highly experienced retailer, most recently in the role of CEO at Spotlight, and was previously General Manager Merchandise at Kmart, and Acting Managing Director Kmart, and he has also held senior management positions at British Home Stores & Mothercare in the UK and Country Road in Australia.

04
Greg Travers
Executive General Manager Business Services and Office of the CEO

Greg was appointed Myer's Director of Strategic Planning and Human Resources in June 2006 and then EGM Business Services in November 2010. In August 2012, he was also appointed to lead the Office of the CEO. In his role, Greg is responsible for the Office of the CEO, which is focused on the review and delivery of new business opportunities, the development of Myer's strategic planning framework, Myer's program management office and business efficiency objectives.

He also oversees Myer's Human Resources, Risk and Safety and Corporate Affairs.

Greg has over 30 years of experience including with WMC Resources Ltd, Pratt Group and BHP.

05
Timothy Clark

Group General Manager Property, Store Development and Services

Tim has 29 years of retail experience and was appointed Director of IT in June 2006. Tim was responsible for IT separation of Myer from Coles Myer, including the replacement of Myer's merchandise, POS/EFT, supply chain, CCTV, and payroll systems.

Tim was appointed as GGM Property, Store Development and Services in January 2011 and is responsible for Myer's property network, including new stores, in-store design developments, space productivity, store refurbishments and facilities management.

Tim has also held executive roles at both Gazman Menswear and Crown Ltd.

06
Judy Coomber

Group General Manager Merchandise

Judy has over 30 years of retail experience and was appointed GGM Merchandise in December 2010, with some adjustments to her portfolio in September 2011. Judy is responsible for overseeing all areas of the Womenswear, Miss Shop, Childrenswear, Intimates, Shoes and Accessories businesses as well as Cosmetics, Global Sourcing Offices, Quality Assurance, Quality Control and Concessions. At Myer, Judy has held a number of roles within stores and in the buying office.

Judy has also held senior merchandising roles at Roger David, Hallensteins and the Sportsgirl/Sportscraft Group. Judy is a former non-executive director of Ezibuy, the largest mail order business in Australasia.

07
Megan Foster

Group General Manager Marketing and Brand Development

Megan was appointed GGM Marketing and Brand Development in November 2010. Megan is responsible for advertising and direct marketing, visual merchandising, public relations and events, Emporium magazine, myer.com.au creative, and social media, as well as brand strategy.

Megan has 22 years of retail experience and joined Myer in June 2006 as a management consultant. In April 2008, Megan was appointed to the role of Director Store Concepts and Design and as part of this role oversaw the redevelopment of the flagship Myer Melbourne store.

08
Adam Stapleton

Group General Manager Merchandise

Adam has 17 years of industry experience. Adam was appointed to the role of GGM Merchandise in December 2010 with some adjustments to his portfolio in September 2011. Adam is responsible for the Men's, Home, Furniture, Entertainment, General Merchandise and Toys businesses as well as International and Domestic Logistics, Merchandise Planning and Store and Business Support. Adam joined Myer in 2003, and has held a number of positions including National Manager of Advertising and Loyalty and General Manager Marketing.

Prior to joining Myer, Adam worked for a number of organisations across a diverse range of industries, including Kodak, Accenture and ANZ.

09
Louise Tebbutt

Group General Manager Human Resources, Risk and Safety

Louise was appointed to the role of GGM Human Resources, Risk and Safety in August 2012, after leading the Human Resources function as General Manager and has over 17 years of industry experience. Louise is responsible for all aspects of Myer's human resources including organisational development, recruitment and training, and employee relations, as well having accountability for risk and safety for the organisation. Louise joined Myer from the Coles Group in 2006, where she held senior roles in a number of businesses including Coles Supermarkets and Target.

Louise is a director of the Myer Stores Community Fund and Chair of the Myer Superannuation Policy Committee.

10
Tony Sutton

General Manager Store Operations

Tony oversees the operations of the Myer store network, including our customer service strategy, and has a focus on operational efficiencies. Tony was appointed to lead the Stores team, on an interim basis, on 18 September 2012.

Tony is a career retailer, and joined Myer in 1992. He has worked cross functionally in a number of roles, including store management, merchandise and marketing. He has held a number of senior roles in store management, including his most recent role leading the State General Manager stores team for the past two years.

11
Marion Rodwell

General Counsel and Company Secretary

Marion is the Company Secretary of the Company. Marion was appointed Group General Counsel and Company Secretary in 2008. Marion has over 20 years of corporate, commercial, litigation and governance experience. Prior to joining Myer, Marion held General Counsel and Company Secretary roles in the financial services, gaming and retail industries, including with Tattersall's and IOOF.

Marion holds a Bachelor of Laws and a Bachelor of Economics from Monash University, and is a member of the Law Institute of Victoria and the Australian Corporate Lawyers Association. In 2010, Marion was awarded ACLA Australian Corporate Lawyer of the Year.

CORPORATE GOVERNANCE STATEMENT

Introduction

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

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

The Group regularly reviews its policies and charters to ensure that they remain consistent with the Board's objectives, current laws and best practice. The policies and charters referred to in this statement are available from the Corporate Governance page in the Investor Centre section of Myer's website (www.myer.com.au/investor).

This statement outlines the Group's main corporate governance practices and policies in place throughout the financial year and at the date of this report. It is structured as follows:

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

The Company has followed the recommendations set out in the ASX Principles during the reporting period. The table on page 38 indicates where specific ASX Principles are discussed in this statement.

Part 1 – The Board and management

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

› Board Charter and relationship with management
› Nomination Committee Charter

1.1 Role and responsibilities of the Board

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

The role of the Board includes:

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

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

The Board Charter clearly sets out the roles, responsibilities and functions of the Board, including those matters specifically reserved for the Board or the Board Committees. In addition, the Board Charter addresses:

› the role and responsibilities of the Chairman and the CEO;
› the relationship and interaction between the Board and management; and
› delegation by the Board to Board Committees and management.

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

› monitoring corporate performance and the implementation of strategy and policy;
› selecting, appointing and evaluating the performance of, determining the remuneration of, and planning the succession of the CEO;
› on recommendation of the CEO, selecting, appointing and reviewing the performance of the Chief Financial Officer (CFO) and other senior executives;
› contributing to and approving management's development of corporate strategy, including setting performance objectives and approving operating budgets;
› reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance;
› approving major capital expenditure, acquisitions and divestments, and monitoring capital management;
› monitoring and reviewing management processes; and
› developing and reviewing corporate governance principles and policies.

In respect of diversity, the Board's responsibilities include:

› reviewing and approving the Company's diversity policy; and
› establishing measurable objectives for achieving diversity across the Group, and annually assessing both the objectives and progress towards achieving them.

1.2 The Chairman, CEO and management

The roles of Chairman and CEO are separate, and the Board Charter sets out responsibilities for each office. The roles of Chairman and CEO are not exercised by the same individual. The Board Charter states that the Chairman should be an independent non-executive director. Howard McDonald (Chairman until 10 October 2012) and Paul McClintock AO (Chairman from 10 October 2012) are both independent non-executive directors.

The Chairman's responsibilities include:

- representing the Board to shareholders;
- providing leadership to the Board and Myer;
- ensuring that the Board operates efficiently and effectively; and
- promoting constructive and respectful relationships between the Board and management.

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

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

1.3 Performance assessments

Review of the Board, Board Committees and individual directors

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of the Company. Accordingly, the Board, with the assistance of the Nomination Committee as required, has committed to an annual review and evaluation of the performance of the Board, the Board Committees and each individual Director.

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

The Board and each Board Committee conducted a review of their effectiveness and performance in September 2011. During the reporting period, the Board and each Board Committee also reviewed and updated their respective Charters. In addition, the Board assessed the relationship and interaction between the Board and management.

In September 2011, the Chairman conducted the annual review of individual directors. Each director completed a Board review and assessment document, and met privately with the Chairman to discuss the assessment. In addition to the annual review, the Chairman regularly provides informal feedback to individual directors.

A formal performance evaluation and assessment of the effectiveness of the Board, the Board Committees and individual directors was conducted during January to March 2012 by an external adviser with corporate governance expertise. The results of the review were discussed in detail with the Board, and action items identified are being addressed as part of a process of ongoing communication between the Board and management.

In May 2012, the Board approved the establishment of two Board Committees – the Human Resources and Remuneration Committee and the Nomination Committee – to replace the existing Nomination and Remuneration Committee. The establishment of two separate committees was considered appropriate from a governance perspective, and recognises the different functions performed by each committee. Each new committee has adopted a new written Charter.

The Nomination Committee (and formerly the Nomination and Remuneration Committee) assists in developing and implementing plans for identifying, assessing and enhancing director competencies. As part of this development, in August 2011, the directors participated in a workshop specifically tailored for the Company in relation to corporate governance.

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

Review of senior executives

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

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

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

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

It is the role of the Board to review the performance of the CEO and to review the assessments made by the CEO of the performance of his direct reports. On 10 August 2011, the Company announced the renewal of Bernie Brookes' contract as the Company's CEO and Managing Director until 31 August 2014. An important component of this decision was the Board's assessment of Mr Brookes' performance as CEO.

1.4 Remuneration arrangements

The remuneration of each director is set out in the Remuneration Report, which forms part of the Directors' Report and is presented on pages 44 to 59.

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

Please refer to the Remuneration Report for further information.

1.5 Board and Board Committee meetings

The number of meetings of the Board and of each Board Committee held during the period ended 28 July 2012, and the number of meetings attended by each director and committee member are set out in the Directors' Report, at page 40.

1.6 Independent professional advice

Under the Board Charter, the Board collectively and each director individually are entitled to seek independent professional advice at the Company's expense in connection with their duties and responsibilities, subject to the approval of the Chairman or the Board.

Under their respective Charters, each of the Board Committees is entitled to seek independent professional advice on any matter pertaining to the powers, duties or responsibilities of the committee.

1.7 Company Secretary

The Company Secretary has an important role in supporting the effectiveness of the Board by monitoring that Board policy and procedures are followed, and co-ordinating the completion and despatch of Board agendas and materials in a timely manner. All directors have direct access to the Company Secretary.

The Company Secretary is also responsible for communication with regulatory bodies and the ASX, and all statutory and other filings.

Marion Rodwell is the Company Secretary of the Company. Her experience and qualifications are set out on page 25 of this Annual Report.

Part 2 – Board composition and director tenure

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

- Board Charter and relationship with management
- Nomination Committee Charter

2.1 Composition of the Board

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

Name	Position	Appointed
Howard McDonald	Chairman until 10 October 2012 Independent Non-Executive Director	6 November 2006[1]
Paul McClintock AO	Chairman from 10 October 2012 Independent Non-Executive Director	8 August 2012
Rupert Myer AM	Deputy Chairman from 8 August 2012 Independent Non-Executive Director	12 July 2006
Bernie Brookes	CEO and Managing Director	12 July 2006
Anne Brennan	Independent Non-Executive Director	16 September 2009
Chris Froggatt	Independent Non-Executive Director	9 December 2010
Peter Hay	Independent Non-Executive Director	3 February 2010
Ian Morrice	Independent Non-Executive Director	8 August 2012

1 H McDonald was appointed a director on 6 November 2006, and Chairman on 4 August 2009.

Tom Flood retired from the Board with effect from 11 April 2012. Paul McClintock AO and Ian Morrice were appointed as directors on 8 August 2012. All other directors served as directors for the entire reporting period.

Howard McDonald will retire from the Board at the conclusion of the Board meeting on 10 October 2012, and will be succeeded as Chairman by Paul McClintock AO at that time.

Details of the skills, qualifications, experience, expertise and special responsibilities of each current director are set out on pages 22 to 23 of this Annual Report.

2.2 Skills, experience, expertise and diversity of directors

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

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

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

On 8 August 2012, the Company appointed two new independent non-executive directors, Mr Paul McClintock AO and Mr Ian Morrice. Mr McClintock has considerable experience as a director, having held significant chairman and advisory positions across a broad range of industries, as well as government. Mr McClintock succeeded Mr Howard McDonald as Chairman of the Board from 10 October 2012. Mr Morrice has strong, international expertise and strategic understanding of the retail sector. The appointment of these two new directors complements the existing diverse skills and experience of the Myer Board.

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

2.3 Appointment of new directors and re-election of directors

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

When identifying potential candidates for Board appointment, factors that may be considered include:

- the skills, experience, expertise and personal qualities that will best complement Board effectiveness;
- the capability of the candidate to devote the necessary time and commitment to the role; and
- potential conflicts of interest and independence.

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

The Board invested a number of months in identifying, selecting and appointing each of Mr McClintock and Mr Morrice as new directors of the Company. In respect of each appointment, the Board undertook a formal selection process and engaged an executive search firm to assist in this process. The Board considered the requisite criteria for potential director candidates, including formal qualifications and expertise, and the mix of experience, personal qualities and diversity that would best complement the Board's existing diverse skills and experience, thus ensuring that the Board continues to operate and discharge its duties effectively. The Board also considered the independence and potential conflicts of interests of potential director candidates.

Mr McClintock and Mr Morrice will each offer themselves for election by the Company's shareholders at the 2012 AGM.

There is no specific term of office for non-executive directors. In accordance with the ASX Listing Rules and the Company's Constitution, all non-executive directors must retire from office no later than the third AGM following their last election. Where eligible, a director may stand for re-election. The CEO will not retire by rotation.

Prior to each AGM, the Board determines whether to recommend to shareholders to vote in favour of the election of any new director and the re-election of each director standing for re-election.

Induction and education

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

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

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

2.4 Directors' independence

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

Guidelines and materiality thresholds for determining independence

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

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

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

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

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

- The Board will determine the appropriate base to apply (e.g. revenue, equity or expenses) in the context of each situation.
- In general, the Board will consider an affiliation with a business that accounts for less than 5 percent of the relevant base to be immaterial for the purposes of determining independence. Where this threshold is exceeded, the Board will review the materiality of the particular circumstance with respect to the independence of the particular director.
- The Board will review any holding of 5 percent or more of the Company's shares, and will generally consider a holding of 10 percent or more of the Company's shares to be material.

The Board will also undertake a qualitative assessment of independence, which is an overriding requirement for independence. Specifically, the Board will consider whether there are any factors or considerations which may mean that the director's interest, business or relationship (even if it does not trigger the quantitative requirements discussed above) could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Assessment of the independence of the Company's directors

The Board currently comprises eight directors, seven of whom are non-executive directors. At the date of signing the Directors' Report, it is the Board's view that each of its non-executive directors is independent.

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

Details of the relationships affecting director independence and independent status are set out below.

Howard McDonald

Mr McDonald was appointed a director of the Company in November 2006 and Chairman in August 2009.

Mr McDonald is currently the Chairman and a shareholder of Rodd & Gunn Australia Limited, a Myer supplier. For the financial year ended 28 July 2012, the percentage of the Group's total sales value represented by Rodd & Gunn was less than 0.5 percent. The total sales are significantly below the relevant quantitative materiality threshold adopted by the Board as a guideline for director independence. Consistent with the Board Charter, in addition to this quantitative assessment, the Board has also considered qualitative factors relevant to Mr McDonald's independence. Having considered these quantitative and qualitative principles, the Board considers that Mr McDonald's relationship with Rodd & Gunn is not material to his independence. The Board has therefore determined that Mr McDonald is an independent director.

Appropriate governance arrangements are also in place to ensure that Mr McDonald does not participate in any deliberations or matters brought before the Board that relate directly to Rodd & Gunn. If the Board were to consider such matters, Mr McDonald would leave the Board meeting.

Part 3 – Board Committees

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

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

3.1 Introduction

The Board has established three committees to streamline the discharge of its duties and responsibilities, and to allow detailed consideration of complex matters.

In May 2012, the Board approved the establishment of two Board Committees – the Human Resources and Remuneration Committee and the Nomination Committee – to replace the existing Nomination and Remuneration Committee. The Nomination and Remuneration Committee had been in existence since the public listing of the Company in 2009. The establishment of two separate committees was considered appropriate from a governance perspective, and recognises the different functions performed by each committee.

The current Board Committees are:

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

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

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

Details of committee members' attendance at committee meetings (including at meetings of the former Nomination and Remuneration Committee) are set out in the Directors' Report at page 40.

All directors are invited to attend committee meetings. Non-committee members, including members of management, may also attend all or part of a meeting of the committee at the invitation of the committee chair.

3.2 Audit, Finance and Risk Committee

Composition

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

Chair	Anne Brennan
Members	Peter Hay (from 16 May 2012)
	Rupert Myer AM

Tom Flood was a member of the Committee until his retirement as a director on 11 April 2012.

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

Role and responsibilities

The Committee's key responsibilities and functions are to:

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

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

Rights of access and authority

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

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

3.3 Human Resources and Remuneration Committee

Composition

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

Chair	Chris Froggatt
Members	Anne Brennan Howard McDonald (until 10 October 2012) Rupert Myer AM

Howard McDonald will retire from the Committee upon his retirement from the Board on 10 October 2012.

Role and responsibilities

The responsibilities of the Committee include:

- to review and recommend arrangements for the CEO, executives reporting to the CEO, and senior management;
- to review major changes and developments in the Company's remuneration, recruitment, retention and termination policies and procedures for senior management, remuneration policies, superannuation arrangements, human resource practices and employee relations strategies for the Group;
- to review the senior management performance assessment processes, and the annual results of those assessments;
- in respect of the Company's employee equity incentive plans, to:
  - review and recommend to the Board any major changes or developments;
  - review and determine performance hurdles, eligibility criteria, and terms of offers; and
  - administer the operation of the plans;
- to review and recommend to the Board the remuneration arrangements for the Chairman and the non-executive directors;
- to review and recommend to the Board the remuneration report;
- to review and facilitate shareholder and other stakeholder engagement in relation to the Company's remuneration policies and practices;
- at least annually, to review and report on the relative proportion of women and men in the workforce at all levels of Myer; and
- to review remuneration by gender and consider whether any pay gap exists as a result of gender difference and where relevant provide any recommendations to the Board.

Remuneration policy

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

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

Access to senior executives

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

3.4 Nomination Committee

Composition

The current composition of the Nomination Committee is:

Chair	Howard McDonald (until 10 October 2012) Paul McClintock AO (from 10 October 2012)
Members	Anne Brennan Chris Froggatt Rupert Myer AM

Howard McDonald will retire as Chair of the Committee upon his retirement from the Board on 10 October 2012.

Role and responsibilities

The responsibilities of the Committee include:

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

3.5 Previous Board Committee – Nomination and Remuneration Committee

The composition of the previous Nomination and Remuneration Committee (which was replaced by the Human Resources and Remuneration Committee and the Nomination Committee in May 2012) was as follows:

Chair	Chris Froggatt
Members	Anne Brennan
	Howard McDonald
	Rupert Myer AM

The role and responsibilities of the Nomination and Remuneration Committee have been transferred to either the Human Resources and Remuneration Committee or the Nomination Committee.

Part 4 – Risk management

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

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

4.1 Recognition and management of risk

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

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

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

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

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

4.2 Risk management framework

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

The Board reviews and approves the risk management framework and risk appetite on an annual basis.

4.3 External auditor

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

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

The external audit engagement partner is required to rotate at least once every five years. PricewaterhouseCoopers (PwC) was reappointed as the external auditor in 2009.

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

4.4 Internal audit

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

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

4.5 Board assurances on financial reporting risks

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

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

- that, in their opinion, the Group's financial statements and notes for the financial year give a true and fair view of the financial position and the performance of the Company and the Group and are in accordance with the Corporations Act and relevant accounting standards;
- that the above statement is founded on a sound system of risk management and internal compliance and control systems which implement the policies adopted by the Board (either directly or through delegation to senior executives); and
- that the Company's risk management and internal compliance and control systems, to the extent that they relate to financial reporting, are operating efficiently and effectively in all material respects.

Part 5 – Key governance policies

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

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

5.1 Code of Business Conduct

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

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

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

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

The Company regularly reviews the Code, and adopted a revised Code in August 2011. Team members are required to undertake training and acknowledge acceptance of the Code on an annual basis.

5.2 Continuous disclosure

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

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

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

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

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

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

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

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

The Board regularly reviews the Continuous Disclosure Policy, and adopted a revised policy in July 2012.

5.3 Securities trading

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

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

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

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

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

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

The Board regularly reviews the Guidelines, and adopted a revised policy effective from 1 August 2012.

5.4 Shareholder communication

The Company aims to ensure that shareholders are kept informed of all major developments affecting the state of affairs of the Company. The Company aims to promote communication with shareholders and to encourage effective participation at general meetings. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company.

The Company's Shareholder Communication Strategy sets out how the Company communicates information to shareholders and other stakeholders through a range of forums and publications.

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

- the Company's ASX announcements;
- key corporate governance documents (including Board and Board Committee Charters, and key policies);
- financial reports and investor presentations; and
- information about the Company's AGM (including the Notice of Meeting, and a webcast of the meeting).

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

Part 6 – Diversity at Myer

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

- Diversity Policy

Myer's Diversity Policy outlines our approach to creating and maintaining an inclusive and collaborative workplace culture. The Diversity Policy sets out Myer's diversity principles. In this context, diversity covers gender, age, ethnicity, cultural background, language and disability.

Key principles

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

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

Diversity objectives

Myer's diversity objectives are to ensure that Myer:

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

To achieve these objectives Myer:

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

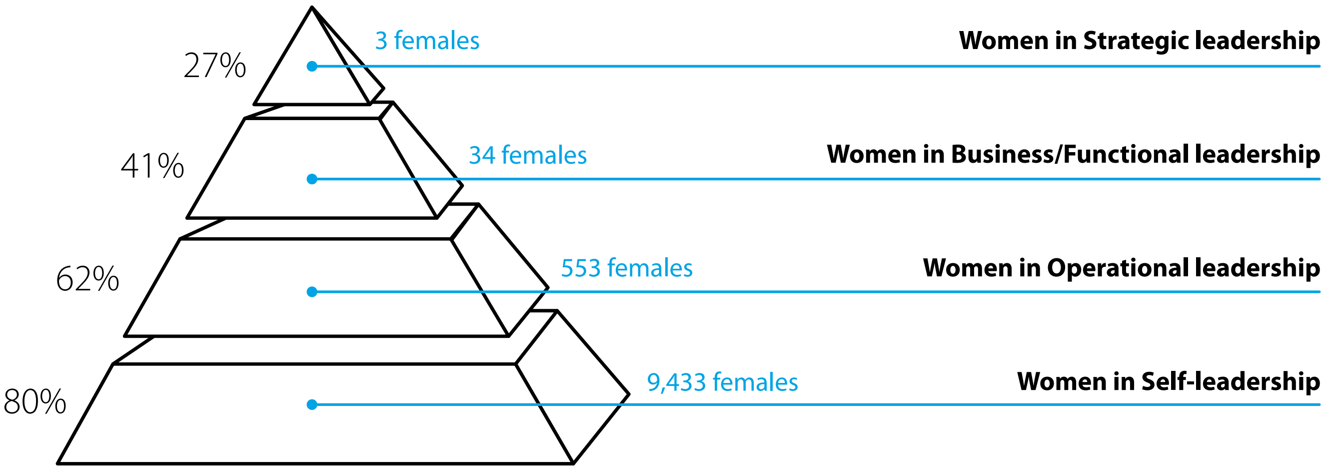
Female representation

As at 28 July 2012, the proportion of women employed by Myer was as follows:

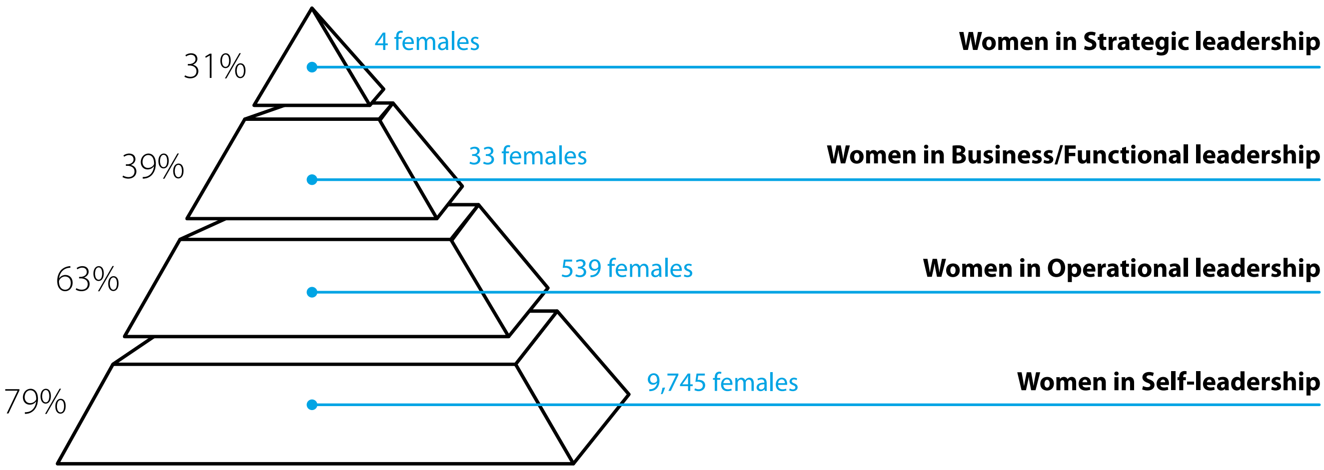
Board of Directors	33.3%
Leadership roles	60.2%
Total Myer workforce	78.7%

The following charts outline female leadership representation, as defined by the Equal Opportunity for Woman in the Workplace Agency (EOWA), across Myer, which is also included in the Company's annual report to EOWA.

Women in leadership positions at Myer as at 28 July 2012



Women in leadership positions at Myer as at 30 July 2011



Myer's approach to diversity

Our approach to diversity includes the following elements – meritocracy, fairness and equality, contribution to commercial success, and that it is in everyone's interest that we meet our objectives.

Over the past year Myer has taken the following steps in relation to meeting our diversity objectives including:

- responsibility for diversity has been included in the Board Charter (Board diversity), the Nomination Committee Charter (Board diversity) and the Human Resources and Remuneration Committee Charter (diversity at all levels of the Company below Board level); and
- the Board has formally adopted a policy in relation to diversity at all levels from the Board down. The policy is available in the Corporate Governance section of the Myer website. This action reinforces the principles and practices Myer has had in place for a number of years. The formalisation of these now provides the framework for measurable objectives to be established and reviewed by the Board.

The Board has also now established measurable objectives for achieving gender diversity at all levels of the Company, as outlined below.

FY2012 and FY2013 Measurable Objectives

Objective	Progress
Myer aims to maintain the proportion of female candidates identified in succession plans with the proportion of females relative to the overall employee population at each job grade level. We aim to ensure that within each job grade level there are a proportionate number of senior women who are ready to move into leadership roles.	The career development plans of all female middle management employees are assessed annually to ensure their appropriateness in developing and retaining Myer's female talent. Currently females represent 27.1 percent of the Strategic Leadership, 41 percent of the Business/Function Leadership and 62 percent of the Operation Leadership population. Females represent 40 percent of the 'Top Talent Group' following the succession planning process. At store level females represent 36.5 percent of those identified as having potential for further leadership positions.
Myer aims to maintain a return rate of more than 70 percent for team members returning from parental leave.	Myer is committed to ensuring that any team member returning to work after a period of parental leave can do so under a graduated return program. Regardless of any other business need, returning team members have a minimum six-month period of graduated return to enable their reintroduction to the work place. During the reporting period, 158 women commenced parental leave of which 72.7 percent participated in the paid parental leave scheme. During the reporting period 84 percent of team members returned to work from previous parental leave periods.
Myer aims for senior managers to meet or formally contact women on parental leave at least quarterly.	Myer has had a formal 'keeping in touch' program in place since 2010 which continues to apply. It aids both employees and managers with the transition to and back from parental leave, and specifically provides flexibility for women to determine the level of contact they wish to be maintained while on parental leave. This has meant women set contact levels they were comfortable with, which may have been greater or less than quarterly dependent upon their wishes.
Myer aims to maintain gender balance in its Managers in Training Programs to facilitate the creation of a pool of qualified female candidates for Manager role opportunities.	The Management Development Program (MDP) and Graduate Development Program (GDP) continue to be our two main internal development programs for entry-level management positions. The programs are aimed at recognising and rewarding internal team members by supporting their career goals, as well as assisting, retaining and promoting entry level female team members through comprehensive training and skills development. During the reporting period 59 percent of participants in the MDP were female with 50 percent being promoted to store management salaried positions. At the start of the reporting period there were 10 participants in the GDP with 90 percent being women. During the reporting period all female participants were promoted to salaried positions within the national support office. Our Merchandise In Training Program is our key middle management program, which has continued throughout the reporting period and is aimed at developing team members for senior roles within our Merchandise areas. During the reporting period 89 percent of the participants in this program were female.

Flexible Arrangements and Parental Leave

Diversity has always been valued and encouraged at Myer. With a workforce comprising predominantly female team members. Myer was proud to be the first major Australian retailer to introduce paid parental leave in 2009 and has maintained this level of support in addition to more recent federal government initiatives regarding parental leave. The nature of retail requires Myer to have a flexible and responsive workforce that is available to meet the variable shopping habits of our customers. This flexibility has afforded team members the opportunity to balance work and family responsibilities, including graduated return to work from parental leave whilst establishing a long and fulfilling career at Myer.

We recognise that periods of parental leave represent an interruption in career progression. To this end Myer has introduced a number of initiatives to encourage our team members to return to work and to enable them to balance their family and work responsibilities.

Myer offers flexible work arrangements for all team members returning from parental leave. This includes targeted support in special circumstances to help balance life priorities with work and to manage careers including: compressed work weeks (where employees work the usual number of hours in fewer days), flexible start and finish times, job sharing, telecommuting, part time work arrangements, and unpaid leave for any purpose.

Indigenous participation

During FY2012, Myer signed the Australian Employment Covenant (AEC) – a private sector program aimed at improving Indigenous participation through employment opportunities. Myer has committed to increase its number of Indigenous employees and we are in the process of developing a plan in regard to this commitment. A significant number of Myer managers have attended information sessions in relation to the AEC.

Compliance with ASX Principles

The table below is provided to facilitate understanding of the Company's compliance with the recommendations in the ASX Principles and indicates where each recommendation is discussed in this statement.*

Recommendation	Reference in Corporate Governance Statement
Principle 1 – Lay solid foundations for management and oversight	
1.1 Disclose the functions reserved to the Board and those delegated to senior executives	See sections 1.1 and 1.2.
1.2 Disclose the process for evaluating the performance of senior executives	See section 1.3.
Principle 2 – Structure the Board to add value	
2.1 A majority of the Board should be independent directors	See sections 2.1 and 2.4.
2.2 The chair should be an independent director	See sections 1.2 and 2.1.
2.3 The roles of chair and CEO should not be exercised by the same individual	See sections 1.2 and 2.1.
2.4 The Board should establish a nomination committee	See sections 1.5, 3.1 and 3.4.
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors	See section 1.3.
Principle 3 – Promote ethical and responsible decision-making	
3.1 Establish a code of conduct which sets out the Company's key rules, values and guidelines to guide the directors, the CEO, the CFO and any other senior executives	See section 5.1.
3.2 Establish and disclose a diversity policy which requires the Board to establish measurable objectives for achieving gender diversity for the Board	See section 6.
3.3 Disclose the Company's measurable objectives for achieving gender diversity set by the Board and progress towards achieving them	See section 6.
3.4 Disclose the proportion of women employees in the whole organisation, in senior executive positions and on the Board	See section 6.
Principle 4 – Safeguard integrity in financial reporting	
4.1 Establish an audit committee	See sections 1.5, 3.1 and 3.2.
4.2 The audit committee should have at least three members, consist only of non-executive directors (a majority of whom should be independent) and be chaired by an independent chair who is not the chair of the Board	See sections 1.5, 3.1 and 3.2.
4.3 The audit committee should have a formal charter	See section 3.1.
Principle 5 – Make timely and balanced disclosure	
5.1 Establish and disclose a policy to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance	See section 5.2.
Principle 6 – Respect the rights of shareholders	
6.1 Establish and disclose a shareholder communications policy	See section 5.4.
Principle 7 – Recognise and manage risk	
7.1 Establish and disclose policies for the oversight and management of material business risks	See sections 4.1 and 4.2.
7.2 The Board should require management to design and implement risk management and internal control systems to manage material business risks and to report on whether those risks are being managed effectively	See sections 4.2, 4.4 and 4.5.
7.3 Disclose whether the Board has received assurance from the CEO and the CFO that the declaration provided in accordance with s295A of the Corporations Act is founded on a sound system of risk management and internal control that is operating effectively in all material respects in relation to financial reporting risks	See section 4.5.
Principle 8 – Remunerate fairly and responsibly	
8.1 Establish a remuneration committee	See sections 3.1 and 3.3.
8.2 The remuneration committee should have at least three members, a majority of whom are independent, and be chaired by an independent chair	See sections 3.1 and 3.3.
8.3 Distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	See section 1.4 and the Remuneration Report.

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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of the Company and the entities it controlled (collectively referred to as the Group) at the end of, or during, the period ended 28 July 2012.

1. Directors

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

Director	Position	Date appointed as Director
Howard McDonald	Chairman until 10 October 2012 Independent Non-Executive Director	6 November 2006[1]
Paul McClintock AO	Chairman from 10 October 2012 Independent Non-Executive Director	8 August 2012
Rupert Myer AM	Deputy Chairman from 8 August 2012 Independent Non-Executive Director	12 July 2006
Bernie Brookes	CEO and Managing Director	12 July 2006
Anne Brennan	Independent Non-Executive Director	16 September 2009
Tom Flood	Independent Non-Executive Director	17 March 2009[2]
Chris Froggatt	Independent Non-Executive Director	9 December 2010
Peter Hay	Independent Non-Executive Director	3 February 2010
Ian Morrice	Independent Non-Executive Director	8 August 2012

1 Howard McDonald was appointed a director on 6 November 2006, and Chairman on 4 August 2009.
2 Tom Flood was appointed a director of Myer Pty Ltd in 2007.

Tom Flood retired as a director with effect from 11 April 2012. Paul McClintock AO and Ian Morrice were appointed as directors on 8 August 2012. All other directors served as directors of the Company for the whole financial year and until the date of this Directors' Report.

Howard McDonald will retire from the Board at the conclusion of the Board meeting on 10 October 2012 (the date of this Directors' Report), and will be succeeded as Chairman by Paul McClintock AO at that time.

Details of the qualifications, experience and special responsibilities of each current director are set out on pages 22 to 23 of this Annual Report.

2. Directorships of other listed companies

The following table shows, for each person who served as a director during the financial year and/or up to the date of this Directors' Report, all directorships of companies that were listed on the ASX, other than the Company, since 31 July 2009, and the period for which each directorship has been held.

Director	Listed entity	Period directorship held
Howard McDonald	Nil	–
Paul McClintock AO	Intoll Management Limited (formerly Macquarie Infrastructure Investment Management Limited)	May 2003 – December 2010
	Perpetual Limited	April 2004 – present
Rupert Myer AM	AMCIL Limited	January 2000 – present
	Diversified United Investment Limited	November 2002 – January 2012
Bernie Brookes	Nil	–
Anne Brennan	Charter Hall Group	October 2010 – present
	Nufarm Limited	February 2011 – present
	Argo Investments Limited	September 2011 – present
	Echo Entertainment Group Limited	March 2012 – present
Tom Flood	Nil	–
Chris Froggatt	Goodman Fielder Limited	August 2009 – present
Peter Hay	Alumina Limited	December 2002 – present
	Australia and New Zealand Banking Group Limited	November 2008 – present
	GUD Holdings Limited	May 2009 – present
Ian Morrice	Metcash Limited	June 2012 – present

3. Meetings of directors and Board committees

The number of meetings of the Board and of each Board committee held during the period ended 28 July 2012, and the numbers of meetings attended by each director is set out below.

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

	Meetings of Directors		Audit, Finance & Risk Committee		Nomination & Remuneration Committee*		Human Resources & Remuneration Committee*		Nomination Committee*	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Howard McDonald	13	13	–	–	6	6	1	1	1	1
Rupert Myer AM	13	13	4	4	6	6	1	1	1	1
Bernie Brookes	13	13	–	–	–	–	–	–	–	–
Anne Brennan	13	13	4	4	6	6	1	1	1	1
Tom Flood**	10	10	4	4	–	–	–	–	–	–
Chris Froggatt	13	13	–	–	6	6	1	1	1	1
Peter Hay	12	13	–	–	–	–	–	–	–	–

Notes:
A = Number of meetings attended.
B = Number of meetings held during the time the director held office or was a member of the committee during the year.
* On 16 May 2012, the Board approved the establishment of two Board committees – the Human Resources and Remuneration Committee and the Nomination Committee – to replace the existing Nomination and Remuneration Committee.
** Tom Flood retired as a director on 11 April 2012.

4. Directors' relevant interests in shares

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

Director	Ordinary shares	Options	Performance rights
Howard McDonald	2,074,390	Nil	Nil
Paul McClintock AO	106,000	Nil	Nil
Rupert Myer AM	733,999	Nil	Nil
Bernie Brookes	10,004,399	7,380,394	2,058,383
Anne Brennan	53,658	Nil	Nil
Chris Froggatt	10,040	Nil	Nil
Peter Hay	12,195	Nil	Nil
Ian Morrice	82,000	Nil	Nil

Tom Flood retired as a director of the Company with effect from 11 April 2012. At the date of his retirement, Mr Flood had a relevant interest in 400,000 ordinary shares in the Company.

5. Company Secretary

Marion Rodwell is the Company Secretary of the Company. She was appointed Group General Counsel and Company Secretary in 2008. Ms Rodwell's experience and qualifications are set out on page 25 of this Annual Report.

6. Principal activities

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

7. Review of operations

A detailed review of the Group's operations for the financial year and the results of those operations is set out on pages 2 to 21 of this Annual Report.

8. Business strategies and future developments

A summary of the Group's strategic plan is set out on page 2 of this Annual Report.

Discussion of the Group's business strategies and comments on the likely developments in the Group's operations are included on pages 4 to 16.

More detailed information relating to the Group's business strategies, likely developments in the Group's operations, the expected future results of those operations, and the Group's prospects for future financial years has not been included in this Directors' Report. The directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

9. Significant changes in the state of affairs

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

- a continuing challenging retail environment;
- the appointment of Mr Paul McClintock AO as a new non-executive director who will be appointed as Chairman of the Company from 10 October 2012, and the appointment of Mr Ian Morrice as a new non-executive director;
- the opening of our new stores in Mackay (Queensland) in October 2011 and Fountain Gate (Victoria) in September 2012 and the closure of our stores in Forest Hill (Victoria) and Tuggeranong (Australian Capital Territory) as the leases to those stores expired;
- the first full year of sass & bide;
- the first full year of operation of the Myer global sourcing offices in Shanghai and Hong Kong; and
- the continued strengthening of our merchandise offer with the acquisition of a number of brands, including Trent Nathan, Bauhaus and Grab.

These matters are discussed on pages 4 to 16 of this Annual Report.

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

10. 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, that has significantly affected, or may significantly affect:

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

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

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

11. Dividends

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

2011 Final Dividend	$m
Final dividend for the period ended 30 July 2011 of 11.5 cents per fully paid ordinary share, fully franked, paid on 16 November 2011	67,068
2012 Interim Dividend	
Interim dividend for the period ended 28 July 2012 of 10 cents per fully paid ordinary share, fully franked, paid on 10 May 2012	58,336

In addition to the above dividends, since the end of the financial year, the Board of Directors has determined a final fully franked dividend of 9 cents per fully paid share, to be paid on 14 November 2012.

Further information regarding dividends is set out in the Financial Report (at note 23).

12. Options and performance rights granted over unissued shares

The Myer Equity Incentive Plan (MEIP) operates for selected senior executives and has been in operation since December 2006. Under the MEIP, the Company has granted eligible executives 'options' and 'performance rights' over unissued ordinary shares of the Company, subject to certain vesting conditions. Each option or performance right entitles the holder to acquire one ordinary fully paid share in the Company (subject to the adjustments outlined below).

Options

No options were granted under the MEIP in the financial year ended 28 July 2012 and no options have been granted since the end of the year.

The following table sets out the details of options that have been granted under the MEIP over unissued shares of the Company and that remain on issue as at the date of this Directors' Report:

Date options granted	Expiry date	Exercise price of options	Number of options
23 January 2008	21 December 2012	$3.00	5,913,180
17 December 2008	24 October 2013	$2.14	2,712,063
30 June 2009	24 October 2014	$2.34	2,828,900
6 November 2009	31 December 2012	$4.10	2,100,841
6 November 2009	31 December 2013	$5.74	2,227,723
6 November 2009	31 December 2013	$4.10	5,152,671
Closing balance			**20,935,378**

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

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

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

Further information about options granted under the MEIP is included in the Remuneration Report.

Performance rights

During the financial year, the Company granted 5,651,786 performance rights. No performance rights have been granted since the end of the financial year ended 28 July 2012.

Following a review of the Company's remuneration structure in 2011, the Board revised the Company's long term incentive plan for selected senior executives. During the financial year, 3,593,403 performance rights were granted under the MEIP (instead of options) to selected senior executives.

In addition, Mr Brookes was granted 2,058,383 performance rights as a long term incentive component of Mr Brookes' remuneration package when the Company renewed Mr Brookes' contract as Myer's CEO and Managing Director. The performance rights were granted to Mr Brookes following approval by shareholders at the Company's 2011 AGM.

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

Date performance rights granted	Expiry date	Issue price	Number of performance rights
21 October 2011 (grant to senior executives)	31 October 2014	Nil	3,043,782
9 December 2012 (grant to CEO)	31 October 2014	Nil	2,058,383
Closing balance			**5,102,165**

A holder of a performance right may only participate in new issues of securities of the Company if the performance right has been exercised, if participation is permitted by its terms and the shares in respect of the performance right 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 granted under the MEIP (including the performance conditions attached to those performance rights) is included in the Remuneration Report.

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

Options

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

During the period ended 28 July 2012, 200,000 fully paid ordinary shares of the Company were issued to the Trust for this purpose.

To calculate the issue price of shares issued to the Trust, the Company uses the 7-Day Volume Weighted Average Share Price of the Company's shares as at the close of trading on the date of issue. The Trust held 25,200 fully paid ordinary shares of the Company as at 29 July 2012.

On exercise of securities granted under the MEIP, shares may be transferred from the Trust to the relevant participants or the Company may issue fully paid ordinary shares directly to MEIP participants.

During the period, 481,205 shares were transferred from the Trust to participants on the exercise of options under the MEIP, as detailed below.

Date options granted	Exercise price of options	Number of shares provided on exercise of options
1 December 2006	$0.01	316,809
1 August 2007	$1.27	120,396
17 December 2008	$2.14	44,000
		481,205

In addition, the following fully paid ordinary shares of the Company were issued during the period ended 28 July 2012 on the exercise of options held by two directors of the Company, Tom Flood and Howard McDonald.

Date options granted	Exercise price of options	Number of shares provided on exercise of options
1 August 2007	$1.27	36,667
		36,667

Post balance date events

Since 28 July 2012:

- no further shares of the Company have been issued to, or otherwise acquired by the Trust;
- no further shares of the Company held by the Trust have been transferred to participants on the exercise of options granted under the MEIP; and
- no further shares of the Company have been issued to MEIP participants on the exercise of options granted under the MEIP.

Performance rights

No performance rights were eligible to vest or be exercised during the financial year or up to the date of this Directors' Report.

14. Remuneration Report

The Remuneration Report, which comprises part of this Directors' Report, is presented separately on pages 44 to 59.

15. Indemnification and insurance of directors and officers

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

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

During the financial year the Company paid insurance premiums for a directors' and officers' liability insurance contract that provides cover for the current and former directors, alternate directors, secretaries and executive 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.

16. 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.

17. Environmental regulation

The Group is subject to and has complied with the reporting and compliance requirements of both the *Energy Efficiency Opportunities Act 2006* (Cth) and the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act). No environmental breaches have been notified to the Group by any government agency.

The *Energy Efficiency Opportunities Act 2006* requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including action the Group intends to take as a result of such assessments. As required under this Act, the Group registered with the Department of Resources, Energy and Tourism as a participant entity and is due to submit its fifth public report for financial year 2012 by 31 December 2012. Additionally, Myer is required to submit its second cycle Assessment Plan on 31 December 2012. The Group has published its EEO public reports on the Investor Centre section of its website, www.myer.com.au/investor (under Reporting – Sustainability).

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, and is due to submit its fourth report to the Greenhouse and Energy Data Officer by 31 October 2012, in compliance with the requirements of the NGER Act.

18. Non-audit services

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

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in the Financial Report (at note 25).

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 non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

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

19. Auditor's independence declaration

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

20. Rounding of amounts

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

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

Howard McDonald
Chairman
Melbourne, 10 October 2012

REMUNERATION REPORT

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

Contents

This report provides details on the following matters:

- Overview
- Human Resources and Remuneration Committee and Nomination Committee
- Directors and executives disclosed in this report
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- Executive remuneration
- Non-Executive Director Remuneration
- Remuneration and company performance
- Future focus for Executive reward
- The Remuneration of Executive and Non-Executive Directors and KMPs

Overview

During 2011–12, the Board continued to review Myer's approach to executive remuneration. This review was initiated with a view to ensuring strong and effective ongoing alignment between executive remuneration, Company performance and shareholder returns.

The Board is committed to a direct, transparent linkage between performance and reward so that executive reward outcomes are dependent on delivering results to shareholders. We have a strong and talented executive team. The remuneration approach is designed to ensure these individuals are retained and motivated to drive the future success of our Company.

The approach is regularly reviewed to ensure it meets the needs of the business and shareholders. At the same time, we are cognisant of the practices of other Australian companies and competitors. This review process is essential to keep our remuneration offering relevant and competitive.

As a result of the most recent review, we are considering changes to reward mechanisms to ensure appropriate rewards for performance in what remains an uncertain and volatile market. For some executives we will be reducing the portion of their total annual remuneration based on the short-term incentive and increasing the fixed remuneration to better balance overall reward structure in line with market practices.

External benchmarking has identified that a number of the Key Management Personnel's base salary had fallen below the market levels the Board targets for reward for this group. It is important to our long-term business sustainability that we retain key talent by ensuring all Myer executives are being remunerated at market rates in a highly competitive market. The Board commissioned external benchmarking undertaken by Mercer (Australia) Pty Ltd (Mercer) for CEO and KMP roles, which included data from relevant Australian listed companies. The review found the KMP base salary was below the market median. The CEO's total remuneration is positioned at the level targeted by the Board in his renewed contract established in 2011.

The remuneration structure strives to achieve a balance between retaining, motivating and rewarding individual performance and ensuring a robust linkage to overall Company performance and shareholder returns.

This year's outcomes

In terms of the year just completed, the performance of individual executives was good in difficult market conditions.

Base salaries were reviewed and generally any increases applied were modest, particularly in light of the market comparator roles.

The executives performed well against the targets set and most of their KPIs were met; however, given the overall profit achieved, no STI payments were made.

The reward potential of the short-term incentive plan was significantly impacted by the prevailing economic conditions and their impact on the retail sector. Executives were set challenging KPIs including achieving budgeted Net Profit After Tax (NPAT) to drive performance for shareholders.

In terms of long-term performance, the previous plans that may have resulted in options vesting were tested this year. These options are unlikely to vest as the EPS target is unlikely to be achieved.

Given the combination of outcomes, for the current year, on all three aspects of executive reward the Board has determined some structural changes to reward for this year. Details are provided in this report.

Human Resources and Remuneration Committee and Nomination Committee

The Board reviews annually its role, responsibilities and performance to ensure that the Company continues to maintain and improve its governance standards. During 2012, the Board, on the recommendation of the Nomination and Remuneration Committee, resolved to separate the Nomination and Remuneration Committee into two Committees comprising the Nomination Committee and the Human Resources and Remuneration Committee. As a consequence, revised Charters of responsibility were developed for each Committee. Each Committee charter is available on the Company's website www.myer.com.au.

The Chair of the Board, Mr Howard McDonald, chairs the Nomination Committee. The role of the Nomination Committee is to support and advise the Board on the composition of the Board and matters relating to Board governance and performance. The other members of the Committee are Mr Rupert Myer, Ms Anne Brennan and Ms Chris Froggatt.

The Human Resources and Remuneration Committee is chaired by Ms Chris Froggatt. The other members of the Committee are Messrs. Howard McDonald, Rupert Myer and Ms Anne Brennan.

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The Human Resources and Remuneration Committee (Committee) has the responsibility to make recommendations to the Board on:

- Non-Executive Director fees;
- executive remuneration (directors and other executives) including specific recommendations on remuneration packages and other terms of employment for the Chairman, Non-Executive Directors, the CEO and other senior executives; and
- the over-arching remuneration framework including the policy, strategy and practices for fixed reward and both short and long term incentive plans.

The Committee has been established under rule 8.15 of the Constitution of the Company.

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term strategic interests of the Group and the creation of shareholder value. In doing this, the Committee seeks advice from independent advisors particularly on matters such as market trends and comparative terms and conditions relevant for consideration to Myer.

Further information on the role of the Committee, its membership and meetings held throughout the year are set out in the Corporate Governance Statement and the Directors' Report.

The Committee has regard to the following policy objectives:

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

The 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 Chair or if they are not available, a Committee member, will attend the Annual General Meeting and make themselves available to answer any questions from shareholders about the Committee's activities or, if appropriate, the Company's remuneration arrangements.

Directors and executives disclosed in this report

Name	Position
Non-Executive Directors	
H McDonald	Chairman, Independent Non-Executive Director[1]
A Brennan	Independent Non-Executive Director
T Flood	Independent Non-Executive Director (retired 11 April 2012)[2]
C Froggatt	Independent Non-Executive Director
P Hay	Independent Non-Executive Director
R Myer	Independent Non-Executive Director[3]
Executive Director	
B Brookes	CEO and Managing Director
Other Key Management Personnel	
M Ashby	Chief Financial Officer
M Goddard	Executive General Manager Retail Development (appointed 13 March 2012)
G Travers	Executive General Manager Business Services and Office of the CEO
N Abboud	Executive General Manager Stores[4]
P Winn	Executive General Manager Merchandise[5]

Changes since the end of the reporting period

Paul McClintock AO was appointed as an Independent Non-Executive Director on 8 August 2012 and will be appointed Chairman on 10 October 2012. Ian Morrice was appointed as an Independent Non-Executive Director on 8 August 2012.

1 H McDonald will retire on 10 October 2012. H McDonald was appointed a director on 6 November 2006 and Chairman on 4 August 2009.
2 T Flood was appointed a director on 26 July 2007.
3 R Myer was appointed Deputy Chairman on 8 August 2012.
4 N Abboud ceased employment on 18 September 2012.
5 P Winn ceased employment on 8 December 2011.

Use of remuneration consultants

The Board directly engages external advisors to provide input to the process of reviewing Non-Executive Director, Executive Director and executive remuneration. During 2012, Mercer was engaged by the Committee to provide relevant market comparator information and a recommendation in regard to the level of Non-Executive Director fees including board and committee fees. To ensure that Mercer, in making the remuneration recommendation, would be free from undue influence of the Non-Executive Directors to whom the recommendation relates, remuneration recommendations were provided by Mercer directly to the Chair of the Human Resources and Remuneration Committee and were not provided to a person who is neither a director nor a member of the Human Resources and Remuneration Committee. Mercer also provided a statement to the Committee that the advice had been prepared free of undue influence from the Non-Executive Directors to whom the advice relates.

The Board is satisfied that remuneration recommendations were made free from undue influence. All decisions were made independently using the information provided and having careful regard to Myer's position, strategic objectives and current requirements. The reasons for the Board being satisfied include the fact that:

- procedures were implemented to ensure that remuneration recommendations were provided by Mercer directly to the Chair;
- Mercer did not provide remuneration recommendations to a person who is neither a director nor a member of the Human Resources and Remuneration Committee in accordance with the *Corporations Act 2001*; and
- Mercer provided a statement that remuneration recommendations were free of undue influence from the Non-Executive Directors to whom the remuneration recommendation relates.

Myer provides superannuation arrangements for employees who exercise choice in participating in a Myer sponsored superannuation option through Myer's participation in the Mercer Public Master Trust. Myer also engaged Mercer's Retirement Risk and Finance business unit to provide advice in relation to the Myer Super Plan. This advice was commissioned by and provided to Myer executives. The fee payable for this advice was $8,000.

Mercer also provided access to the Mercer database for ad hoc enquiries from Myer generally, other than for advice on KMP. The fee payable in relation to those ad hoc enquiries was $4,497.

The total fee paid to Mercer during the year inclusive of remuneration advice, superannuation and database services, was $48,522.

Executive remuneration

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

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

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

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

As a general guide, the Company targets a median fixed remuneration position having regard to a comparator group of companies and a slightly higher position for incentive reward both short and long term against the same group.

Non-Executive Director remuneration

Fees and payments to Non-Executive Directors reflect the demands 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 Chair 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 in the general meeting. The maximum aggregate sum excludes special and additional remuneration for special exertions and additional services performed by a director as determined appropriate by the Board but includes superannuation as is required by the ASX Listing Rules as well as committee fees that follow. The Constitution also makes provision for Myer to pay all expenses incurred by directors in attending meetings and carrying out their duties. The current maximum aggregate fee pool limit is $2,150,000 per annum. The aggregate fee pool limit has not changed since the Group was listed in November 2009. Non-Executive Directors who chair a committee also receive additional yearly fees for their role in serving that committee. The following yearly fees currently apply:

Base annual fees	
Chair	$500,000 [1]
Other Non-Executive Directors	$150,000
Additional annual fees	
Deputy Chair	$30,000 [2]
Audit, Finance and Risk Committee – Chair	$30,000
Audit, Finance and Risk Committee – member	–
Human Resources and Remuneration Committee – Chair	$15,000
Human Resources and Remuneration Committee – member	–
Nomination Committee – Chair	–
Nomination Committee – member	–

1 The new fee to apply for the Chair will be $400,000 effective from October 2012.
2 The new fee applicable to the role of Deputy Chairman will apply from August 2012.

During 2012, the Board considered a report from independent advisers (Mercer) in relation to Non-Executive Director fees generally, and decided not to change the base or additional fees.

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.

In August 2012, Myer announced a range of changes to Board membership including the appointment of Mr Paul McClintock AO as Chairman from 10 October 2012. Mr McClintock will be paid a fee of $400,000 per annum. Mr Rupert Myer AM was also appointed Deputy Chairman effective 8 August 2012. As part of that appointment a new additional fee was established for the role of Deputy Chairman of $30,000.

Nomination of directors

The responsibilities of the Nomination Committee in relation to the nomination of directors are as follows:

- review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chairman and CEO;
- review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members;
- review and recommend to the Board membership of the Board, including recommendations for the appointment and re-election of directors, and where necessary propose candidates for consideration by the Board;
- assist the Board as required in relation to the performance evaluation of the Board, its committees and individual directors; and
- review and make recommendations in relation to any corporate governance issues as requested by the Board from time to time.

In exercising its responsibilities the Committee assists the Board as required to identify individuals who are qualified to become Board members (including in respect of any Executive Directors), considering the skills, experience, expertise and personal qualities that will best complement Board effectiveness and the capability of the candidate to devote the necessary time and commitment to the role. This involves a consideration of matters such as other Board or executive appointments, potential conflicts of interest, and independence.

The Committee also reviews the Board Charter on a periodic basis and recommends any amendments for Board consideration and ensures that an effective induction process is in place for any newly appointed directors.

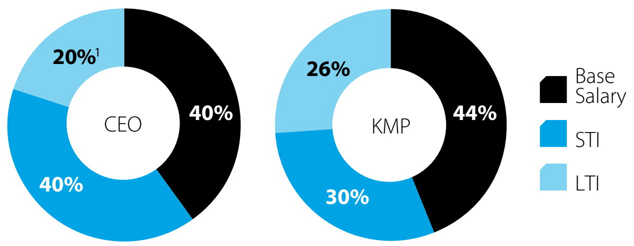
Remuneration and Company performance

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

The executive pay and reward framework has three components:

- Total Fixed Compensation (TFC) – base pay and benefits, including superannuation;
- Short Term Incentives (STI) through participation in the Myer Annual Incentive Plan (MAIP); and
- Long Term Incentives (LTI) through participation in the Myer Equity Incentive Plan (MEIP).

The combination of these three components comprises an executive's total remuneration reflected by percentage in the following charts:



1 The target LTI remuneration for the CEO reflects one third of the $2.7 million allocation of performance rights approved in 2011 assessed over a three year period.

Total Fixed Compensation (TFC)

TFC was structured as a total fixed employment compensation package, made up of base salary, superannuation and other benefits. Base salary levels for each executive were set with reference to the market conditions and the scope and nature of each individual's role, the experience of the individual and performance in that role.

Base salaries were reviewed during the year and generally any increases applied were modest, particularly in light of market comparator rates. Superannuation provided to KMP remained unchanged, as were other benefits.

Short Term Incentive (STI)

Short-term variable reward for the CEO and KMP are determined based on the achievement of established key performance indicators (KPIs). These KPIs are set by reference to the Company's overall performance and individual performance objectives established for the year. In the case of the CEO, these objectives are set by the Chairman and endorsed by the Board. KPIs for the KMP are set by the CEO and endorsed by the Committee for approval by the Board.

Given the prevailing economic conditions and their impact on the retail sector generally, the Board has considered the performance of the Myer management team in relation to each of these areas of focus. While the returns generated from the business were down on expectations they were reflective of the general retail environment. The Board has, however, determined that given the overall profit achieved they did not warrant the payment of the STI for the year.

Myer's short term incentive plan (Myer Annual Incentive Plan – MAIP) operates on an annual basis subject to Board review and approval. The FY2012 MAIP applied to all eligible management team members including the KMP, subject to certain conditions and performance criteria being met which are reviewed and approved annually by the Board.

The current quantum of an executive's MAIP reward varies depending on the specific role, with a potential reward of 100% of base pay at the CEO level for 'at target' performance, up to 70% for Executive General Managers and 50% for Group General Managers, through to 10% for 'at target' performance for store or merchandise management level roles. If the Group achieves the pre-determined performance targets set by the Board, a short term incentive will be paid.

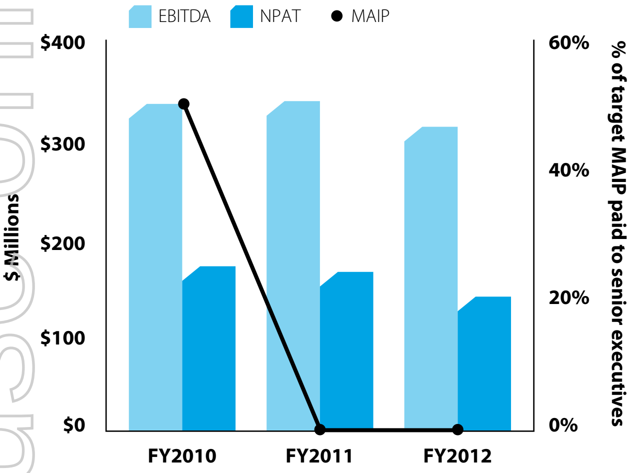
MAIP rewards are generally payable in October each year after the final determination and release of audited full-year results. The MAIP criteria applied in FY2012 used an NPAT target as a threshold to ensure that an STI reward is only available when profit is consistent with or in excess of the business plan approved by the Board.

Each executive level has a target MAIP reward depending on their accountabilities and their impact on the Group or business unit performance. The target reward is the maximum total STI payment for achieving target objectives. A minimum threshold is also set, below which no STI reward is provided. The Board retains the discretion to provide an award greater than the target maximum reward where performance against the performance criteria warrants such a reward.

Each year, the Committee considers the appropriate performance criteria and recommends any payout level under the MAIP, if targets are met, for Board approval.

The Committee is responsible for assessing whether the performance criteria are met. To help make this assessment, the Committee receives reports on performance from management. All proposed MAIP payments are verified by internal audit review prior to any payment being made. The Committee has the discretion to recommend to the Board an adjustment to short term incentives in light of unexpected or unintended circumstances. This discretion has not been applied this year despite the factors impacting the overall result being largely macro in nature and affecting many retail and other businesses generally.

The following graph shows the average individual total MAIP payment (as a % of each individual's target MAIP, where 100% is the target) for the KMP group and its relationship to Group Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) and NPAT outcomes over three financial years.



Given the balance sought by the Board to meet all the remuneration objectives set and the non-payment of any short term incentive since 2010, the Committee has considered revised metrics for FY2013 and has determined that NPAT, Sales and Omni-channel will form the basis of FY2013 metrics for short-term incentive for the KMP and certain other senior executives (Executive General Managers and Group General Managers). Details are provided in the section on Future focus for executive reward on page 49.

Long Term Incentive (LTI)

An allocation of performance rights for each KMP through the Myer Equity Incentive Plan (MEIP) is determined as part of the Total Remuneration for an executive role. The Committee determines LTI awards by assessing the quantum required to provide a market competitive Total Remuneration reward structure including base salary and STI amounts.

The purpose of the LTI is to focus management's efforts on the achievement of sustainable long-term growth and success of the Company and to align senior executive rewards with sustained shareholder returns through metrics such as Earnings Per Share performance and relative Total Shareholder Return performance hurdles.

Myer's long term incentive plan operates for selected senior executives and has been in operation since December 2006. Under the MEIP, eligible senior executives have in the past been granted options, each option entitling them to acquire one fully paid ordinary share in the Company, subject to the satisfaction of vesting terms and conditions determined by the Board.

In 2011, the Board reviewed the long term incentives provided to the senior executives as part of its annual review of the remuneration structure. As part of that review, the Board approved a change from the grant of options to the grant of 'performance rights' under the MEIP.

The performance conditions established for the MEIP are designed to create and deliver sustained shareholder returns and to reward executives when shareholders benefit.

Under the MEIP, performance rights are granted to each participant. Each performance right is a conditional right to one ordinary Myer share upon satisfaction of the vesting conditions established for the plan over the three-year performance period established. The performance right will therefore not provide any value to the holder between the grant years until the end of the financial year in which the plan vests and then only if the performance conditions are achieved. The Committee regards it as an important principle that performance rights will be forfeited by the individual in specific circumstances, including if they resign from the Company within the three-year performance period. Performance rights do not carry entitlements to ordinary dividends or other shareholder rights. Dividends are not received by the executives during the performance period.

Upon vesting, performance rights are automatically exercised (at no cost to the participant) in accordance with the terms of the grant and Myer's Guidelines for Dealing in Securities.

LTI awards only vest to the extent that performance conditions are met. The awards are governed by the MEIP rules. Any Board discretion, such as vesting in the event of a change of control, is clearly prescribed under the Plan rules. Options or rights under the MEIP may vest prior to the vesting date on a change of control or on a pro-rata basis, at the discretion of the Board.

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

	31 July 2010	30 July 2011	28 July 2012
Basic earnings per share (cents)[1]	29.0	27.9	23.9
NPAT (millions)[2]	$168.7	$162.7	$139.3
Dividends (cents per share)	22.0	22.5	19.0
Share price at beginning of year[3]	$4.10	$3.45	$2.31
Share price at end of year	$3.45	$2.31	$1.83

1 2010 Basic earnings per share is calculated using proforma NPAT and divided by the closing shares on issue. 2011 and 2012 Basic earnings per share is calculated using normalised Net Profit After Tax and divided by the weighted average shares.
2 For details of 2011 and 2012 NPAT refer to page 5.
3 2010 share price at the beginning of the year is the share price at listing.

A further long-term incentive in the form of retention incentive was introduced for selected executives other than the CEO at the time of the listing of Myer in 2009. These incentives were targeted at retaining those executives for an extended period after the listing which expired on 1 November 2011 and have now been paid where the conditions attached to the payment including continuous service and achievement of individual performance objectives were satisfied. The retention arrangements were in the form of deferred cash incentives and were conditional on continued employment with the Group and meeting certain individual performance conditions as established by the Company. The retention arrangements involved payments over a staggered period with the final component of the retention incentive paid on 1 November 2011.

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Generally, the amount paid to an individual over the two-year retention period represented approximately one year of base pay as at the date the retention incentives were granted. Of the executives who were eligible for retention incentives, 80% remained with the Company for the full duration of the retention period. There are no further cash retention arrangements currently in place.

The remuneration of the CEO is governed by his contract of employment. At the 2011 Annual General Meeting, shareholders approved a one off allocation of performance rights valued at $2.7 million as part of the contract. The rights will vest subject to meeting a range of objectives including: a total shareholder return hurdle (TSR), a CAGR EPS hurdle (described on page 53 and 54 of this report), a service hurdle and the delivery of a Board endorsed succession plan for the CEO role.

Future focus for executive reward

The Board has considered each element of KMP reward having regard to the experience and outcomes achieved since its last review during 2010. In September 2012, the Board has also considered advice from its independent advisor Mercer on the relative position of KMP at Myer to relevant comparator companies.

Overall, the Board has determined that notwithstanding the impact of a range of factors on business results since 2010 it is clear that the current mix of reward for the KMP has not delivered the desired outcome the Board had hoped for in ensuring attraction and retention, alignment with shareholder interests and a reasonable likelihood of achievement in the prevailing circumstances.

Specifically, the base rates for KMP have at best remained static compared to overall market comparators and in some cases also remains below our target objective of a median market level. Short term incentive structures remain above market level as a percentage of Total Fixed Compensation; however, due to high targets set as a gate to performance in challenging circumstances, have failed to deliver any reward at all for two consecutive years. A consequence of the combination of these factors is that our base rate for KMP generally remains too low and our STI percentage to target is too high. Long term incentive through the various Myer Equity Incentive Plans established since 2009 have also failed to deliver equity-based outcomes to the KMP against the performance targets initially set at the time of grant. Those plans that remain in place are also not projected to deliver outcomes as intended due to the considerably changed environment for retailers generally.

While in isolation the Board may have determined that having one element of KMP reward "underperforming" was sustainable in the short-term, having each element consistently underperforming its intended outcome is unsustainable and not in the interests of either the KMP or shareholders.

Given this the Board has considered the combination of factors governing each reward component and the interaction between elements. Consequently a number of changes to executive reward will be made for the FY2013 year.

Base Pay – base pay for some KMP, other than the CEO and Non-Executive Directors, will be adjusted to more clearly position the KMP at the market level the Board consider appropriate. This will result in larger base adjustments during FY2013 than may otherwise have been applied.

Short Term Incentive – a revised Executive Incentive Plan (EIP) will apply in FY2013 to the KMP and certain other senior executives. In FY2012 a single metric, NPAT, applied to annual incentive. For FY2013 three metrics will be considered to determine any incentive payment. NPAT will remain the primary metric weighted at 40% of the total potential reward, sales growth will be the second metric also weighted at 40% and achievement of various objectives we have established for our omni-channel development weighted at 20% will be the final metric.

The Board has also determined that given the increases to apply to base pay, that the percentage of TFC applying to KMP for annual bonus payments will be reduced from 70% to 60% for FY2013. This rate also better reflects market comparator rates for annual incentives at this level. The bonus percentage applying to the CEO will remain unchanged at 100% of TFC. This rate was determined as part of the review of the CEO contract during 2011 and remains appropriate for the duration of the contract term. The revised metrics of NPAT, Sales and Omni-channel will be applied to the CEO annual incentive in FY2013 as well.

Long Term Incentive – a revised Executive Equity Incentive Plan (EEIP) will also be applied to the KMP for the grant of performance rights under the FY2013 plan. The EEIP will continue to have two performance hurdles applied. Relative TSR performance against index of comparator companies will be used to determine vesting of 50% of the rights after the conclusion of the three-year performance period. The second metric to apply will be the compound annual growth rate in earnings per share (CAGR EPS) for Myer shares over the same three-year performance period. The CAGR EPS metric will be altered for the FY2013 plan to reflect the more challenging environment for retail businesses and the circumstances faced by Myer. The range of CAGR EPS used in the last plan was a range between 5% and 10%, with zero vesting below 5% and 100% vesting at 10%. This range has been altered for the FY2013 plan to apply between 2% and 7% CAGR EPS with zero vesting below 2% and 100% vesting at 7% CAGR EPS.

The Board considers the changes to be appropriate, balancing the objectives set for the KMP, the need to create a plan with a reasonable likelihood of vesting of some reward and the interests of shareholders in the prevailing retail environment.

No changes will apply to the equity grant made to the CEO in 2011. The terms of that one-off grant, including performance metrics agreed at that time, will remain as originally determined.

The Board considers the changes made to each of the elements of reward for the KMP to be appropriate and a better reflection of the overall reward objectives, relevant market comparators and in the interests of shareholders.

Service agreements

On appointment to the Board, all Non-Executive Directors sign a letter of appointment. The letter summarises the Board policies and terms relevant to the office of director (including remuneration).

Remuneration and other terms of employment for the CEO and the other executive KMPs are also formalised in service agreements. Each of these agreements prescribes a base or fixed remuneration amount, a short term incentive reward subject to the MAIP, other benefits including salary sacrificing for vehicle leasing and, when eligible, long term incentive reward through participation in the MEIP. Other key provisions of the agreements relating to remuneration are summarised below.

The termination provisions for the executive KMP are described below:

Name	Contract type	Base salary including superannuation[1] $	Termination notice period initiated by KMP	Termination notice period initiated by the Company	Termination payment where initiated by the Company
B Brookes	Fixed term – ending on 31 Aug 2014	1,800,000	6 months	12 months	12 months[2]
M Ashby	Rolling Contract	600,000	3 months	6 months	6 months
M Goddard[3]	Rolling Contract	475,000	3 months	6 months	6 months
G Travers	Rolling Contract	600,000	3 months	6 months	6 months
N Abboud[4]	Rolling Contract	485,000	3 months	6 months	6 months

1 Base salaries (TFC) quoted as at 28 July 2012.

2 B Brookes' contract provides that, subject to certain performance conditions being satisfied, if the contract runs through to term (31 August 2014) a cessation payment of 12 months average base TFC over the last three years may be made. B Brookes' LTI offer contained in his contract of employment provides for entitlements on termination in certain circumstances. These provisions were approved by shareholders at the 2011 Annual General Meeting.

3 M Goddard was appointed 13 March 2012.

4 N Abboud ceased employment on 18 September 2012.

The remuneration of Non-Executive and Executive Directors and KMPs

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

The following table shows the remuneration amounts recorded in the financial statements in the period.

	Short-term employee benefits				Post employment benefits		Long-term benefits			Total remuneration expense	Share-based payments	
Name	**Cash salary & fees[1] $**	**Bonus / incentive STI[2] $**	**Other[3] $**	**Non-monetary benefits $**	**Superannuation[4] $**	**Subtotal $**	**Long service leave $**	**Retention bonus[5] $**	**Termination & other payments $**	**Excluding share-based payments[6] $**	**Options[7] $**	**Total remuneration expense $**
Non-Executive Directors												
H McDonald												
2012	484,225	–	–	–	15,775	500,000	–	–	–	500,000	–	500,000
2011	484,753	–	–	–	15,247	500,000	–	–	–	500,000	3,187	503,187
A Brennan												
2012	164,225	–	–	–	15,775	180,000	–	–	–	180,000	–	180,000
2011	164,801	–	–	–	15,199	180,000	–	–	–	180,000	–	180,000
T Flood[8]												
2012	106,708	–	–	–	10,554	117,262	–	–	–	117,262	–	117,262
2011	136,500	–	–	–	13,500	150,000	–	–	–	150,000	1,195	151,195
C Froggatt												
2012	150,150	–	–	–	14,850	165,000	–	–	–	165,000	–	165,000
2011	93,176	–	–	–	9,215	102,391	–	–	–	102,391	–	102,391
P Hay												
2012	136,500	–	–	–	13,500	150,000	–	–	–	150,000	–	150,000
2011	136,500	–	–	–	13,500	150,000	–	–	–	150,000	–	150,000
R Myer												
2012	136,500	–	–	–	13,500	150,000	–	–	–	150,000	–	150,000
2011	145,056	–	–	–	14,346	159,402	–	–	–	159,402	–	159,402
Executive Director												
B Brookes												
2012	1,738,700	–	131,776	–	46,200	1,916,676	84,623	–	–	2,001,299	1,083,421	3,084,720
2011	1,629,652	–	133,357	–	50,048	1,813,057	47,772	–	–	1,860,829	(947,404)	913,425

	Short-term employee benefits				Post employment benefits		Long-term benefits			Total remuneration expense	Share-based payments	
Name	**Cash salary & fees[1] $**	**Bonus / incentive STI[2] $**	**Other[3] $**	**Non-monetary benefits $**	**Superannuation[4] $**	**Subtotal $**	**Long service leave $**	**Retention bonus[5] $**	**Termination & other payments $**	**Excluding share-based payments[6] $**	**Options[7] $**	**Total remuneration expense $**
Key Management Personnel												
M Ashby												
2012	511,231	–	2,442	–	47,935	561,608	22,561	41,250	–	625,419	71,944	697,363
2011	466,273	–	1,856	–	48,727	516,856	8,401	207,500	–	732,757	(74,290)	658,467
M Goddard[9]												
2012	139,159	–	103	–	4,780	144,042	979	–	–	145,021	–	145,021
2011	–	–	–	–	–	–	–	–	–	–	–	–
G Travers												
2012	566,725	–	2,080	–	15,775	584,580	27,995	41,250	–	653,825	45,203	699,028
2011	544,753	–	1,856	–	15,247	561,856	15,806	207,500	–	785,162	(133,824)	651,338
N Abboud[10]												
2012	451,250	–	2,080	–	25,000	478,330	22,729	41,250	–	542,309	84,969	627,278
2011	444,753	–	33,567	–	15,247	493,567	11,412	207,500	–	712,479	(85,233)	627,246
P Winn[11]												
2012	313,138	–	917	–	6,932	320,987	(14,499)	41,250	–	347,738	(127,021)	220,717
2011	536,553	–	1,856	–	23,447	561,856	8,510	207,500	–	777,866	(68,960)	708,906
Totals 2012	**4,898,511**	**–**	**139,398**	**–**	**230,576**	**5,268,485**	**144,388**	**165,000**	**–**	**5,577,873**	**1,158,516**	**6,736,389**
Totals 2011	**4,782,770**	**–**	**172,492**	**–**	**233,723**	**5,188,985**	**91,901**	**830,000**	**–**	**6,110,886**	**(1,305,329)**	**4,805,557**

1 Cash salary includes short-term compensated absences, consideration for vehicle salary sacrifice and fees including allowances for Committee 'chair' responsibilities for A Brennan and C Froggatt.

2 STI payments relate to program performance and conditions for the year they were earned, not the year of actual payment. Due to performance, no STI payments were earned in the FY2012 year under the MAIP.

3 Other payments for B Brookes include payments for rental subsidy and certain other services in relation to provision of accommodation. Other payments also includes Company-paid FBT expenses.

4 There were no post-employment benefits paid other than superannuation.

5 N Abboud, M Ashby, G Travers, and P Winn had retention incentives incorporated into their employment contracts in September 2009 to apply after the listing of Myer. The amount shown represents the proportion of the total bonus payable that has been expensed in the current financial year in accordance with Accounting Standards. These incentives were paid only in the event the executive meets the conditions of the retention arrangements, which included continuing service and meeting performance standards as established by the Company. The incentives were paid in two parts totalling $500,000 (for N Abboud, M Ashby, G Travers and P Winn), the first payment of $170,000 was made 1 November 2010 and the second payment of $330,000 was made on 1 November 2011. The amount described reflects the amount amortised in FY2012.

6 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.

7 Remuneration in relation to share options represents the amount expensed for the period based on valuations determined under AASB 2 *Share-based Payments*. 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, which in FY2011 resulted in the write-back of prior period expenses, and therefore a negative remuneration amount for B Brookes and the KMP. As the equity grant may fully vest, partially vest or not vest at all, the benefit that the KMP ultimately realises is likely to be different to the amount disclosed in a particular year. The amount disclosed does not represent cash payments received in the period, and if vesting conditions are not met may result in reversal of the remuneration amount in a future period. There were no other equity-settled share-based payments and there were no cash-settled share-based payments.

8 T Flood retired as a director on 11 April 2012.

9 M Goddard was appointed on 13 March 2012.

10 N Abboud ceased employment with Myer on 18 September 2012.

11 P Winn ceased employment with Myer on 8 December 2011.

STI and LTI remuneration

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

	Total remuneration expense	Total fixed remuneration		At risk – STI		At risk – LTI[1]			
						Share options		Retention incentive	
Name	$	$	%	$	%	$	%	$	%
Executive Director									
B Brookes									
2012	3,084,720	2,001,299	65	–	0	1,083,421	35	–	0
2011	913,425	1,860,829	204	–	0	(947,404)	(104)	–	0
Key Management Personnel									
M Ashby									
2012	697,363	584,169	84	–	0	71,944	10	41,250	6
2011	658,467	525,257	80	–	0	(74,290)	(11)	207,500	31
M Goddard[2]									
2012	145,021	145,021	100	–	0	–	0	–	0
2011	–	–	0	–	0	–	0	–	0
G Travers									
2012	699,028	612,575	88	–	0	45,203	6	41,250	6
2011	651,338	577,662	89	–	0	(133,824)	(21)	207,500	32
N Abboud[3]									
2012	627,278	501,059	80	–	0	84,969	13	41,250	7
2011	627,246	504,979	81	–	0	(85,233)	(14)	207,500	33
P Winn[4]									
2012	220,717	306,488	139	–	0	(127,021)	(58)	41,250	19
2011	708,906	570,366	80	–	0	(68,960)	(9)	207,500	29
Totals 2012	**5,474,127**	**4,150,611**	**76**	**–**	**0**	**1,158,516**	**21**	**165,000**	**3**
Totals 2011	**3,559,382**	**4,039,093**	**113**	**–**	**0**	**(1,309,711)**	**(36)**	**830,000**	**23**

1 LTI was provided through the issue of options to individual executives under the MEIP. LTI allotments have been independently valued as at the date the option was granted to the executive. The proportions shown represent the amount expensed for the period under AASB 2 *Share-based Payments* as a proportion of total remuneration expense for the period. This amount also includes the current expense in relation to the retention bonuses. It does not reflect a cash payment to the executive under MEIP.
2 M Goddard was appointed 13 March 2012.
3 N Abboud ceased employment with Myer on 18 September 2012.
4 P Winn ceased employment with Myer on 8 December 2011.

Long Term Incentives – 2012 grant

In 2011, the Board approved a long term incentive plan, which is designed to encourage Myer's senior executives to create and deliver sustained shareholder returns and to reward executives. The plan involves the grant of performance rights under the MEIP, which provide the executive with the right to acquire a share in the Company if certain performance conditions are satisfied.

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 performance rights will lapse and no performance rights can vest.

The following table summarises the 2012 performance rights grants made to Key Management Personnel in October 2011.

KMP	Value of options at grant date $	Valuation of each option at grant date $	Number of options granted	Exercise price $	Applicable hurdles	Potential time of vesting
N Abboud[1]	141,000	1.67	84,431	Nil	EPS Hurdle	End of perf. period – July 2014
N Abboud[1]	141,000	1.08	130,555	Nil	TSR Hurdle	End of perf. period – July 2014
M Ashby	171,000	1.67	102,395	Nil	EPS Hurdle	End of perf. period – July 2014
M Ashby	171,000	1.08	158,333	Nil	TSR Hurdle	End of perf. period – July 2014
G Travers	171,000	1.67	102,395	Nil	EPS Hurdle	End of perf. period – July 2014
G Travers	171,000	1.08	158,333	Nil	TSR Hurdle	End of perf. period – July 2014

1 N Abboud ceased employment with Myer on 18 September 2012 and all options lapsed.

The plan involved the grant of performance rights under the MEIP, which provide the executive with the right to acquire a share in the Company if certain performance conditions are satisfied. The performance rights were granted to the executives participating in the MEIP at no cost and there is no cost to those executives if the performance rights are exercised.

Before the performance rights can be exercised, certain performance conditions need to be satisfied. These performance conditions are based on Myer's performance over a three-year period. If Myer performs better than its identified peer companies and certain minimum thresholds over that period are met then shareholders will benefit and executives will benefit as well by being provided with shares in the Company when the performance rights are exercised. 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 performance rights will lapse and no performance rights can vest. If a portion of the performance rights do not vest following the end of the performance period, then that portion of the performance rights that are unvested will lapse immediately and there will be no retesting at a later date.

During the performance period, participants will not be able to sell, assign or otherwise deal in their performance rights. They will not be entitled to any dividends or distributions or exercise any voting rights. Generally, the performance rights will lapse on cessation of employment if they have not been exercised (whether vested or unvested before that time). Subject to applicable law, the Board has the power to allow an executive to keep some, or all of their performance rights on cessation (although the discretion is only likely to be exercised, if at all, in exceptional circumstances).

FY2012 MEIP performance conditions

Other than for the CEO, who has additional hurdles as noted below, there are two performance conditions that apply to the FY2012 performance rights based on EPS and TSR performance. The performance rights are allocated on an equal weighting of 50 percent to each of the EPS Hurdle and the TSR Hurdle which are described below and these will be assessed separately, meaning that both hurdles do not need to be satisfied for any of an executive's performance rights to vest. This means that it is possible for some or all of the performance rights with an EPS Hurdle to vest, while none of the performance rights with a TSR Hurdle vest (and vice versa).

The EPS Hurdle

The EPS Hurdle seeks to align the interests of the holders of performance rights with the financial performance of the Company. It does this by providing that the EPS performance rights can only be exercised if the Company achieves the EPS Hurdle that has been set by the Board. The EPS Hurdle is based on a minimum achieved compound annual growth rate (CAGR) in the Company's fully diluted EPS over the performance period. The base number will be the Company's fully diluted EPS calculated on the Company's final audited results for the financial year ended 30 July 2011. The CAGR from this base will be calculated on the Company's fully diluted EPS using the Company's final audited results for the financial year ending 26 July 2014. The resulting CAGR will be used to determine the level of vesting for the performance rights with an EPS Hurdle.

The table below sets out the percentage of performance rights that will vest depending on the Company's performance against the EPS Hurdle over the performance period, with a linear progression through the various threshold points.

EPS Hurdle rate (compound annual growth over the performance period)	Proportion of EPS performance rights that will vest*
Less than 5 percent	Nil
At 5 percent	50 percent of the number of EPS performance rights
From 5 to 10 percent pro-rata vesting of rights	Pro-rata with a linear progression between 50 percent and up to 100 percent of the number of EPS performance rights e.g. at 7 percent compound annual growth rate, 70 percent of EPS performance rights vest
10 percent or greater	100 percent of the number of EPS performance rights

*The number of performance rights will be rounded down to the nearest whole number.

For the FY2013 grant of performance rights the Board has considered the CAGR EPS Hurdle with regard to the operating plan and financial objectives and the CAGR EPS hurdle will be adjusted to reflect these parameters with CAGR EPS annual rates being altered to 2 percent to 7 percent.

The TSR Hurdle

The TSR Hurdle also seeks to align the interests of the holders of performance rights with the interests of the Company's shareholders. It does this by providing that the performance rights will only be exercised if the TSR for shares compares favourably to the TSR for investments in a peer group of companies. The Board has established a peer group of companies against which the Company's TSR performance will be compared. TSR is a measure of the return or growth in the value of a share to a shareholder over a performance period on a share held for that period. It is the annualised return to shareholders, including all share price changes and reinvestment of distributions (including dividends). This figure is calculated pre-tax and combines share price and distributions (including dividends) paid to show the total return to the shareholder. The calculation assumes that the distribution is reinvested into shares on the day it is paid and at the close price on that day.

TSR was chosen as a performance measure after the Board sought independent remuneration advice from Mercer during the 2011 financial year. TSR was considered a relevant market-based performance measure used by many ASX listed companies.

The Board also considered the TSR Hurdle and determined that the current metric remains relevant for FY2013.

The TSR peer group

The table below sets out the peer group for the FY2012 MEIP offer. If any of these organisations cease to exist as entities at any time during the performance period, the size of the peer group may be maintained by additions determined by the Board.

In selecting the TSR peer group, the Board sought independent advice from Mercer. The composition of the group reflects measures of relative sales and market capitalisation as well as industry type that is complementary in nature to the Company's business. It includes companies that are consumer facing, have a service orientation and/or are retail in nature with either product or services provided as part of their core offer.

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

As a consequence of the takeover of Foster's Group Ltd by SAB Miller in December 2011, Foster's Group Ltd ceased to be part of the peer group for the purposes of LTI awards made in FY2012, leaving 23 comparator companies. Under the terms of the plan if any of the peer group organisations cease to exist as entities at any time during the performance period, the size of the peer group may be maintained by additions determined by the Myer Board. The Board considered the organisations in the peer group and determined that the size of the peer group (23) did not warrant any additions.

The table below sets out the percentage of the performance rights subject to a TSR Hurdle that will vest depending on the Company's performance against the TSR Hurdle over the performance period. For any of these performance rights to vest, the Company's TSR performance needs to be at least at the 50th percentile of the peer group for the performance period.

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

The performance rights offered to the CEO in 2011 under the MEIP have the same EPS Hurdle and TSR Hurdle although there will be two additional hurdles that the CEO must satisfy before any of these performance rights can be exercised, regardless of performance against the TSR and EPS Hurdles. These additional hurdles require the CEO to develop and deliver a succession plan for the role of the CEO by the conclusion of the performance period and to comply with the terms of his employment contract.

The Board has established a framework with the CEO that sets out the Board's expectations on delivery of a succession plan. This includes regular milestone reviews to assess progress against the succession plan.

If the succession plan is delivered before the expiry of the performance period and the Board elects to terminate the CEO's new contract early, the CEO may retain a pro-rated number of performance rights based on completed months of service of the contract period. Any pro-rata performance rights earned by the CEO must be retained until the expiry of the full performance period of three years, unless, subject to Board approval, there is a request by the CEO to exercise a proportion of his rights to meet any tax liability from the vesting of the rights.

Testing the TSR and EPS Hurdles

Following the end of the performance period for performance rights and after the Company has lodged its full year audited financial results for 2014 with the ASX, the Board will test the performance conditions and will determine how many performance rights (if any) are eligible to vest. There will be no retesting of the performance conditions at a later date if they are not fully satisfied.

Historical grants

The Company's LTI plan previously involved the grant of either options or performance rights under the MEIP. Under the terms of those plans, senior executives can only exercise their options or performance rights once the vesting conditions are satisfied. Executives who then wish to exercise any of their vested options must pay the relevant exercise price after which shares in the Company are provided to them. In the case of performance rights, if vesting conditions are met, the right automatically vests and a share in the Company is provided to them at no cost. Option or rights holders do not have the right to participate in any securities issues made by the Company although, consistent with the ASX Listing Rules; there is provision for adjustments in the event of certain capital actions made by the Company.

Since 2006, six offers of options and one offer of performance rights have been made to selected executives under the MEIP. Details of options granted under the MEIP that remain unvested as at 28 July 2012 are set out in the table below.

Financial year of offer	Grant date	Number of unvested options[1]	Exercise price $	Value per option at grant date $	Vesting date (if option holder remains employed by a Myer Group company)	Expiry date
2008	23 Jan 2008	2,241,505	3.00	0.37	31 Jul 2012	21 Dec 2012
2009	17 Dec 2008	403,000	2.14	0.43	31 Jul 2012	24 Oct 2013
2009	17 Dec 2008	2,165,063	2.14	0.43	31 Jul 2013	24 Oct 2013
2009	30 Jun 2009	190,800	2.34	0.49	31 Jul 2012	24 Oct 2014
2009	30 Jun 2009	190,800	2.34	0.49	31 Jul 2013	24 Oct 2014
2009	30 Jun 2009	2,772,300	2.34	0.49	31 Jul 2014	24 Oct 2014
2010 (CEO EPS options)	6 Nov 2009	5,152,671	4.10	1.31	End of perf. periods	31 Dec 2013
2010 (CEO share price options)	6 Nov 2009	2,227,723	5.74	1.01	End of perf. periods	31 Dec 2013
2010 (Snr Executive EPS options)	6 Nov 2009	2,521,009	4.10	1.19	End of perf. period	31 Dec 2012
2011			**No grants were made**			
2012 (CEO Performance EPS rights)	9 Dec 2011	808,383	Nil	1.67	End of perf. period	31 Oct 2014
2012 (CEO Performance TSR rights)	9 Dec 2011	1,250,000	Nil	1.08	End of perf. period	31 Oct 2014
2012 (Snr Executive EPS rights)	21 Oct 2011	1,297,858	Nil	1.67	End of perf. period	31 Oct 2014
2012 (Snr Executive TSR rights)	21 Oct 2011	2,006,646	Nil	1.08	End of perf. period	31 Oct 2014
Total		**23,227,758**				

1 In addition to the unvested options noted above, 4,428,275 options that have vested remain unexercised with a total of 27,656,033 options still on issue. Refer note 35 for details.

2011 grants

No grants were made in financial year 2011.

2010 grants Tranche A to D (CEO only)

- In November 2009, the Board approved an additional grant of options under the MEIP to Mr Brookes to the value of $9,000,000 (valued as at the grant date of 6 November 2009). The options were granted in four tranches, at no cost to Mr Brookes, and formed the long term incentive component of Mr Brookes' remuneration under his then new long term incentive arrangements. The independent valuation of each tranche of these options at the time of grant and the resulting number of options granted is shown in the following table. In total Mr Brookes was granted 7,380,394 options under these LTI arrangements.
- Three-quarters of the options are subject to a performance hurdle based on Myer's fully diluted earnings per share (EPS) (EPS Options) and one quarter of the options are subject to a performance hurdle based on Myer's share price (Share Price Options). Vesting of the options is also subject to a service condition – vesting will be subject to Mr Brookes remaining employed by the Group until the end of the relevant performance period. Each option is an entitlement to one share upon payment of the exercise price. For the EPS Options, the exercise price is $4.10 per option and for the Share Price Options, the exercise price $5.74 per option. Options which do not satisfy the vesting conditions will lapse on the expiry date.
- The Board considered that a combination of EPS and share price performance were the most appropriate hurdles for these options. In particular, the EPS Hurdle measures compound annual growth (CAGR) in EPS and was chosen based on a review of then market practice and the then lack of a valid peer group against which to measure the Group's performance on other hurdles such as Total Shareholder Return (TSR). Share price growth was selected to encourage Mr Brookes to focus on delivering results that lead to an improvement in the share price of Myer above the IPO price.

Performance hurdles for 2010 grants – Tranche A to D (CEO only)

Set out below is a summary of performance hurdles and performance periods applicable to each component of the CEO grant

Financial year of grant	Value of options at rant date $	Valuation of each option at grant date $	Number of options granted	Exercise price $	Applicable hurdles	Potential time of vesting
2010 Tranche A	5,400,000	1.31	4,122,137	4.10	EPS Hurdle[1]	End of First Performance Period. Retesting at end of Second Performance Period
2010 Tranche B	1,350,000	1.31	1,030,534	4.10	EPS Hurdle[1] and extended 12 month service condition	End of Second Performance Period
2010 Tranche C	1,800,000	1.01	1,782,178	5.74	Share Price Hurdle[2]	End of First Performance Period. Retesting at end of Second Performance Period
2010 Tranche D	450,000	1.01	445,545	5.74	Share Price Hurdle[3] and extended 12 month service condition	End of Second Performance Period

1 For both 2010 Tranche A and B options, performance against the EPS Hurdle has been measured at the end of the First Performance Period. The EPS Hurdle was not met at the end of the First Performance Period, the Tranche A and B options will be retested at the end of the Second Performance Period, measuring the Company's annual compound growth in EPS over the Second Performance Period applying the vesting schedule.

2 For 2010 Tranche C options, performance against the Share Price Hurdle has been measured at the end of the First Performance Period. The Share Price Hurdle was not met at the end of the First Performance Period, the 2010 Tranche C options will be retested at the end of the Second Performance Period.

3 For 2010 D options, performance against the Share Price Hurdle will be measured at the end of the Second Performance Period.

Performance periods for the CEO's 2010 options are as follows:

- the First Performance Period is the three financial years ending July 2012; and
- the Second Performance Period is the four financial years ending July 2013.

The vesting schedule and performance hurdles for the CEO's 2010 EPS options are as follows:

Compound annual growth rate in EPS over the performance period	Proportion of EPS options that will vest
At 10 percent	33.33 percent
Between 10 percent and 12.5 percent	Pro-rata vesting between 33.33 percent and 66.66 percent
At 12.5 percent	66.66 percent
Between 12.5 percent and 15 percent	Pro-rata vesting between 66.66 percent and 100 percent
At or above 15 percent	100 percent

The base EPS used for the purpose of determining the compound annual growth rate is 23.5 cents, representing FY2009 fully diluted EPS, adjusted to a proforma basis consistent with the capital structure of the Group post IPO.

The Share Price Options hurdle will be satisfied if the market price of the Company's shares exceeds $5.74 at the end of the relevant performance period. For these purposes, the market price of the Company's shares will be the volume weighted average price of the shares quoted on the ASX over one calendar month prior to the expiry of the relevant performance period.

Assessment

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

As at the date of this report these options are not likely to vest as the EPS target is unlikely to be achieved.

2010 Tranche E – offered to senior executives (other than the CEO) in November 2009

In November 2009, the Board approved a grant of options under MEIP to selected individuals to the value of $4,100,000 (valued as at the grant date of 6 November 2009). These options were independently valued at $1.19 each as at the date of grant, resulting in a grant of 3,445,379 options in total. These options were subject to satisfaction of an EPS performance hurdle based on a compound annual growth rate in EPS of 10% over the performance period ended 28 July 2012. These options will lapse to the extent the EPS performance hurdle is not satisfied. The EPS hurdle was selected as an appropriate measure to create and deliver sustainable shareholder returns.

As with other options granted under the MEIP, each option entitles the holder to acquire one fully paid ordinary share in the Company, subject to the satisfaction of the relevant performance conditions and the payment of the exercise price. For the 2010 Tranche E Options the exercise price is $4.10. The performance period for these options expired on 28 July 2012 and the performance metrics are tested on the audited results of the three-year performance period. As at the date of this report these options are not likely to vest as the EPS target is unlikely to be achieved.

The following table summarises the 2010 Tranche E grants made to Key Management Personnel in November 2009.

KMP	Value of options at grant date $	Valuation of each option at grant date $	Number of options granted	Exercise price $	Applicable hurdles	Potential time of vesting
M Ashby	500,000	1.19	420,168	4.10	EPS Hurdle	End of perf. period – July 2012
G Travers	500,000	1.19	420,168	4.10	EPS Hurdle	End of perf. period – July 2012
N Abboud[1]	500,000	1.19	420,168	4.10	EPS Hurdle	End of perf. period – July 2012
P Winn[2]	500,000	1.19	420,168	4.10	EPS Hurdle	End of perf. period – July 2012

1 N Abboud ceased employment with Myer on 18 September 2012 and all options will lapse in accordance with the terms of the relevant plan.
2 P Winn ceased employment with Myer on 8 December 2011 and all options lapsed.

The applicable performance period was the three financial years for the Company ending July 2012.

The calculation of the compound annual growth rate in EPS is based on growth from the proforma FY2009 fully diluted EPS of 23.5 cents, consistent with 2010 Tranche A and 2010 Tranche B grants to the CEO described above.

Details of options over ordinary shares in the Company currently provided as remuneration and granted during the current year to each director and each of KMP are set out on page 59 of this report. Further information on the MEIP is set out in note 35 to the financial statements.

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

Name	Number of options granted during the period	Value of options at grant date	Number of options vested during the period[2]	Number of options lapsed during the period	Value at lapsed date $
Directors of Myer Holdings Limited					
H McDonald	–	–	26,667	–	–
B Brookes	2,058,383	2,700,000	–	–	–
A Brennan	–	–	–	–	–
T Flood	–	–	10,000	–	–
C Froggatt	–	–	–	–	–
P Hay	–	–	–	–	–
R Myer	–	–	–	–	–
Key Management Personnel of the Company					
M Ashby	260,728	342,000	333,333	–	–
M Goddard	–	–	–	–	–
G Travers	260,728	342,000	58,668	–	–
N Abboud	214,986	282,000	35,868	–	–
P Winn[1]	–	–	–	1,320,168	368,475

1 P Winn ceased employment with Myer on 8 December 2011.

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

Shares provided on exercise of options

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

Name	Number of ordinary shares provided on exercise of options during the period[1]	Value at exercise date[2] $
Directors of Myer Holdings Limited		
H McDonald	26,667	21,600
B Brookes	–	–
A Brennan	–	–
T Flood	10,000	8,500
C Froggatt	–	–
P Hay	–	–
R Myer	–	–
Key Management Personnel of the Company		
N Abboud	5,868	12,088
M Ashby	–	–
M Goddard	–	–
G Travers	58,668	120,856
P Winn	–	–

1 The value at exercise date of options that were granted in prior periods as part of remuneration and were exercised during the year has been determined as the intrinsic value of the options at that date. This represents the excess of market value of the share acquired over the exercise price paid.
2 The number of shares provided on exercise of options are on a one for one basis.

The amounts paid per ordinary share by directors and other KMP on the exercise of options at the date of exercise were as follows:

Financial year of grant	Number of ordinary shares provided on exercise of options during the period	Amount paid per share on exercise of options $
2008	36,667	1.27
2007	64,536	0.01

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

Details of remuneration: bonuses and share-based compensation benefits

For each bonus, grant of options or grant of performance rights included in this report, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage and value that was forfeited because the person did not meet the service and performance criteria is set out below. Bonuses are payable in the year following the period in which they are earned. Options and performance rights vest provided the vesting conditions or performance hurdles are met (see pages 53 to 57). No options or performance rights will vest if the conditions (either service or performance) are not satisfied, therefore the minimum value of the options or performance rights yet to vest is nil. The maximum value of the options or performance rights yet to vest has been determined as the amount of the grant date fair value of the options or performance rights that is yet to be expensed.

	STI / Bonus[1]				Share-based compensation benefits (options)				
Name	Achieved 2012 %	Forfeited 2012 %	Target value 2012 $	Forfeited value 2012 $	Year granted	Vested %	Forfeited %	The remaining financial years in which options may vest	Maximum total value of grant yet to vest $
H McDonald	–	–	–	–	2008	100	–	2012	–
B Brookes	–	100	1,800,000	1,800,000	2012	–	–	2015	1,041,124
					2010	–	–	2013–2014	118,812
					2007	100	–	2011	–
T Flood	–	–	–	–	2008	100	–	2012	–
M Ashby	–	100	420,000	420,000	2012	–	–	2015	125,797
					2010	–	–	2013	–
					2008	67	–	2012–2013	–
M Goddard[2]	–	100	95,000	95,000	–	–	–	–	–
G Travers	–	100	420,000	420,000	2012	–	–	2015	125,797
					2010	–	–	2013	–
					2007	100	–	2012	–
N Abboud[3]	–	100	339,500	339,500	2012	–	–	2015	103,727
					2010	–	–	2013	–
					2009	–	–	2014–2015	72,733
					2008	67	–	2012–2013	–
					2007	100	–	2012	–
P Winn[4]	–	100	–	–	2010	–	100	2013	–
					2009	–	100	2014–2015	–
					2008	67	100	2012–2013	–

1 The % of STIs achieved and forfeited for 2012 are based on performance against 'at target' performance as explained on page 47.
2 M Goddard was appointed on 13 March 2012.
3 N Abboud ceased employment with Myer on 18 September 2012 and all options will lapse in accordance with the terms of the relevant plan.
4 P Winn ceased employment with Myer on 8 December 2011.

Loans to directors and executives

Information on any loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 24(c) to the financial statements.

Dealing in securities

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

FINANCIAL REPORT

for the period ended 28 July 2012

Myer Holdings Limited
ABN 14 119 085 602

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of Myer Holdings Limited and its subsidiaries. The financial statements are presented in the Australian currency.

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 39 to 43, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 10 October 2012. The directors have the power to amend and reissue the financial statements.

Consolidated income statement

for the period ended 28 July 2012

	Notes	2012 52 weeks $'000	2011 52 weeks $'000
Total sales value (excluding GST)	5	**3,119,119**	3,158,774
Concession sales		**(467,207)**	(451,867)
Sale of goods (excluding GST)	5	**2,651,912**	2,706,907
Sales revenue deferred under customer loyalty program		**(39,212)**	(40,104)
Revenue from sale of goods (excluding GST)	5	**2,612,700**	2,666,803
Other operating revenue (excluding finance revenue)	5	**113,451**	109,529
Cost of goods sold		**(1,464,574)**	(1,551,112)
Other income	5	**26,844**	46,410
Operating gross profit		**1,288,421**	1,271,630
Selling expenses		**(756,035)**	(717,063)
Administration expenses		**(302,413)**	(295,633)
Store closure and restructuring costs	6	**(18,450)**	(10,476)
Write-back of fixed lease rental increases provision	6	**23,109**	–
Profit on sale of financial asset	5	**–**	11,680
Earnings before interest and tax before non-recurring IPO transaction costs and related charges		**234,632**	260,138
Finance revenue	5	**4,499**	3,266
Finance costs	6	**(34,263)**	(38,747)
Net finance costs		**(29,764)**	(35,481)
Profit before income tax before non-recurring IPO transaction costs and related charges		**204,868**	224,657
Income tax expense	7	**(63,801)**	(61,470)
Profit for the period before non-recurring IPO transaction costs and related charges		**141,067**	163,187
Initial Public Offering (IPO) transaction costs and other non-recurring IPO related charges (after tax)	6	**–**	(3,522)
Profit for the period		**141,067**	159,665
Profit is attributable to:			
Owners of Myer Holdings Limited		**139,365**	159,724
Non-controlling interests		**1,702**	(59)
		141,067	159,665

	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	**23.9**	27.4
Diluted earnings per share	**23.7**	27.3

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

Consolidated statement of comprehensive income

for the period ended 28 July 2012

	Notes	2012 52 weeks $'000	2011 52 weeks $'000
Profit for the period		**141,067**	159,665
Other comprehensive income			
Cash flow hedges	22(b)	**(509)**	(2,893)
Actuarial gains/(losses) on retirement benefit obligation		**–**	183
Exchange differences on translation of foreign operations	22(b)	**66**	(85)
Income tax relating to components of other comprehensive income	7(d)	**(535)**	106
Other comprehensive income for the period, net of tax		**(978)**	(2,689)
Total comprehensive income for the period		**140,089**	156,976
Total comprehensive income for the period is attributable to:			
Owners of Myer Holdings Limited		**138,317**	157,121
Non-controlling interests		**1,772**	(145)
		140,089	156,976

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

Consolidated balance sheet

as at 28 July 2012

	Notes	2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**38,058**	37,274
Trade and other receivables	9	**17,712**	24,385
Inventories	10	**385,702**	381,261
Total current assets		**441,472**	442,920
Non-current assets			
Derivative financial instruments	11	**–**	258
Property, plant and equipment	12	**515,482**	535,139
Deferred tax assets	13	**21,115**	47,380
Intangible assets	14	**936,149**	943,880
Other		**3,975**	4,554
Total non-current assets		**1,476,721**	1,531,211
Total assets		**1,918,193**	1,974,132
LIABILITIES			
Current liabilities			
Trade and other payables	15	**397,137**	412,202
Derivative financial instruments	11	**2,490**	7,476
Current tax liabilities		**15,191**	33,897
Provisions	16	**85,957**	90,586
Other		**2,094**	4,199
Total current liabilities		**502,869**	548,360
Non-current liabilities			
Borrowings	17	**421,193**	419,591
Derivative financial instruments	11	**1,785**	–
Provisions	19	**15,439**	49,391
Deferred income		**69,821**	62,448
Other	20	**29,406**	33,012
Total non-current liabilities		**537,644**	564,442
Total liabilities		**1,040,513**	1,112,802
Net assets		**877,680**	861,330
EQUITY			
Contributed equity	21	**519,776**	519,479
Retained profits/(losses)	22	**363,357**	349,396
Reserves	22	**(14,800)**	(15,120)
Capital and reserves attributable to owners of Myer Holdings Limited		**868,333**	853,755
Non-controlling interests		**9,347**	7,575
Total equity		**877,680**	861,330

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

Consolidated statement of changes in equity

for the period ended 28 July 2012

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total $'000
Balance as at 31 July 2010		517,128	19,842	320,470	–	857,440
Total comprehensive income for the period		–	(2,872)	159,907	(59)	156,976
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	21	2,351	–	–	–	2,351
Put option to acquire non-controlling interest	22	–	(31,650)	–	–	(31,650)
Non-controlling interest on acquisition of subsidiary		–	–	–	7,634	7,634
Dividends provided for or paid	23	–	–	(130,981)	–	(130,981)
Employee share options	22	–	(440)	–	–	(440)
		2,351	(32,090)	(130,981)	7,634	(153,086)
Balance as at 30 July 2011		519,479	(15,120)	349,396	7,575	861,330
Total comprehensive income for the period		**–**	**(1,048)**	**139,365**	**1,772**	**140,089**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	21	**297**	**–**	**–**	**–**	**297**
Dividends provided for or paid	23	**–**	**–**	**(125,404)**	**–**	**(125,404)**
Employee share options	22	**–**	**1,368**	**–**	**–**	**1,368**
		297	**1,368**	**(125,404)**	**–**	**(123,739)**
Balance as at 28 July 2012		**519,776**	**(14,800)**	**363,357**	**9,347**	**877,680**

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

Consolidated statement of cash flows

for the period ended 28 July 2012

	Notes	2012 52 weeks $'000	2011 52 weeks $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,038,360**	3,095,328
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,805,122)**	(2,865,443)
		233,238	229,885
Other income		**36,208**	54,200
Interest paid		**(32,169)**	(38,190)
Tax paid		**(57,363)**	(18,844)
Net cash inflow from operating activities	32	**179,914**	227,051
Cash flows from investing activities			
Proceeds from sale of financial asset		**–**	13,280
Payments for property, plant and equipment		**(48,715)**	(136,542)
Acquisition of subsidiary		**–**	(40,374)
Acquisition of brands		**(8,413)**	(2,070)
Payments for intangible assets		**(10,189)**	(7,633)
Proceeds from sale of software		**2,696**	–
Lease incentives received		**16,750**	6,109
Return of capital received from investment		**–**	4,404
Interest received		**1,462**	2,176
Net cash (outflow) inflow from investing activities		**(46,409)**	(160,650)
Cash flows from financing activities			
Proceeds from borrowings net of transaction costs		**(115)**	(2,500)
Repayments of employee share loans		**3**	115
Proceeds from the issue of shares		**297**	2,351
Payment of costs of Initial Public Offering		**(7,502)**	(3,946)
Dividends paid	23	**(125,404)**	(130,981)
Net cash (outflow) from financing activities		**(132,721)**	(134,961)
Net increase (decrease) in cash and cash equivalents		**784**	(68,560)
Cash and cash equivalents at the beginning of the financial period		**37,274**	105,834
Cash and cash equivalents at end of period	8	**38,058**	37,274

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

Notes to the financial statements

for the period ended 28 July 2012

Contents of the notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements 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.

(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 and the *Corporations Act 2001*. Myer Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRSs

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).

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 31 July 2011.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates

The preparation of financial statements in conformity with accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Myer Holdings Limited ("Company" or "parent entity") as at 28 July 2012 and the results of all subsidiaries for the period then ended. Myer Holdings Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the 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, statement of changes in equity and balance sheet respectively.

(ii) Employee Share Trust

The Group has formed a 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 Myer Equity Plans Trust are disclosed as treasury shares and deducted from contributed equity.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

1. Summary of significant accounting policies *continued*

(d) Foreign currency translation *continued*

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange difference is reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

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

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

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

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

Customer loyalty program

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

(f) Income tax

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

(g) Leases

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 27). 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. There were no finance leases in place during the reporting period.

(h) Business combinations

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

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

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

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

(i) Impairment of 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 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 groups of assets (cash generating units). For store assets, the appropriate cash-generating unit is an individual store. Non-financial assets other than goodwill that have previously suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

(l) Inventories

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

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

(m) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (note 9).

1. Summary of significant accounting policies *continued*

(m) Investments and other financial assets *continued*

(iii) Held to maturity investments

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

(iv) Available for sale financial assets

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

Recognition and derecognition

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

Measurement

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

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

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

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

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Impairment

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

(n) Derivatives and hedging activities

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

The 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. 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 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.

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

(iii) Derivatives that do not qualify for hedge accounting

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

(o) Property, plant and equipment

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

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

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

- Buildings 40 years
- Fixtures and fittings 3 – 12.5 years
- Plant and equipment 10 – 20 years
- Leasehold improvements 20 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

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

Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

(p) Intangible assets

(i) Goodwill

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

(ii) Brand names and trademarks

Certain Group brands are considered to have indefinite lives. These brands are not considered to have foreseeable brand maturity dates, and have accordingly been assessed as having indefinite useful lives and are therefore not amortised. Instead, the 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.

Other brands have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of brands over their estimated useful life of 20 years.

(iii) Computer software

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

(iv) Lease rights

Lease rights represent the amount paid up-front to take over store site leases from the existing lessee where such payments are in addition to the ongoing payment of normal market lease rentals. Lease rights are amortised over the term of the lease plus any renewal options reasonably certain to be utilised at the time of acquisition of the lease rights, being 13 to 17 years.

(q) Trade and other payables

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

1. Summary of significant accounting policies *continued*

(r) Borrowings

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

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

(s) Borrowing costs

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

(t) Provisions

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

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

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

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

(u) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Retirement benefit obligations

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

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

A liability or asset in respect of the defined benefit fund is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of the fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the end of the reporting period, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(iv) Profit sharing and bonus plans

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

(v) Termination benefits

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

(vi) Share-based payments

Share-based compensation benefits are provided to employees via the Myer Equity Incentive Plan. Information relating to these schemes is set out in note 35.

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

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

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

(v) Contributed equity

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

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

(w) Dividends

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

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- 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 (note 21).

(ii) Diluted earnings per share

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

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

(y) Goods and Services Tax (GST)

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

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

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

(z) Rounding of amounts

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

1. Summary of significant accounting policies *continued*

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 28 July 2012 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations, that were considered relevant for the consolidated entity, is set out below.

(i) AASB 9 *Financial Instruments 2009-11 Amendments to Australian Accounting Standards arising from* AASB 9 and AASB 2010-7 *Amendments to Australian Accounting Standards arising from* AASB 9 *(December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no 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 derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities,* revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group does not have any joint ventures.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group does not expect these amendments to make a material impact.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from* AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Group does not expect these amendments to make a material impact.

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

(ab) Parent entity financial information

The financial information for the parent entity, Myer Holdings Limited, disclosed in note 33 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

(ac) Comparative amounts

Where current period balances have been classified differently within current period disclosures when compared to the prior period, comparative disclosures have been restated to ensure consistency of presentation between periods.

2. Financial risk management

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

To minimise the effects of a volatile and unpredictable exchange rate Group policy is to enter into forward exchange contracts in relation to the Group's overseas purchases for any 12-month period. The actual level of cover taken fluctuates depending on the period until settlement of the foreign currency transaction, within the board approved hedging policy. This policy allows cover to be taken on a sliding scale between 25 – 100% depending on the period to maturity (up to 12 months).

2. Financial risk management *continued*

(a) Market risk *continued*

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	28 July 2012			30 July 2011		
	USD $'000	EURO $'000	GBP $'000	USD $'000	EURO $'000	HKD $'000
Trade payables	**11,987**	**350**	**15**	13,208	264	82
Forward exchange contracts	**113,550**	**–**	**–**	76,350	–	–

The parent entity's financial assets and liabilities are denominated in Australian dollars.

Group sensitivity

Based on the financial instruments held at 28 July 2012, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the period would have been $0.7 million higher/$0.9 million lower (2011: $0.7 million higher/$0.9 million lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the above table.

Other components of equity would have been $6.4 million higher/$7.0 million lower (2011: $3.6 million higher/$3.4 million lower) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising from foreign exchange contracts designated as cash flow hedges. The Group's exposure to other foreign exchange movements is not material.

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

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The risks are managed by the use of floating to fixed interest rate swap contracts. During the period, the Group policy was to fix the rates between 0 to 30% of its Term Debt Facility. This policy had been complied with at the period end.

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

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

	28 July 2012		30 July 2011	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Borrowings – Variable	**5.2%**	**421,193**	6.7%	419,591
Interest rate swaps (notional principal amount)	**5.6%**	**(100,000)**	6.2%	(80,000)
Net exposure to cash flow interest rate risk		**321,193**		339,591

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

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

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

At 28 July 2012, if interest rates had changed by +/ – 10% from the period end rates with all other variables held constant, post-tax profit for the period would have been $0.8 million higher/$0.8 million lower (2011: change of +/ – 10%: $1.2 million higher/$1.2 million lower), mainly as a result of higher/lower interest expense on borrowings.

Other components of equity would have been $0.6 million lower/$0.6 million higher (2011: $0.3 million lower/$0.3 million higher) mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

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

(b) Credit risk

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

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as disclosed in notes 8, 9, and 11.

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

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

	Consolidated	
	2012 $'000	**2011 $'000**
Cash at bank and short-term bank deposits		
AAA	**–**	–
AA	**38,058**	37,274
A	**–**	–
	38,058	37,274
Derivative financial assets		
AAA	**–**	–
AA	**–**	258
A	**–**	–
	–	258

(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:

	Consolidated	
	2012 $'000	**2011 $'000**
Floating rate		
Expiring within one year (revolving cash advance facility)	**30,000**	50,000
Expiring beyond one year (revolving cash advance facility)	**200,000**	200,000
	230,000	250,000

The long-term revolving cash advance facility has two tranches each comprising $100 million and are set to expire 2 June 2014 and 2 June 2015 respectively. The long-term revolving cash advance facilities may be drawn at any time and are subject to the Group continuing to meet its covenants. At balance date these facilities remain undrawn.

In addition to the above, in the prior year the Group entered into a 1 year $50 million revolving credit facility on 13 April 2011 for the purpose of funding the acquisition of the sass & bide business. This facility has now been reduced to a $30 million revolving credit facility and extended for an additional year.

2. 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 $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
28 July 2012							
Non-derivatives							
Non-interest bearing	**397,137**	**–**	**27,553**	**–**	**–**	**424,690**	**424,690**
Variable rate	**11,247**	**11,219**	**22,938**	**443,649**	**–**	**489,053**	**421,193**
Fixed rate	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total non-derivatives	**408,384**	**11,219**	**50,491**	**443,649**	**–**	**913,743**	**845,883**
Derivatives							
Net settled (interest rate swaps)	**195**	**193**	**226**	**(42)**	**–**	**572**	**1,785**
Gross settled							
– (inflow)	**(74,075)**	**(35,197)**	**(445)**	**–**	**–**	**(109,717)**	**–**
– outflow	**75,952**	**36,277**	**449**	**–**	**–**	**112,678**	**2,490**
Total derivatives	**2,072**	**1,273**	**230**	**(42)**	**–**	**3,533**	**4,275**

Contractual maturities of financial liabilities	Less than 6 months $'000	6 – 12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
30 July 2011							
Non-derivatives							
Non-interest bearing	414,935	–	–	31,650	–	446,585	446,585
Variable rate	5,742	20,462	24,396	471,799	–	522,399	419,591
Fixed rate	–	–	–	–	–	–	–
Total non-derivatives	420,677	20,462	24,396	503,449	–	968,984	866,176
Derivatives							
Net settled (interest rate swaps)	(135)	148	–	–	–	13	(258)
Gross settled							
– (inflow)	(54,518)	(15,570)	–	–	–	(70,088)	–
– outflow	61,463	16,726	–	–	–	78,189	7,476
Total derivatives	6,810	1,304	–	–	–	8,114	7,218

(d) Fair value measurements

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liabilities either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities measured and recognised at fair value at 28 July 2012 and 30 July 2011.

Group – at 28 July 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Derivatives used for hedging	–	**4,275**	–	**4,275**
Total liabilities	–	**4,275**	–	**4,275**

Group – at 30 July 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	–	258	–	258
Total assets	–	258	–	258
Liabilities				
Derivatives used for hedging	–	7,476	–	7,476
Total liabilities	–	7,476	–	7,476

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. The Group uses quoted market prices or dealer quotes of similar instruments in order to estimate fair value for long-term debt instruments held. 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 instruments are included in level 2 and comprise derivative financial instruments.

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

3. Critical accounting estimates and judgements

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

(a) Critical accounting estimates and assumptions

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

(i) Income taxes

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

(ii) Impairment

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

(iii) Recoverable amount of inventory

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

4. Segment information

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

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

As a result of the acquisition of sass & bide during the prior year, the Group also undertakes activities outside the department store retail business. On the basis that this aspect of the business represents less than 10% of the total Group's operations, it has not been disclosed as a separate reporting segment.

5. Revenue and other income

	Consolidated	
	2012 52 weeks $'000	**2011 52 weeks $'000**
Revenue from continuing operations		
Sales revenue		
Total sales value (excluding GST)	**3,119,119**	3,158,774
Concession sales	**(467,207)**	(451,867)
Sale of goods (excluding GST)	**2,651,912**	2,706,907
Sales revenue deferred under customer loyalty program	**(39,212)**	(40,104)
Revenue from sale of goods (excluding GST)	**2,612,700**	2,666,803
Other revenue		
Concessions revenue	**113,305**	109,329
Rental revenue	**146**	200
	113,451	109,529
Finance revenue		
Interest revenue	**1,499**	2,169
Remeasurement of financial liability	**3,000**	1,097
Finance revenue	**4,499**	3,266
Total revenue	**2,730,650**	2,778,501
Other income from continuing operations		
Other	**26,844**	46,410
	26,844	46,410

Other income from continuing operations includes revenue in relation to the financial services business, forfeited lay-by deposits, customer delivery fees, commission on EFT transactions, gift card non-redemption income and the 2011 financial year included profit underpinning received in relation to the Myer Melbourne store redevelopment.

Profit on sale of financial asset		
Net profit on sale of financial asset	–	11,680

In the prior period, the Group disposed of its interest in equity securities of Harsyn Pty Ltd (holding company of Harris Scarfe Australia Pty Ltd) and Australian Geographic Retail Pty Ltd.

6. Expenses

	Consolidated 2012 52 weeks $'000	Consolidated 2011 52 weeks $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Defined contribution superannuation expense	**35,443**	32,653
Other employee benefits expenses	**407,225**	380,965
Total employee benefits expenses	**442,668**	413,618
Total depreciation, amortisation, write-off expense	**81,858**	78,981
Finance costs		
Interest and finance charges paid/payable	**34,113**	37,961
Fair value (gains)/losses on interest rate swap cash flow hedges – transfer from equity	**150**	(311)
Finance costs expensed	**34,263**	37,650
Rental expense relating to operating leases		
Minimum lease payments	**193,142**	187,311
Contingent rentals	**6,249**	8,287
Total rental expense relating to operating leases	**199,392**	195,598
Foreign exchange (gains)/losses		
Net foreign exchange (gains)/losses	**(8,320)**	(3,984)
Net loss/(gain) on foreign currency derivatives not qualifying as hedges	**–**	–
	(8,320)	(3,984)
Impairment of assets – inventory	**15,413**	17,479
Store closure costs and restructuring costs	**18,450**	10,476

Store closure and restructuring costs represents redundancy costs and the write-down or impairment of assets and inventory associated with the decision to exit stores and certain business categories.

Write-back of fixed lease rental increases provision	**(23,109)**	–

Due to the signing of a new lease for a store, the fixed lease rental increase provision for this store has been written back to the income statement.

Profit for the period includes the following items that are unusual because of their nature, size or incidence.		
Expenses incurred in relation to the Initial Public Offering of shares in the Company, classified as:		
– Administration expenses	**–**	5,031
– Net finance costs	**–**	–
Total expenses incurred in relation to the Initial Public Offering of shares in the Company	**–**	5,031
Less: Applicable income tax benefit	**–**	(1,509)
	–	3,522

In 2010, the Company listed on the Australian Securities Exchange (ASX). The Initial Public Offering of shares in the Company resulted in the Company incurring significant one-off expenses during prior periods that do not form part of the ongoing operations of the business. Costs categorised as Administration expenses in the prior period represent the retention bonuses payable to key staff as a result of the listing of the Company.

7. Income tax expense

	Consolidated 2012 52 weeks $'000	Consolidated 2011 52 weeks $'000
(a) Income tax expense		
Current tax	**38,071**	42,616
Deferred tax	**25,730**	17,346
	63,801	59,962
Income tax expense is attributable to:		
Profit from continuing operations	**63,801**	59,962
Aggregate income tax expense	**63,801**	59,962
Income tax expense from operations before IPO costs	**63,801**	61,470
Income tax benefit on IPO costs	**–**	(1,508)
	63,801	59,962
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 13)	**16,679**	12,739
(Decrease) increase in deferred tax liabilities (note 18)	**9,051**	4,607
	25,730	17,346
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense including IPO transaction costs and other non-recurring IPO related charges and before income tax expense	**204,868**	219,626
Tax at the Australian tax rate of 30% (2011: 30%)	**61,460**	65,888
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible acquisition costs	**–**	228
Non-deductible entertainment	**32**	26
Impairment loss on intangible assets	**3,226**	–
Sundry items	**(724)**	(531)
	63,994	65,611
Adjustments for current tax of prior periods	**(193)**	(5,649)
Income tax expense	**63,801**	59,962
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity (note 22(b))	**(587)**	969
	(587)	969
(d) Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges	**(535)**	106
	(535)	106

8. Current assets – Cash and cash equivalents

	Consolidated	
	2012 $'000	2011 $'000
Cash on hand	**2,945**	3,046
Cash at bank	**35,113**	34,228
	38,058	37,274

Risk exposure

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

9. Current assets – Trade and other receivables

	Consolidated	
	2012 $'000	2011 $'000
Trade receivables	**5,235**	5,409
Provision for impairment of receivables (note(a))	**(411)**	(702)
	4,824	4,707
Other receivables	**4,803**	12,469
Prepayments	**8,085**	7,209
	12,888	19,678
	17,712	24,385

(a) Impaired trade receivables

As at 28 July 2012 current trade receivables of the Group with a nominal value of $411 thousands (2011: $702 thousands) were impaired. The amount of the provision was $411 thousands (2011: $702 thousands). The individually impaired receivables mainly relate to wholesalers.

The ageing of these receivables is as follows:

	Consolidated	
	2012 $'000	2011 $'000
Up to 3 months	**19**	45
Over 3 months	**392**	657
	411	702

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2012 $'000	2011 $'000
Opening balance	**702**	290
Provision for impairment recognised during the period	**58**	456
Receivables written off during the period as uncollectible	**(309)**	(16)
Unused amount reversed	**(40)**	(28)
Closing balance	**411**	702

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

(b) Past due but not impaired

As of 28 July 2012, trade receivables of $1,806 thousands (2011: $721 thousands) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2012 $'000	2011 $'000
Up to 3 months	**1,720**	483
Over 3 months	**86**	238
	1,806	721

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

(c) Foreign exchange and interest rate risk

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

(d) Fair values and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the financial risk management policy of the Group and the credit quality of the entities' trade receivables.

10. Current assets – Inventories

	Consolidated	
	2012 $'000	2011 $'000
Retail inventories	**385,702**	381,261

11. Derivative financial instruments

	Consolidated	
	2012 $'000	**2011 $'000**
Non-current assets		
Interest rate swap contracts (i)	–	258
Total non-current derivative financial instrument assets	–	258
Current liabilities		
Forward foreign exchange contracts (ii)	**2,490**	7,476
Total current derivative financial instrument liabilities	**2,490**	7,476
Non-current liabilities		
Interest rate swap contracts (i)	**1,785**	–
Total non-current derivative financial instrument liabilities	**1,785**	–

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

(i) Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 5.19% (2011: 6.66%). It is 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 24% (2011: 19%) of the Group's debt facility (refer to note 17 for details of the Group's borrowings). The notional principal amounts used in the swap agreements match the terms of the debt facilities. In relation to the debt facilities the fixed interest rates range between 3.985% and 3.990% (2011: 4.35% and 4.75%) and the variable rates under the swap agreements are the Bank Bill Swap Rate bid (BBSY Bid).

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

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the income statement when the hedged interest expense is recognised. In the period ended 28 July 2012 nil was reclassified in profit and loss (2011: nil) and included in finance cost. There was no hedge ineffectiveness in the current period.

(ii) Forward exchange contracts – cash flow hedges

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

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

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

During the period ended 28 July 2012 a gain of $0.1 million (2011: gain of $1.8 million) was reclassified from equity and included in the cost of inventory. There was no hedge ineffectiveness in the current or prior period.

(b) Risk exposures

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

12. Non-current assets – Property, plant and equipment

Consolidated	Freehold land $'000	Freehold buildings $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
At 31 July 2010						
Cost	10,100	19,500	343,035	193,125	73,823	639,583
Accumulated depreciation	–	(2,031)	(114,206)	(55,296)	–	(171,533)
Net book amount	10,100	17,469	228,829	137,829	73,823	468,050
Period ended 30 July 2011						
Opening net book amount	10,100	17,469	228,829	137,829	73,823	468,050
Acquisition of subsidiary	–	–	235	3,974	10	4,219
Additions	–	–	12,254	11,942	80,909	105,105
Transfer between classes	–	–	99,566	53,026	(135,241)	17,351
Assets written off – cost	–	–	(2)	797	–	795
Assets written off – accumulated depreciation	–	–	2	(797)	–	(795)
Depreciation charge	–	(488)	(39,320)	(19,778)	–	(59,586)
Closing net book amount	10,100	16,981	301,564	186,993	19,501	535,139
At 30 July 2011						
Cost	10,100	19,500	455,088	262,864	19,501	767,053
Accumulated depreciation	–	(2,519)	(153,524)	(75,871)	–	(231,914)
Net book amount	10,100	16,981	301,564	186,993	19,501	535,139
Period ended 28 July 2012						
Opening net book amount	**10,100**	**16,981**	**301,564**	**186,993**	**19,501**	**535,139**
Additions	**–**	**–**	**14,378**	**14,340**	**22,510**	**51,228**
Transfer between classes	**–**	**–**	**(48,224)**	**59,782**	**(21,668)**	**(10,110)**
Assets written off – cost	**–**	**–**	**(37,022)**	**(2,845)**	**–**	**(39,867)**
Assets written off – accumulated depreciation	**–**	**–**	**36,261**	**2,589**	**–**	**38,850**
Depreciation charge	**–**	**(487)**	**(28,616)**	**(29,655)**	**–**	**(58,758)**
Impairment loss	**–**	**–**	**(1,000)**	**–**	**–**	**(1,000)**
Closing net book amount	**10,100**	**16,494**	**237,341**	**231,204**	**20,343**	**515,482**
At 28 July 2012						
Cost	**10,100**	**19,500**	**384,220**	**334,140**	**20,343**	**768,303**
Accumulated depreciation	**–**	**(3,006)**	**(146,879)**	**(102,936)**	**–**	**(252,821)**
Net book amount	**10,100**	**16,494**	**237,341**	**231,204**	**20,343**	**515,482**

13. Non-current assets – Deferred tax assets

	Consolidated 2012 $'000	Consolidated 2011 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**19,839**	17,770
Non-employee provisions	**5,805**	19,347
Deferred income	**640**	2,204
Amortising deductions	**9,090**	14,520
Other	**15,697**	14,241
Tax losses	**332**	–
	51,403	68,082
Set off of deferred tax liabilities pursuant to set off provisions (note 18)	**(30,288)**	(20,702)
Net deferred tax assets	**21,115**	47,380
Movements:		
Opening balance at 30 July 2011	**68,082**	80,114
Credited/(charged) to profit or loss (note 7)	**(16,679)**	(12,739)
Credited/(charged) to other comprehensive income	**–**	(126)
Acquisition of subsidiary	**–**	832
Closing balance at 28 July 2012	**51,403**	68,082

14. Non-current assets – Intangible assets

Consolidated	Goodwill $'000	Brand names and trademarks* $'000	Software $'000	Lease rights $'000	Total $'000
At 31 July 2010					
Cost	349,534	392,020	181,248	48,540	971,342
Accumulated amortisation	–	(1,495)	(35,557)	(13,270)	(50,322)
Net book amount	349,534	390,525	145,691	35,270	921,020
Period ended 30 July 2011					
Opening net book amount	349,534	390,525	145,691	35,270	921,020
Acquisition of subsidiary	27,097	23,569	234	–	50,900
Other additions	–	4,613	7,961	–	12,574
Transfer between classes	–	–	(17,351)	–	(17,351)
Assets written off	–	–	–	–	–
Amortisation charge**	–	(351)	(16,941)	(5,971)	(23,263)
Closing net book amount	376,631	418,356	119,594	29,299	943,880
At 30 July 2011					
Cost	376,631	420,202	172,092	48,540	1,017,465
Accumulated amortisation	–	(1,846)	(52,498)	(19,241)	(73,585)
Net book amount	376,631	418,356	119,594	29,299	943,880
Period ended 28 July 2012					
Opening net book amount	**376,631**	**418,356**	**119,594**	**29,299**	**943,880**
Other additions	**–**	**7,913**	**10,226**	**–**	**18,139**
Transfer between classes	**–**	**–**	**10,104**	**–**	**10,104**
Assets written off – cost	**–**	**–**	**(8,862)**	**–**	**(8,862)**
Assets written off – accumulated depreciation	**–**	**–**	**6,248**	**–**	**6,248**
Amortisation charge**	**–**	**(359)**	**(19,839)**	**(2,408)**	**(22,606)**
Impairment loss***	**–**	**–**	**–**	**(10,754)**	**(10,754)**
Closing net book amount	**376,631**	**425,910**	**117,471**	**16,137**	**936,149**
At 28 July 2012					
Cost	**376,631**	**428,115**	**183,560**	**48,540**	**1,036,846**
Accumulated amortisation and impairment	**–**	**(2,205)**	**(66,089)**	**(32,403)**	**(100,697)**
Net book amount	**376,631**	**425,910**	**117,471**	**16,137**	**936,149**

* Brand names and trademarks include certain brand names which have indefinite useful lives. The carrying amount at 28 July 2012 of the indefinite lived brands was $426 million (2011: $413 million).

** Amortisation of $22.6 million (2011: $23.3 million) is included in administration and selling expenses in the income statement.

***Impairment of $10.8 million (2011: nil) is included in store closure and restructuring costs in the income statement.

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

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

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

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

– discount rate (pre tax) 14.4 percent
– terminal growth rate 2.5 percent
– operating gross profit margin 41 percent

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

15. Current liabilities – Trade and other payables

	Consolidated 2012 $'000	Consolidated 2011 $'000
Trade payables	**201,163**	207,144
Other payables	**195,974**	205,058
	397,137	412,202

Trade and other payables are non-interest bearing.

16. Current liabilities – Provisions

	Consolidated 2012 $'000	Consolidated 2011 $'000
Employee benefits	**59,590**	63,850
Workers' compensation (a)	**19,839**	19,228
Sales returns (b)	**3,867**	3,503
Other	**2,661**	4,005
	85,957	90,586

(a) Workers' compensation

The amount represents a provision for potential workers' compensation claims in certain states.

(b) Sales returns

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

(c) Movements in provisions

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

	Workers' compensation $'000	Sales returns $'000	Other $'000	Total $'000
2012 consolidated				
Current				
Carrying amount at start of period	**19,228**	**3,503**	**4,005**	**26,736**
Additional provisions recognised during the period	**3,471**	**3,867**	**9,927**	**17,265**
Amounts utilised during the period	**(2,860)**	**(3,503)**	**(11,271)**	**(17,634)**
Carrying amount at end of period	**19,839**	**3,867**	**2,661**	**26,367**

	Workers' compensation $'000	Sales returns $'000	Other $'000	Total $'000
2011 consolidated				
Current				
Carrying amount at start of period	17,324	3,446	6,139	26,909
Additional provisions recognised during the period	6,645	3,503	7,248	17,396
Amounts utilised during the period	(4,741)	(3,446)	(9,382)	(17,569)
Carrying amount at end of period	19,228	3,503	4,005	26,736

17. Borrowings

	Consolidated	
	2012 $'000	2011 $'000
Non-current borrowings		
Bank loans	**421,193**	419,591
Total borrowings	**421,193**	419,591

(a) Structure of debt

The debt funding of the Group at 28 July 2012 comprised bank loan facilities. The loan facilities comprise the following:

– Term cash advance facility: $425 million; and

– Revolving cash advance facility: $200 million.

These facilities were established on 29 October 2009, drawn down on the 6 November 2009 and have been amended and restated in the prior year on 3 June 2011. In addition to the above, the Group entered into a one-year $50 million revolving credit facility on 13 April 2011 for the purpose of funding the acquisition of the sass & bide business. This facility has been extended for an additional year as a $30 million revolving credit facility. At balance date, the following amounts remain drawn down:

	2012 $'000	2011 $'000
Term cash advance facility	**425,000**	425,000
Revolving cash advance facility	**–**	–
	425,000	425,000
Less borrowing costs	**(3,807)**	(5,409)
Net borrowings per balance sheet	**421,193**	419,591

(i) Bank loan facilities

The terms and conditions of the Group's bank loan facilities are as follows:

Loan facilities	Description	Amount $	Term
Syndicated facility			
Term cash advance facility – Tranche A	Term loan facility	225 million	3 years from 3 June 2011
Term cash advance facility – Tranche B	Term loan facility	200 million	4 years from 3 June 2011
Revolving cash advance facility – Tranche C	Revolving facility	100 million	3 years from 3 June 2011
Revolving cash advance facility – Tranche D	Revolving facility	100 million	4 years from 3 June 2011
Bilateral cash advance facility			
Revolving cash advance facilities	Revolving facility	30 million	1 year from 13 April 2012

The Term cash advance facilities (Tranche A and B) are term loan facilities repayable at maturity on 2 June 2014 and 2 June 2015 respectively. Any amounts repaid on these facilities during the term may not be redrawn. The revolving cash advance facilities (Tranche C, D and bilateral) are revolving, so that amounts repaid may be redrawn during their terms.

(b) Security

The loan facilities in place at 28 July 2012 are unsecured, subject to various representations, undertakings, events of default and review events which are usual for facilities of this nature.

17. Borrowings *continued*

(c) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2012		2011	
Group	**Carrying amount $'000**	**Fair value $'000**	**Carrying amount $'000**	**Fair value $'000**
Bank loans	**421,193**	**421,193**	419,591	419,591
	421,193	**421,193**	419,591	419,591

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

(d) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

18. Non-current liabilities – Deferred tax liabilities

	Consolidated	
	2012 $'000	**2011 $'000**
The balance comprises temporary differences attributable to:		
Property, plant, equipment and software	**19,858**	10,772
Deferred stamp duty	**1,141**	1,309
Brand names	**8,465**	8,568
Derivative financial instruments	**535**	16
Sundry items	**289**	37
	30,288	20,702
Set off of deferred tax liabilities pursuant to set off provisions (note 13)	**(30,288)**	(20,702)
Net deferred tax liabilities	**–**	–
Movements:		
Balance at beginning of period	**20,702**	9,277
Charged/(credited) to income statement (note 7)	**9,051**	4,607
Charged/(credited) to other comprehensive income	**535**	(232)
Acquisition of subsidiary	**–**	7,050
Balance at end of period	**30,288**	20,702

19. Non-current liabilities – Provisions

	Consolidated 2012 $'000	Consolidated 2011 $'000
Employee benefits	**5,243**	4,374
Fixed lease rental increases	**10,196**	41,935
Unfavourable lease contracts	**–**	3,082
	15,439	49,391

(a) 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.

(b) Unfavourable lease contracts

At the date the Myer business was acquired, the business was party to a number of unfavourable lease contracts compared to market rentals payable at the time. As part of the acquisition accounting, a provision was raised for the difference between the rentals committed under these leases and the market value of these leases. This provision has now been fully utilised.

(c) Movements in provisions

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

	Fixed lease rental increases $'000	Unfavourable lease contracts $'000	Other $'000	Total
2012 consolidated				
Carrying amount at start of period	**41,935**	**3,082**	**–**	**45,017**
Additional amounts recognised	**1,832**	**–**	**–**	**1,832**
Amounts unused and reversed during the period	**(23,833)**	**–**	**–**	**(23,833)**
Amounts utilised during the period	**(9,738)**	**(3,082)**	**–**	**(12,820)**
Carrying amount at end of period	**10,196**	**–**	**–**	**10,196**
2011 consolidated				
Carrying amount at start of period	45,841	5,322	5,000	56,163
Additional amounts recognised	2,391	–	–	2,391
Amounts unused and reversed during the period	–	–	(5,000)	(5,000)
Amounts utilised during the period	(6,297)	(2,240)	–	(8,537)
Carrying amount at end of period	41,935	3,082	–	45,017

20. Non-current liabilities – Other

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Financial liability	22(b) (iii)	**27,553**	30,553
Long-term payable		**1,500**	2,000
Retirement benefit obligations		**353**	459
		29,406	33,012

21. Contributed equity

	2012 Number of shares	2011 Number of shares	2012 $'000	2011 $'000
Opening balance	**583,147,884**	581,517,884	**557,635**	553,962
Options exercised at $0.01 per ordinary share during the period	**–**	480,000	**–**	5
Options exercised at $1.27 per ordinary share during the period	**36,667**	–	**47**	–
Shares issued to Employee Share Scheme Trust at market value during the period	**200,000**	1,150,000	**425**	3,668
	583,384,551	583,147,884	**558,107**	557,635
Less: Transaction costs arising on share issue net of tax	**–**	–	**–**	–
	583,384,551	583,147,884	**558,107**	557,635
Treasury shares				
Opening balance	**(306,405)**	(537,016)	**(38,156)**	(36,834)
Shares issued to Employee Share Scheme Trust	**(200,000)**	(1,150,000)	**(425)**	(3,668)
Shares allocated on exercise of options at $0.01 during the period	**316,809**	480,000	**3**	5
Shares allocated on exercise of options at $1.27 during the period	**120,396**	208,278	**153**	264
Shares allocated on exercise of options at $2.14 during the period	**44,000**	692,333	**94**	2,077
Closing balance of Treasury shares	**(25,200)**	(306,405)	**(38,331)**	(38,156)
Closing balance	**583,359,351**	582,841,479	**519,776**	519,479

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Treasury shares

Treasury shares are shares in Myer Holdings Limited that are held by the Myer Equity Plans Trust for the purposes of issuing shares under the Myer Equity Incentive Plan (see note 35 for further information).

(c) Employee share and option schemes

Information relating to the employee share and option schemes, including details of shares issued under the scheme, is set out in note 35.

(d) Share issue and exercise of options

The Company issued a further 36,667 new ordinary shares during the reporting period at $1.27 per share.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

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.

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

The gearing ratios at 28 July 2012 and 30 July 2011 were as follows:

		Consolidated	
	Notes	2012 $'000	2011 $'000
Total borrowings	17	**421,193**	419,591
Less: cash and cash equivalents	8	**(38,058)**	(37,274)
Net debt		**383,135**	382,317
Total equity		**877,680**	861,330
Total capital		**1,260,815**	1,243,647
Gearing ratio		**30%**	31%

The decrease in the gearing ratio during 2012 was primarily driven by the increase in equity associated with surplus retained profits over dividends paid during the year.

22. Reserves and retained profits

(a) Retained profits

Movements in retained profits were as follows:

	Consolidated	
	2012 $'000	2011 $'000
Balance at beginning of period	**349,396**	320,470
Items of other comprehensive income recognised directly in retained earnings		
Actuarial (losses)/gains on retirement benefit obligation, net of tax	**–**	183
Dividends	**(125,404)**	(130,981)
Net profit/(loss) for the period	**139,365**	159,724
Balance at end of period	**363,357**	349,396

22. Reserves and retained profits *continued*

(b) Reserves

	Consolidated 2012 $'000	Consolidated 2011 $'000
Share-based payments (i)	**20,682**	19,314
Cash flow hedges (ii)	**(3,837)**	(2,699)
Other reserve (iii)	**(31,650)**	(31,650)
Foreign currency translation reserve (iv)	**5**	(85)
	(14,800)	(15,120)
Movements:		
Share-based payments		
Balance at beginning of period	**19,314**	19,754
Share-based payments expense recognised	**1,955**	(1,409)
Income tax (notes 7, 13 and 18)	**(587)**	969
Balance at end of period	**20,682**	19,314
Cash flow hedges		
Balance at beginning of period	**(2,699)**	88
Revaluation – gross	**2,699**	(6,009)
Deferred tax (notes 13 and 18)	**(1,526)**	1,041
Transfer to net profit – gross	**(3,442)**	1,289
Deferred tax (notes 13 and 18)	**1,033**	(387)
Transfer to inventory and other assets – gross	**140**	1,827
Deferred tax (notes 13 and 18)	**(42)**	(548)
Balance at end of period	**(3,837)**	(2,699)
Other reserve		
Balance at beginning of period	**(31,650)**	–
Other reserve recognised	**–**	(31,650)
Balance at end of period	**(31,650)**	(31,650)
Foreign currency translation reserve		
Balance at beginning of period	**(85)**	–
Currency translation differences arising during the period	**90**	(85)
Balance at end of period	**5**	(85)

(i) Share-based payments

The Share-based payments reserve is used to recognise the fair value of options issued to employees but not exercised.

(ii) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) Other reserve

Under the shareholders' agreement entered into with the non-controlling shareholders at the time of acquisition, the Group holds 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 have a corresponding put option. These options are exercisable at any time after 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 has been 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 has resulted in the recognition of an amount to the other reserve within shareholders' equity and a financial liability within non-current liabilities other. This liability is reassessed each reporting date for any change in the expected liability on exercise, with the impact recognised within net finance costs within the income statement.

(iv) Foreign currency translation reserve

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

23. Dividends

	Consolidated 2012 $'000	Consolidated 2011 $'000
(a) Ordinary shares		
Final dividend for the period ended 30 July 2011 of 11.5 cents (2010: 11.5 cents) per fully paid share paid 16 November 2011 (2010: 4 November 2010)		
Fully franked based on tax paid at 30%	**67,068**	66,870
Interim dividend for the period ended 28 July 2012 of 10.0 cents (2011: 11.0 cents) per fully paid share paid 10 May 2012 (2011: 12 May 2011)		
Fully franked based on tax paid at 30%	**58,336**	64,111
Total dividends provided for or paid	**125,404**	130,981
(b) Dividends not recognised at the end of the reporting period		
In addition to the above dividends, since period end the directors have recommended the payment of a final dividend of 9.0 cents per fully paid ordinary share, (2011: 11.5 cents) fully franked based on tax paid at 30%.		
The aggregate amount of the proposed dividend expected to be paid on 14 November 2012, but not recognised as a liability at period end, is:	**52,502**	67,027

(c) Franked dividends

The franked portions of the final dividends recommended after 28 July 2012 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 27 July 2013.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Franking credits available for subsequent financial periods based on a tax rate of 30% (2011: 30%)	**14,619**	33,954

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 $22 million (2011: reduction of $29 million).

24. Key Management Personnel disclosures

(a) Key Management Personnel compensation

Key Management Personnel compensation for the period ended 28 July 2012 is set out below. The Key Management Personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly, including the directors of Myer Holdings Limited.

	Consolidated 2012 $'000	Consolidated 2011 $'000
Short term employee benefits	5,037,909	4,955,262
Post employment benefits	230,576	233,723
Long-term benefits	309,388	921,901
Termination and other benefits	–	–
Share-based payments	1,158,516	(1,305,329)
	6,736,389	4,805,557

Detailed remuneration disclosures are provided in the Remuneration Report on pages 44 to 59.

24. Key Management Personnel disclosures *continued*

(b) Equity instrument disclosures relating to Key Management Personnel

(i) Option and performance rights holdings

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

2012	Balance at start of the period	Granted as compen-sation	Exercised	Other changes	Balance at end of the period	Vested and exercisable	Unvested
Name							
Directors of Myer Holdings Limited							
Howard McDonald	**26,667**	**–**	**(26,667)**	**–**	**–**	**–**	**–**
Bernard Brookes	**7,380,394**	**2,058,383**	**–**	**–**	**9,438,777**	**–**	**9,438,777**
Tom Flood	**10,000**	**–**	**(10,000)**	**–**	**–**	**–**	**–**
Rupert Myer	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Anne Brennan	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Peter Hay	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Chris Froggatt	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other Key Management Personnel of the Group							
Mark Ashby	**1,340,168**	**260,728**	**–**	**–**	**1,600,896**	**586,666**	**1,014,230**
Penny Winn	**1,320,168**	**–**	**–**	**(1,320,168)**	**–**	**–**	**–**
Greg Travers	**478,836**	**260,728**	**(58,668)**	**–**	**680,896**	**–**	**680,896**
Nick Abboud	**986,036**	**214,986**	**(5,868)**	**–**	**1,195,154**	**30,000**	**1,165,154**
Mark Goddard	**–**	**–**	**–**	**–**	**–**	**–**	

Penny Winn has been included as part of Key Management Personnel for 2012, but due to the cessation of employment with Myer on 8 December 2011, option holdings have been removed in "Other changes".

All vested options are exercisable at the end of the period.

2011	Balance at start of the period	Granted as compen-sation	Exercised	Other changes	Balance at end of the period	Vested and exercisable	Unvested
Name							
Directors of Myer Holdings Limited							
Howard McDonald	26,667	–	–	–	26,667	–	26,667
Bernard Brookes	7,860,394	–	(480,000)	–	7,380,394	–	7,380,394
Tom Flood	10,000	–	–	–	10,000	–	10,000
Rupert Myer	–	–	–	–	–	–	–
Anne Brennan	–	–	–	–	–	–	–
Peter Hay	–	–	–	–	–	–	–
Chris Froggatt	–	–	–	–	–	–	–
Other Key Management Personnel of the Group							
Mark Ashby	1,420,168	–	(80,000)	–	1,340,168	253,333	1,086,835
Penny Winn	1,320,168	–	–	–	1,320,168	166,667	1,153,501
Greg Travers	478,836	–	–	–	478,836	–	478,836
Nick Abboud	1,016,036	–	(30,000)	–	986,036	–	986,036

(ii) Share holdings

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

2012	Balance at the start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at the end of the period
Name				
Directors of Myer Holdings Limited				
Ordinary shares				
Howard McDonald	**2,047,723**	**26,667**	**–**	**2,074,390**
Bernard Brookes	**11,546,630**	**–**	**(763,250)**	**10,783,380**
Tom Flood	**390,000**	**10,000**	**–**	**400,000**
Rupert Myer	**725,710**	**–**	**8,289**	**733,999**
Anne Brennan	**53,658**	**–**	**–**	**53,658**
Peter Hay	**12,195**	**–**	**–**	**12,195**
Chris Froggatt	**10,040**	**–**	**–**	**10,040**
Other Key Management Personnel of the Group				
Ordinary shares				
Mark Ashby	**245,257**	**–**	**–**	**245,257**
Penny Winn	**200,000**	**–**	**(200,000)**	**–**
Greg Travers	**1,537,140**	**58,668**	**(80,000)**	**1,515,808**
Nick Abboud	**–**	**5,868**	**(5,868)**	**–**
Mark Goddard	**–**	**–**	**–**	**–**

Penny Winn has been included as part of Key Management Personnel for 2012, but due to the cessation of employment with Myer on 8 December 2011, option holdings have been removed in "Other changes during the period."

2011	Balance at the start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at the end of the period
Name				
Directors of Myer Holdings Limited				
Ordinary shares				
Howard McDonald	2,047,723	–	–	2,047,723
Bernard Brookes	11,066,630	480,000	–	11,546,630
Tom Flood	390,000	–	–	390,000
Rupert Myer	725,710	–	–	725,710
Anne Brennan	53,658	–	–	53,658
Peter Hay	12,195	–	–	12,195
Chris Froggatt	–	–	10,040	10,040
Other Key Management Personnel of the Group				
Ordinary shares				
Mark Ashby	185,257	80,000	(20,000)	245,257
Penny Winn	200,000	–	–	200,000
Greg Travers	2,017,140	–	(480,000)	1,537,140
Nick Abboud	288,132	30,000	(318,132)	–

24. Key Management Personnel disclosures *continued*

(c) Loans to Key Management Personnel

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

(i) Aggregates for Key Management Personnel

In 2011 and 2012 there were no loans to individuals at any time.

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

In 2011 and 2012 there were no loans to individuals that exceeded $100,000 at any time.

(d) Other transactions with Key Management Personnel

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

25. 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:

	Consolidated	
	2012 52 weeks $	2011 52 weeks $
(a) PwC Australia		
(i) Assurance services		
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**389,075**	334,460
Other assurance services		
Audit of rent certificates	**41,400**	34,100
Other	**–**	29,026
Total remuneration for other assurance services	**41,400**	63,126
Total remuneration for assurance services	**430,475**	397,586
(ii) Taxation services		
Tax consulting and tax advice	**166,946**	284,748
(iii) Other services		
Other services	**40,000**	51,729
Total remuneration of PwC Australia	**637,421**	734,063
(b) Overseas practices of PwC		
(i) Assurance services		
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**37,026**	–
(ii) Taxation services		
Tax consulting and tax advice	**16,712**	–
(iii) Other services		
Other services	**6,546**	60,593
Total remuneration for overseas practises of PwC	**60,284**	60,593
(c) Other firms		
(i) Assurance services		
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**–**	69,500
Other assurance services		
Audit of rent certificates	**–**	3,000
Other	**–**	4,231
Total remuneration for other assurance services	**–**	7,231
Total remuneration for assurance services	**–**	76,731
(ii) Taxation services		
Tax consulting and tax advice	**–**	19,000
Total remuneration of Other firms	**–**	95,731

26. Contingencies

Contingent liabilities

The Group had contingent liabilities at 28 July 2012 in respect of:

Guarantees

For information about guarantees given by entities within the Group, including the parent entity, please refer to notes 30 and 33.

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

27. Commitments

(a) Capital commitments

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

	Consolidated	
	2012 $'000	**2011 $'000**
Property, plant, equipment and software		
Payable:		
Within one year	**7,481**	13,613
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
	7,481	13,613

(b) Lease commitments: Group as lessee

Operating leases

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.

	Consolidated	
	2012 $'000	**2011 $'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**201,016**	195,403
Later than one year but not later than five years	**700,046**	668,759
Later than five years	**1,825,835**	1,586,957
	2,726,897	2,451,119

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.

28. 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 29.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 24.

(d) Transactions with other related parties

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

29. Subsidiaries and transactions with non-controlling interests

(a) Investments in subsidiaries

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

Name of entity	Notes	Country of incorporation	Class of shares	Equity holdings[(4)] 2012 %	Equity holdings[(4)] 2011 %
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		Australia	Ordinary	65	65
sass & bide Pty Ltd	(2)	Australia	Ordinary	65	65
sass & bide Retail Pty Ltd	(2)	Australia	Ordinary	65	65
sass & bide Retail (NZ) Pty Ltd	(2)	Australia	Ordinary	65	65
sass & bide UK Limited		United Kingdom	Ordinary	65	65
sass & bide USA inc.		USA	Ordinary	65	65
sass & bide inc.		USA	Ordinary	65	65

Notes:
(1) Each of these entities has been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission.
(2) Each of these entities is classified as small proprietary and therefore relieved from the requirement to prepare and lodge financial reports with ASIC.
(3) Each of these entities is party to a deed of cross guarantee, refer note 30.
(4) The proportion of ownership interest is equal to the proportion of voting power held.

(b) Transactions with non-controlling interests

There were no transactions with non-controlling interests in 2011 or 2012.

30. Deed of cross guarantee

Myer Holdings Limited, NB Elizabeth Pty Ltd, NB Collins Pty Ltd, NB Russell Pty Ltd, Myer Group Pty Ltd, NB Lonsdale Pty Ltd, Warehouse Solutions Pty Ltd, Myer Group Finance Limited, Myer Pty Ltd and The Myer Emporium Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

Each of the members of the extended 'closed group' are considered to be solvent at 28 July 2012.

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

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

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

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 28 July 2012 of the closed group.

Income statement	**2012 52 weeks $'000**	**2011 52 weeks $'000**
Total sales value (excluding GST)	**3,080,111**	3,145,346
Concession sales	**(478,905)**	(452,000)
Sale of goods (excluding GST)	**2,601,206**	2,693,346
Sales revenue deferred under customer loyalty program	**(39,211)**	(40,104)
Revenue from sale of goods (excluding GST)	**2,561,995**	2,653,242
Other operating revenue (excluding finance revenue)	**115,853**	109,559
Cost of goods sold	**(1,448,141)**	(1,545,733)
Other income	**25,908**	45,904
Operating gross profit	**1,255,615**	1,262,972
Selling expenses	**(738,701)**	(713,060)
Administration expenses	**(293,966)**	(290,101)
Store closure and restructuring costs	**(18,450)**	(10,476)
Write-back of fixed lease rental increases provision	**23,109**	–
Profit on sale of financial asset	**–**	11,680
Earnings before interest and tax before non-recurring IPO transaction costs and related charges	**227,607**	261,015
Finance revenue	**4,460**	3,236
Finance costs	**(34,174)**	(38,743)
Net finance costs	**(29,714)**	(35,507)
Profit before income tax before non-recurring IPO transaction costs and related charges	**197,893**	225,508
Income tax expense	**(61,617)**	(61,465)
Profit for the period before non-recurring IPO transaction costs and related charges	**136,276**	164,043
Initial Public Offering (IPO) transaction costs and other non-recurring IPO related charges (after tax)	**–**	(3,522)
Profit for the period	**136,276**	160,521

Statement of comprehensive income		
Profit for the period	**136,276**	160,521
Other comprehensive income		
Cash flow hedges	**(455)**	(2,665)
Non-recurring IPO related transfers to profit and loss	**–**	–
Actuarial gains/(losses) on retirement benefit obligation	**–**	183
Exchange differences on translation of foreign operations	**–**	–
Income tax relating to components of other comprehensive income	**(552)**	38
Other comprehensive income for the period, net of tax	**(1,007)**	(2,444)
Total comprehensive income for the period	**135,269**	158,077

Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	**349,890**	320,167
Profit for the period	**136,276**	160,521
Actuarial gains/(losses) on retirement benefit obligation	**–**	183
Dividends provided for or paid	**(125,404)**	(130,981)
Retained earnings at the end of the financial year	**360,762**	349,890

30. Deed of cross guarantee *continued*

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 28 July 2012 of the closed group.

	2012 $'000	2011 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**30,790**	36,149
Trade and other receivables	**23,726**	26,455
Inventories	**378,089**	376,406
Total current assets	**432,605**	439,010
Non-current assets		
Other financial assets	**41,374**	41,368
Derivative financial instruments	**–**	258
Property, plant and equipment	**510,760**	530,476
Deferred tax assets	**27,066**	53,635
Intangible assets	**884,193**	891,972
Other	**3,812**	4,420
Total non-current assets	**1,467,205**	1,522,129
Total assets	**1,899,810**	1,961,139
LIABILITIES		
Current liabilities		
Trade and other payables	**394,334**	409,913
Derivative financial instruments	**2,207**	7,247
Current tax liabilities	**14,549**	32,899
Provisions	**84,899**	89,954
Other	**1,119**	3,078
Total current liabilities	**497,108**	543,091
Non-current liabilities		
Borrowings	**421,193**	419,591
Derivative financial instruments	**1,785**	–
Provisions	**15,023**	49,153
Deferred income	**69,821**	62,448
Other	**29,406**	33,012
Total non-current liabilities	**537,228**	564,204
Total liabilities	**1,034,336**	1,107,295
Net assets	**865,474**	853,844
EQUITY		
Contributed equity	**519,776**	519,379
Retained profits/(losses)	**360,762**	349,890
Reserves	**(15,064)**	(15,425)
Total equity	**865,474**	853,844

31. Events occurring after the reporting period

Subsequent to 28 July 2012, the directors have determined to pay a final dividend of 9 cents per share, franked to 100 percent at the 30 percent corporate income tax rate, payable on 14 November 2012. The record date for this dividend is 28 September 2012.

The financial effect of the final ordinary dividend for 2012 has not been recognised in the annual financial statements for the period ended 28 July 2012 and will be recognised in subsequent financial statements.

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

	Consolidated	
	2012 52 weeks $'000	2011 52 weeks $'000
Profit for the period	**141,067**	159,665
Depreciation and amortisation including lease inducements	**88,124**	79,443
Interest income	**(4,499)**	(2,169)
Fair value adjustment to derivatives	**(3,505)**	2,628
Interest expense – unwind of borrowing costs	**1,717**	2,173
IPO and related expenses	**–**	5,031
Share-based payments expense	**1,955**	(1,410)
Profit on sale of financial asset	**–**	(11,680)
Net exchange differences	**66**	–
Defined benefits superannuation	**–**	(319)
Change in operating assets and liabilities		
Decrease (increase) in trade and other receivables	**7,158**	1,582
Decrease (increase) in inventories	**(4,306)**	(24,008)
Decrease (increase) in deferred tax asset	**25,144**	18,314
Increase (decrease) in trade and other payables	**(21,010)**	6,497
(Decrease) increase in current tax payable	**(18,706)**	22,802
(Decrease) increase in provisions	**(31,080)**	(27,278)
(Decrease) increase in other liabilities	**(2,211)**	(4,220)
Net cash inflow from operating activities	**179,914**	227,051

33. Parent entity financial information

(a) Summary financial information

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

	2012 $'000	2011 $'000
Balance sheet		
Current assets	**176,071**	45,621
Total assets	**1,073,255**	948,567
Current liabilities	**38,320**	56,912
Total liabilities	**488,850**	507,056
Shareholders' equity		
Issued capital	**519,776**	519,479
Reserves		
Cash flow hedges	**(1,785)**	258
Other reserve	**(31,650)**	(31,650)
Share-based payments	**13,185**	11,230
Retained earnings	**85,430**	(57,806)
Profit for the period	**268,641**	2,900
Total comprehensive income	**267,275**	2,774

33. Parent entity financial information *continued*

(b) Guarantees entered into by the parent entity

	2012 $'000	2011 $'000
Carrying amount included in current liabilities	–	–
	–	–

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

The parent entity is also party to a deed of cross guarantee entered into on 10 May 2010. The details of the deed of cross guarantee are set out in note 30. At balance date no liability has been recognised in relation to these guarantees on the basis that the potential exposure is not considered material.

The parent entity has issued bank guarantees amounting to $46.9 million, of which $31.9 million represents guarantees supporting workers' compensation self insurance licences in various jurisdictions.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 28 July 2012 or 30 July 2011. For information about guarantees given by the parent entity, please see above.

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

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 28 July 2012 or 30 July 2011.

(e) Event subsequent to balance date

Subsequent to the end of the financial year, on 10 October 2012, the Company recorded a dividend from a subsidiary company of $133.8 million, representing payment of undistributed profits of subsidiaries of the current financial year.

34. Earnings per share

	Consolidated	
	2012 $'000	2011 $'000
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**23.9**	27.4
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**23.7**	27.3
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**139,365**	159,724
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**139,365**	159,724

	Consolidated	
	2012 Number	2011 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	**583,288,348**	582,174,903
Adjustments for calculation of diluted earnings per share:		
Options	**4,578,147**	3,778,086
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**587,866,495**	585,952,989

(e) Information concerning the classification of securities

(i) Options and performance rights

Options granted to employees under the Myer Equity Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 35.

22,293,146 options outstanding at period end are not included in the calculation of diluted earnings per share because they are antidilutive for the period ended 28 July 2012. These options could potentially dilute basic earnings per share in the future.

35. Share-based payments

(a) Myer Equity Incentive Plan

The Myer Equity Incentive Plan was established to help ensure retention of senior management and key staff (Snr Executive) and to provide incentives for the delivery of both short and long-term shareholder returns. Under the plan, options and rights have been issued in Myer Holdings Limited, the Group's ultimate Australian parent, since November 2006 as follows:

Tranche 1	Issued November – December 2006. Options were granted with time-based and performance-based components. Two-thirds of the options granted were to vest evenly over a five-year period provided the participant remained with the Group, with the other third vesting upon the achievement of certain EBITDA targets. Under the terms of the offer, as a result of the IPO, 80% of unvested options vested immediately on 6 November 2009, with the remainder vesting on the second anniversary of IPO with the exception of the CEO, whose remaining options under the tranche vested on the first anniversary of the IPO. This plan has now expired and any unexercised options lapsed.
Tranche 2	Issued August 2007. Options were granted with time-based and performance-based components. Two-thirds of the options granted were to vest evenly over a four-year period provided the participant remained with the Group, with the other third vesting upon the achievement of certain EBITDA targets. Under the terms of the offer, as a result of the IPO, 80% of unvested options vested immediately on 6 November 2009, with the remainder vesting on the second anniversary of IPO. This plan has now expired and any unexercised options lapsed.
Tranche 3	Issued January – July 2008: Options vest on a time basis evenly over the three-year period from 31 July 2010 to 31 July 2012.
Tranche 4	Issued 17 December 2008: Options vest on a time basis over the three-year period from 31 July 2011 to 31 July 2013.
Tranche 5	Issued 30 June 2009: Options vest on a time basis over the three-year period from 31 July 2012 to 31 July 2014.
Tranche 6 – EPS Snr Executive Plan	Issued 6 November 2009: Options vest on an EPS performance basis over a three-year period from November 2009 to 31 July 2012, subject to performance hurdles being met.
Tranche 6 – EPS CEO Plan	Issued 6 November 2009: Options vest on an EPS performance basis over a four-year period from November 2009 to 31 July 2013, subject to performance hurdles being met.
Tranche 6 – Share price CEO Plan	Issued 6 November 2009: Options vest on a share price performance basis over the four-year period from November 2009 to 31 July 2013, the timing of which is subject to performance hurdles being met.
Performance rights TSR (Snr Executive)	Issued October 2011: Management Total Shareholder Return performance rights vest depending on Myer's performance against TSR hurdles over the performance period 31 July 2011 to 26 July 2014. Following the end of the performance period and after Myer has lodged its full year audited financial results for 2014 with the ASX, the Myer Board will test the performance hurdles and will determine how many performance rights (if any) are eligible to vest.
Performance rights EPS (Snr Executive)	Issued October 2011: Management Earnings Per Share performance rights will vest depending on Myer's performance against the EPS hurdle over the performance period 31 July 2011 to 26 July 2014, with a linear progression through the various threshold points. Following the end of the performance period and after Myer has lodged its full year audited financial results for 2014 with the ASX, the Myer Board will test the performance hurdles and will determine how many performance rights (if any) are eligible to vest.
Performance rights TSR (CEO)	Issued December 2011: CEO Total Shareholder Return performance rights vest depending on Myer's performance against TSR hurdles over the performance period 31 July 2011 to 26 July 2014. Following the end of the performance period and after Myer has lodged its full year audited financial results for 2014 with the ASX, the Myer Board will test the performance hurdles and will determine how many performance rights (if any) are eligible to vest.
Performance rights EPS (CEO)	Issued December 2011: CEO Earnings Per Share performance rights will vest depending on Myer's performance against the EPS hurdle over the performance period 31 July 2011 to 26 July 2014, with a linear progression through the various threshold points. Following the end of the performance period and after Myer has lodged its full year audited financial results for 2014 with the ASX, the Myer Board will test the performance hurdles and will determine how many performance rights (if any) are eligible to vest.

35. Share-based payments *continued*

(a) Myer Equity Incentive Plan continued

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

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

Grant date	Expiry date	Exercise price $	Balance at start of period number	Granted during the period number	Exercised during the period number	Lapsed during the period number	Balance at end of period number	Vested and exercisable at end of the period number
Consolidated – 2012								
Tranche 1: Nov – Dec 2006	15 Oct 2011	0.01	316,809	–	(316,809)	–	–	–
Tranche 2: Aug – Nov 2007	15 Oct 2011	1.27	157,063	–	(157,063)	–	–	–
Tranche 3: Jan – May 2008	21 Dec 2012	3.00	7,440,580	–	–	(1,219,400)	6,221,180	3,979,675
Tranche 4: 17 Dec 2008	24 Oct 2013	2.14	3,705,863	–	(44,000)	(645,200)	3,016,663	448,600
Tranche 5: 30 Jun 2009	24 Oct 2014	2.34	4,153,900	–	–	(1,000,000)	3,153,900	–
Tranche 6: EPS Snr Executive Plan 06 Nov 2009	31 Dec 2012	4.10	3,193,278	–	–	(672,269)	2,521,009	–
Tranche 6: EPS CEO Plan 06 Nov 2009	31 Dec 2013	4.10	5,152,671	–	–	–	5,152,671	–
Tranche 6: Share Price CEO Plan 06 Nov 2009	31 Dec 2013	5.74	2,227,723	–	–	–	2,227,723	–
Performance rights TSR (Snr Executive)	31 Oct 2014	0.00	–	2,182,073	–	(175,427)	2,006,646	–
Performance rights EPS (Snr Executive)	31 Oct 2014	0.00	–	1,411,330	–	(113,472)	1,297,858	–
Performance rights TSR (CEO)	31 Oct 2014	0.00	–	1,250,000	–	–	1,250,000	–
Performance rights EPS (CEO)	31 Oct 2014	0.00	–	808,383	–	–	808,383	–
Total			26,347,887	5,651,786	(517,872)	(3,825,768)	27,656,033	4,428,275
Weighted average exercise price			$3.31	$0.00	$0.57	$2.65	$2.78	$2.91

Grant date	Expiry date	Exercise price $	Balance at start of period number	Granted during the period number	Exercised during the period number	Lapsed during the period number	Balance at end of period number	Vested and exercisable at end of the period number
Consolidated – 2011								
Tranche 1: Nov – Dec 2006	15 Oct 2011	0.01	1,287,475	–	(960,000)	(10,666)	316,809	–
Tranche 2: Aug – Nov 2007	15 Oct 2011	1.27	365,341	–	(208,278)	–	157,063	66,725
Tranche 3: Jan – May 2008	21 Dec 2012	3.00	9,028,213	–	(692,333)	(895,300)	7,440,580	2,118,638
Tranche 4: 17 Dec 2008	24 Oct 2013	2.14	4,302,863	–	–	(597,000)	3,705,863	–
Tranche 5: 30 Jun 2009	24 Oct 2014	2.34	4,702,900	–	–	(549,000)	4,153,900	–
Tranche 6: EPS Snr Executive Plan 06 Nov 2009	31 Dec 2012	4.10	3,445,379	–	–	(252,101)	3,193,278	–
Tranche 6: EPS CEO Plan 06 Nov 2009	31 Dec 2013	4.10	5,152,671	–	–	–	5,152,671	–
Tranche 6: Share Price CEO Plan 06 Nov 2009	31 Dec 2013	5.74	2,227,723	–	–	–	2,227,723	–
Total			30,512,565	–	(1,860,611)	(2,304,067)	26,347,887	2,185,363
Weighted average exercise price			$3.14	$0.00	$1.26	$2.73	$3.31	$2.95

No options expired during the periods covered by the above table.

The weighted average share price at the date of exercise of options exercised during the period ended 28 July 2012 was $2.16 (2011: $3.60).

The weighted average remaining contractual life of share options and rights outstanding at the end of the period was 1.4 years (2011: 2.1 years).

Fair value of performance rights granted

The assessed fair value at grant date of options and 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:

	Performance rights TSR Snr Executive	Performance rights EPS Snr Executive	Performance rights TSR (CEO)	Performance rights EPS (CEO)
a) Fair value of performance rights granted	$1.08	$1.67	$1.08	$1.67
b) Exercise price at grant date	$0.00	$0.00	$0.00	$0.00
c) Grant date	21 Oct 2011	21 Oct 2011	9 Dec 2011	9 Dec 2011
d) Expiry date	Oct 2014	Oct 2014	Oct 2014	Oct 2014
e) Share price at grant date	$2.08	$2.08	$2.08	$2.08
f) Expected price volatility of the Group's shares	30%	30%	30%	30%
g) Expected dividend yield	7%	7%	7%	7%
h) Risk-free interest rate	3.56%	3.56%	3.56%	3.56%

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 options or 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 options or rights.

35. Share-based payments *continued*

(b) Expenses arising from share-based payment transactions

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

	Consolidated	
	2012 $'000	**2011 $'000**
Options and rights issued under Myer Equity Incentive Plan	**1,955**	(1,409)

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 60 to 110 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 28 July 2012 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 identified in note 30 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 30.

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

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Howard McDonald
Chairman
Melbourne
10 October 2012

INDEPENDENT AUDITOR'S REPORT

pwc

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 statement of financial position as at 28 July 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Myer Holdings Limited and the Myer Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with 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
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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 28 July 2012 and of its performance for the period ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 44 to 59 of the directors' report for the period ended 28 July 2012. 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 year ended 28 July 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Mill
Partner

Melbourne
10 October 2012

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the period ended 28 July 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Andrew Mill
Partner
PricewaterhouseCoopers

Melbourne
10 October 2012

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SHAREHOLDER INFORMATION

Shareholder information as at 1 October 2012

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

	Number
Issued capital	583,384,551
Number of shareholders	54,326
Minimum parcel price	$1.72 per unit
Holders with less than a marketable parcel (less than 291 shares)	8,559 holders (1,494,898 total shares)

Distribution of shareholders and shareholdings

Range	Total holders	Units	% of issued capital
1 – 1,000	27,445	13,197,406	2.26
1,001 – 5,000	20,103	45,735,417	7.84
5,001 – 10,000	3,604	27,364,572	4.69
10,001 – 100,000	3,005	71,975,420	12.34
100,001 and over	169	425,111,736	72.87
Total	**54,326**	**583,384,551**	**100.00**

Unmarketable parcels

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $1.72 per unit	291	8,559	1,494,898

Twenty largest shareholders

Rank	Name	Units	% issued capital
1	HSBC Custody Nominees (Australia) Limited	104,275,986	17.87
2	J P Morgan Nominees Australia Limited	88,626,165	15.19
3	National Nominees Limited	69,949,816	11.99
4	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	36,755,079	6.30
5	Citicorp Nominees Pty Limited	16,466,548	2.82
6	JP Morgan Nominees Australia Limited <Cash Income A/C>	12,692,924	2.18
7	M F Custodians Ltd	11,560,483	1.98
8	BNP Paribas Noms Pty Ltd <Master Cust Drp>	10,569,166	1.81
9	Bernard Joseph Brookes	6,225,782	1.07
10	AMP Life Limited	4,347,194	0.75
11	BNP Paribas Noms Pty Ltd <Drp>	4,043,726	0.69
12	QIC Limited	3,053,304	0.52
13	HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,800,273	0.48
14	Bainpro Nominees Pty Limited	1,700,000	0.29
15	BNP Paribas Noms Pty Ltd <SMP Accounts DRP>	1,588,556	0.27
16	Brookes Family Investments Pty Ltd <The Brookes Investment A/C>	1,500,000	0.26
17	HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	1,432,371	0.25
18	UBS Wealth Management Australia Nominees Pty Ltd	1,418,055	0.24
19	HSBC Custody Nominees (Australia) Limited – A/C 2	1,370,010	0.23
20	Mr Richard Willmot Chadwick + Mrs Gwenda Ann Chadwick	1,335,000	0.23
	Total top 20 shareholders of fully paid ordinary shares	**381,710,438**	**65.43**
	Total remaining holders balance	**201,674,113**	**34.57**

Shareholder information *continued*

Substantial shareholder

As at 1 October 2012, there are three substantial shareholders that Myer is aware of:

Name	Date of most recent notice	Relevant interest
Commonwealth Bank of Australia	25 September 2012	40,001,332
Harris	11 April 2012	35,222,064
UBS	2 August 2012	34,807,776

Voting rights

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

CORPORATE DIRECTORY

Registered Office
Myer Holdings Limited
Level 7
800 Collins Street
Docklands VIC 3008
Phone: +61 (0) 3 8667 6000

Myer Support Office
800 Collins Street
Docklands VIC 3008
Phone: +61 (0) 3 8667 6800

Myer Postal Address
Myer Holdings Limited
PO Box 869J
Melbourne VIC 3001

Company Secretary
Marion Rodwell
General Counsel and Company Secretary

Shareholder enquiries:
Share Registry
Computershare Investor Services Pty Ltd
Postal address
GPO Box 2975
Melbourne VIC 8060

Myer Shareholder Information Line
1300 820 260 (within Australia)
+61 3 9415 4332 (outside Australia)

www.investorcentre.com

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Fax: +61 (0) 3 8667 6091

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

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

Websites
www.myer.com.au
www.myerone.com.au

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

Annual General Meeting
The 2012 Annual General Meeting of Myer Holdings Limited will be held at Mural Hall, Level 6, Myer Melbourne, Bourke Street Mall, Melbourne, Victoria on Friday, 7 December 2012 at 11am.

CREATED BY DESIGNATE

MYER

WWW.MYER.COM.AU