ASX Release

18 October 2013

Myer Holdings Limited 2013 Annual Report
Myer Holdings Limited 2013 Notice of Meeting

Myer Holdings Limited today released the following documents:

- Annual Report for the year ended 27 July 2013
- Notice of Meeting for the 2013 Annual General Meeting (including Proxy Form) which will be held at Mural Hall, located on Level 6 of the Myer Melbourne store, Bourke Street Mall, Melbourne on Wednesday, 20 November 2013 at 11.00am (Melbourne time)

The documents will be dispatched today to shareholders who have elected to receive a copy.

The 2013 Annual Report is available for download from http://myer2013.annual-report.com.au.

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Annual Report
2013

MYER

Delighting and inspiring our customers

Our five-point plan underpins the business to ensure sustainability. We are also adapting the business to meet current challenges, and with an eye to the future we are embracing innovation and engaging with our customers in new and exciting ways.

Annual General Meeting

The fourth Annual General Meeting of Myer Holdings Limited will be held on Wednesday 20 November 2013 at 11.00am (Melbourne time) in Mural Hall.

Mural Hall
Level 6, Myer Melbourne Store
Bourke Street Mall
Melbourne VIC 3000

Myer Holdings Limited ABN 14 119 085 602

Front cover image: JAG Handbags – Melbourne City Store
Right: MAC Cosmetics – Melbourne City Store

1 Improve customer service
PAGE 08

2 Enhance our merchandise offer
PAGE 11

3 Strengthen our loyalty offer
PAGE 13

4 Build a leading omni-channel offer
PAGE 14

5 Optimise our store network
PAGE 16

Contents

About Myer

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

Our focus on providing inspiration to everyone includes our customers, our 12,500 team members, our 51,000 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 plan

Myer's well-established operational strategy is comprised of five key elements:

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

The strategy continues to be adapted to meet changing customer preferences and embrace retail innovation.

Improve customer service

We are focused on delighting our customers however they choose to shop with us. Our strategy is driven by customer and team member feedback as well as initiatives to optimise productivity. We are building a customer service and performance-based culture across the business.

Service improvement initiatives include training and selling skills programs, reward and recognition, and improving staff availability. Efficiency initiatives include ensuring faster delivery of stock to the shop floor, and reducing the level of theft and fraud in our stores. We are leveraging recent technology investment across the business to deliver an improved experience for our customers in stores, online and through our customer service centre.

Enhance our merchandise offer

We are focused on inspiring and delighting our customers and want to be the first choice 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.

The Myer merchandise offering includes well-known national brands, Australian and international designers, as well as 66 brands which are owned or licensed 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. This gives us a key competitive advantage.

We also seek to acquire wanted brands where the addition of the brand will further strengthen our merchandise offer.

Strengthen our loyalty offer

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

There are four reward levels within **MYER one**, being Member, Silver, Gold and Platinum, based on annual spend with Myer. The premium Platinum tier is by Chief Executive Officer invitation only.

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. Members can also earn shopping credits through **MYER one** affiliates and the MYER Visa Card.

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

Our customers' expectations have evolved in line with increasing online inspiration, information and digital commerce, and Myer now operates in a global marketplace. Against this backdrop, our focus is on building a leading omni-channel offer that is inspiring, compelling and available to our customers wherever and whenever they choose to engage with us.

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

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.

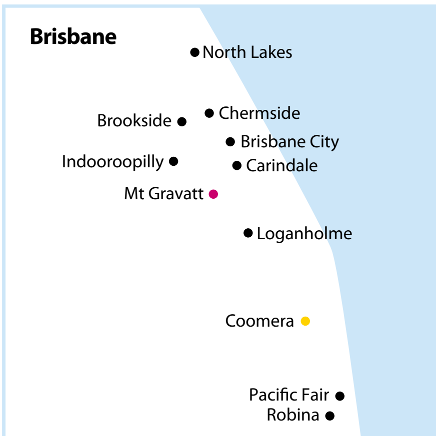
We increasingly integrate our marketing, balancing traditional media with innovation and digital marketing opportunities. Digital marketing and social media are now part of our everyday marketing focus on all campaigns.

Optimise our store network

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 gives us a competitive advantage in our omni-channel offer and is integral to delivering a seamless customer experience across all digital and retail touch points.

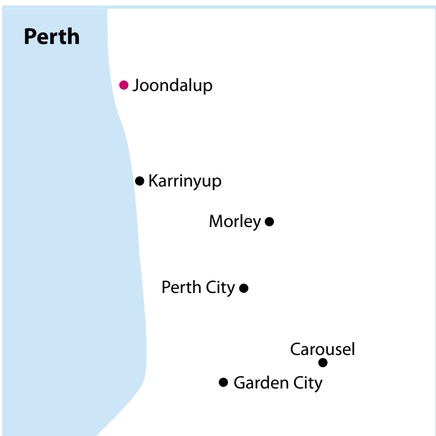
We have a network of 67 stores across the country, with a strategy to optimise the store network and maximise returns per square metre while creating an inspiring shopping environment for our customers.

We are focused on productivity through enhanced store layouts, new and replacement stores, and improving efficiency of floor space through refurbishments.



67

MYER stores across Australia



New stores

By anticipated opening*

• 2015 • 2016 • 2017

Store closures

Dandenong (Oct 2013)

Elizabeth (Feb 2014)

• Existing stores.

* Subject to variation and review.

¹ Under review.

Joint Report by Chairman and Chief Executive Officer

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

The story of the past year has been the consistent execution of our five-point plan, while having an eye to the future and adapting the business to capitalise on the changing structure of retail. In the face of a number of external challenges, our focus on the things that we can control yielded solid results.

Total sales for the full year ended 27 July 2013 were up 0.8 percent to $3,145 million. Reflecting our focus on fashionability, sales in our key categories of Womenswear, Cosmetics, and Menswear were all up on last year. A highlight of our financial performance was a further improvement in our operating gross profit margin, up 40 basis points to 41.7 percent.

While we maintained a disciplined focus on costs throughout the year, significant cost increases relating to wages, occupancy costs and utilities impacted the result. While we anticipate that costs will step up again in financial year 2014, a proportion of the increase will be one-off costs associated with the major refurbishments of three of our top 20 stores and investment in omni-channel that will not be repeated in future years.

We reported net profit after tax (NPAT) of $127 million, down 8.7 percent on last year. This included a non-cash charge of $2 million relating to the sass & bide put option revaluation. Excluding this charge, NPAT was $129 million.

The Board was pleased to determine a fully franked final dividend of 8.0 cents per share, taking the full year dividend to 18.0 cents per share.

During the year, we refinanced $625 million debt facilities at a reduced interest rate margin with continued support from our lending syndicate. We remain confident in the strength of our balance sheet and continued strong cash generation.

The retail environment

The consumer environment continues to be challenging, despite Australia being relatively well positioned compared to Europe and the United States. The sector would benefit from reform to help drive productivity and become more competitive in a global marketplace.

Retail continues to be the biggest private employment sector in the country. All Australian retailers are being impacted by rising employment costs, escalating utilities costs and a GST loophole providing an unfair advantage to foreign retailers.

We continue to adapt our business in line with customer expectations and to meet current challenges. We are responding to the ways our customers shop with us through the execution of our omni-channel strategy and revitalising our store environments.

We continue to research and survey our customers to better understand their needs.

Strategy to deliver shareholder value

We have a clear five-point plan that has guided us through the recent challenges and continues to provide a clear roadmap. We have been adapting systems and processes to meet the challenges of the current environment and are making strategic investments to position the business for the future.

We continued our focus on improving customer service with a cultural change program to 'delight' our customers. As the focus on improving margins is now embedded into all areas of the business, store key performance indicators have been revised with an increased focus on service and sales. A new customer feedback system has been implemented, providing immediate comments and identifying areas for improvement. Our cultural change program is yielding results with improved customer compliment metrics.

Our focus on newness, innovation and inspiration for our broad customer base remains key to our efforts. During the year, we successfully integrated a number of strategic brands we had purchased in 2012 to further strengthen our merchandise offer. Our vertically-integrated Myer Exclusive Brands model, supported by our global sourcing offices, continued to grow and now represents 20 percent of the sales mix. We announced a number of important new brands and department store exclusives, including Napoleon Perdis, Peter Alexander and Seafolly.

We are delighted to have acquired the remaining 35 percent of the highly successful sass & bide business. Since Myer acquired a 65 percent stake in the business in February 2011, sass & bide has delivered a consistently strong performance, growing sales by 45 percent and doubling profit over the period. This has been an outstanding achievement.

We made significant progress in strengthening our loyalty offer during the year, including the restructuring of the rewards levels to include a premium Platinum tier, and the launch of a **MYER one** smart phone app. This leading loyalty program continues to be a key competitive advantage with access to rich data for decision-making.

The strength of our brand and store network is key as we build a leading omni-channel offer. We recognise the significant opportunity in online retailing, and sales and key customer metrics all more than doubled on last year. We recently implemented a new order management system to deliver a much improved customer experience across all our retail channels as well as significant efficiencies in fulfilment.

We opened new stores at Fountain Gate (Victoria), Townsville (Queensland) and Shellharbour (New South Wales). Significant refurbishments at three of our top 20 stores in Adelaide (South Australia), Miranda (New South Wales) and Indooroopilly (Queensland) impacted sales during the second half, but will deliver more productive stores that are inspiring for our customers on completion.

Our people and social licence to operate

Our 12,500 strong team are core to our success. We would like to thank all team members for their commitment and focus. Their passion draws on the proud heritage of our iconic brand, and the philanthropic and community service legacy on which Myer was established. Myer is committed to sustainable business practices, and we recognise the importance of supporting the communities we serve every day in our stores. Through the Myer Stores Community Fund, we have assisted over 80 local and national charities this year. This year we have published our first Sustainability Report, which is available online.

We embrace diversity right across the business and strive for an inclusive and fair environment in which to work for all team members.

The Board has capitalised on the change in leadership with a new Chairman and the appointment of Rupert Myer AM as Deputy Chairman giving renewed focus.

The Board will focus on a CEO succession plan into the new year and will provide an update to shareholders in due course.

Looking to the future

We see these as exciting times as the industry faces challenges and we adapt our business to the changing structure of retail. We have a robust operational five-point plan in place and we consistently look for opportunities to drive the long-term sustainability of the Myer business.

However, we remain cautious about the year ahead given the challenges of the economic outlook and consumer confidence.

During FY2014, the business will transition through the impact of major refurbishments and face increased operating costs.

We are confident that our strategy remains the right one to grow the business and maximise shareholder returns. As we move into FY2015, we expect to benefit from improved operating leverage and stronger fundamentals as a result of the completion of major refurbishments, the online business becoming profitable, and the ongoing optimisation of our store network. We thank all our shareholders for their ongoing support, and look forward to seeing you at our Annual General Meeting in November.

41.7%

Operating gross profit margin – increased by 40 basis points

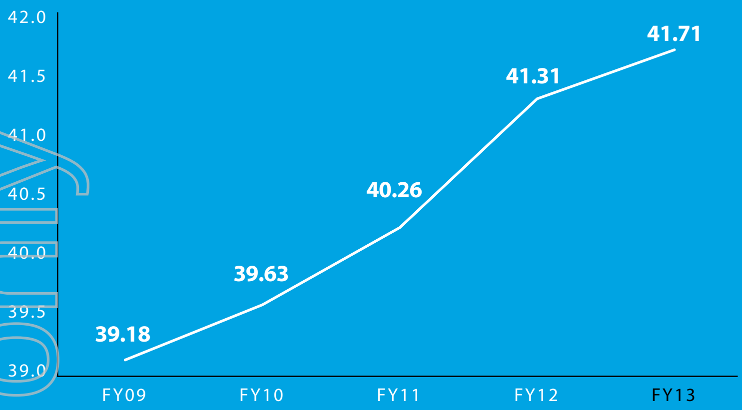
Paul McClintock

Paul McClintock AO
Chairman

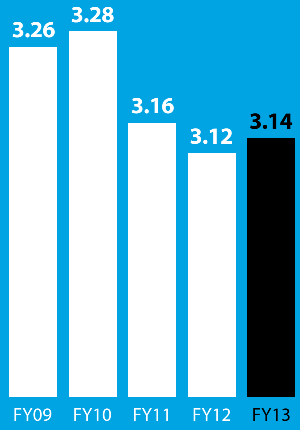
Bernie Brookes

Bernie Brookes
Chief Executive Officer and Managing Director

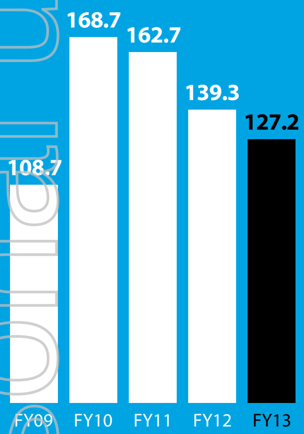
Operating gross profit margin (%)



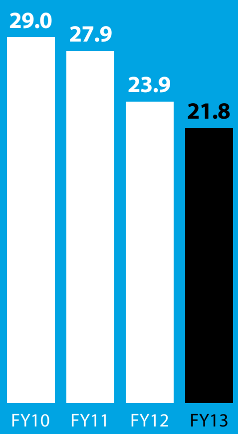
Total sales ($b)



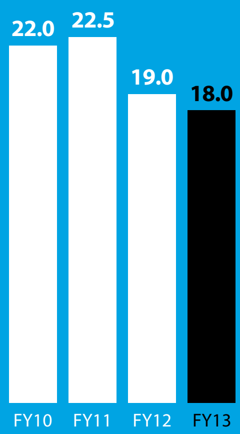
Net profit after tax ($m)



Earnings per share (cents)



Full year dividends (cents)



Total sales +0.8% in 2013

$3,144.9m

FINANCIAL SUMMARY	FY2013	FY2012	CHANGE
Sales (million)	$3,144.9	$3,119.1	+0.8%
Operating gross profit (million)	$1,311.6	$1,288.4	+1.8%
Operating gross profit margin (%)	41.71	41.31	+40 bps
Cash cost of doing business (million)	$1,007.0	$976.6	+3.1%
Earnings before interest, tax, depreciation, amortisation (EBITDA) (million)	$304.6	$311.8	-2.3%
Earnings before interest and tax (EBIT) (million)	$214.9	$230.0	-6.6%
NPAT (million) after non-controlling interest	$127.2	$139.3	-8.7%

Operating and Financial Review

Total sales grew by 0.8% to $3,145 million in 2013. Sales and gross profit growth was achieved across key categories including Cosmetics, Womenswear, Menswear, Childrenswear, and Accessories.

Sales

The best performing states were Queensland, Western Australia, Victoria and New South Wales. Myer Exclusive Brands continued to perform well, growing by $40 million, and now account for 20.0 percent of sales, up from 18.9 percent in 2012.

Online sales enjoyed a second consecutive year of strong growth of over 200 percent. This trend is very encouraging, and online continues to present a significant growth opportunity given that online sales remain a small proportion of total sales.

While foot traffic in our stores remained soft, the trend improved, and importantly both the average transaction value size and conversion rate improved over the year, aided by an improvement in customer service. Softer foot traffic has been offset by increasing online engagement, reflecting the changing customer behaviour towards omni-channel shopping and increasing online research before shopping in store.

Margins and costs

In addition to sales growth, the continued improvement in operating gross profit was a highlight of the result, with a 40 basis point improvement in the operating gross profit margin. This was underpinned by Myer Exclusive Brands sales growth and margin expansion, a further reduction in shrinkage and improved mark-down management.

Whilst operating costs continued to be well managed, the gross profit margin expansion was not sufficient to offset the increase in operating costs during the year. Cash cost of doing business (CODB) increased by $30 million to $1,007 million. The increase was attributable to:

- cost of labour;
- store occupancy costs (rent, utilities, rates and taxes); and
- operating expenses associated with growth initiatives including refurbishment of three of our top 20 stores, as well as investment in our omni-channel capability and Myer Exclusive Brands development.

The increase in operating costs was partially offset by a reduction in support office costs.

Depreciation, net finance costs and tax

Reflecting significant capital investments in previous years, our NPAT result was impacted by a 9.7 percent increase in depreciation to $90 million.

Net interest expense, pre sass & bide put option revaluation, reduced from $33 million to $26 million principally due to a reduction in average net debt and lower interest rates.

The movement in the valuation of the put option liability for sass & bide on the balance sheet resulted in a non-cash charge to net finance costs of $2 million. Excluding this charge, NPAT was $129 million.

A tax expense of $57 million represents an effective tax rate of 30.4 percent.

Cash generation and working capital

The business continues to be highly cash generative, reporting a strong 11.4 percent increase in operating cash flow to $300 million.

A disciplined focus on inventory management was the key driver of the working capital improvement and was underpinned by prior technology investments. We have been focused on creating a fast fashion environment with stock turns up and underlying inventory, excluding new and closed stores, decreasing by 7.4 percent to $333 million. Creditor days were stable at 70 days.

Strong balance sheet

Net debt reduced by $43 million to $340 million and resulted in a lower net debt to EBITDA ratio of 1.11 times.

In July 2013, the Company's $625 million debt facility was refinanced with improved interest margins and strong support from lenders. We refinanced early to take advantage of favourable pricing in the market.

1 Improve customer service

We continued to invest in service initiatives and innovation in order to improve our customers' shopping experience.

During the year, we were delighted to have been recognised for improvement in customer service, winning the Australian Department Store of the Year in the Roy Morgan Customer Satisfaction Awards 2012 and being finalist in the 2013 ARA Australian Retail Customer Satisfaction Award based upon customer satisfaction feedback over the previous 12 months. We have also been announced as a finalist in the 2013 ICSP International Customer Service Award.

Service initiatives

We continued to develop and coach our team members on best practice customer service during the year. We introduced a new customer service training program focused on enhancing our customer service culture, with 90 percent of the store management team completing the program.

We implemented a customer engagement program for our premium Platinum and Gold **MYER one** members to ensure that these loyal customers enjoy the best possible experience when shopping with Myer.

Our Womenswear personal shopping service was expanded, with personal shopping assistants now available in 14 stores nationally. The sales productivity of these assistants is over 20 percent higher than that of the average Myer team member, and we have had very positive feedback from customers about this service. As a result of this success, we launched a personal shopping service for our discerning male shoppers in Menswear in 14 stores.

An upgrade of Customer Service Centre technology during the year has enabled full integration with our online service and has delivered a significantly improved customer service model for online customers.

We continue to benefit from our leading point-of-sale system investment.

Efficiency initiatives

Stock theft and fraud, known as shrinkage, was further reduced, remaining below world-wide department store best practice. This is a clear reflection of our previous investment in leading closed-circuit TV system technology, security tags and a comprehensive communication program for our team members.

We have implemented a new feedback program which delivers customer voice feedback directly to team members.

We achieved double-digit improvement in the compliance of 'floor-ready' stock from suppliers, that is, stock which is already security tagged, price ticketed and on hangers. This allows team members to reallocate time to serving our customers.

A review of all process and resource requirements has been initiated to improve the management of stock and the speed of getting merchandise to the selling floor in stores. Any efficiency gains made are reinvested in customer facing hours in stores.

Customer feedback is pivotal to our strategy to improve customer service, and we have continued to innovate in this area with a new feedback program, Feedback ASAP, which delivers customer voice feedback directly to team members. The trial results were remarkable, and in August 2013 we commenced a national rollout of this program, which will provide an independent Net Promoter Score for our stores.

Our 12,500 team members are to be commended for delivering significant improvements in customer service during the year. We are encouraged by the increasingly positive customer feedback we have received about our service levels. Excellent customer service, the right merchandise offer, an inspiring shopping experience together with our trusted brand are key competitive advantages in an omni-channel environment where customers are increasingly discerning about where and when they choose to shop.

The latest and most sought after fragrances and cosmetics

Increasingly recognised for improvements in customer service

Newness, fashionability, quality and value

Significant range of desired brands including Piper, Cue, Trent Nathan and Australian House & Garden

2 Enhance our merchandise offer

We are focused on inspiring and delighting our customers and want to be the first choice when shopping for fashion, cosmetics and the home.

Myer has a significant range of desired brands and styles that offer newness, fashionability, quality and value.

The Myer merchandise offering includes well-known national brands, Australian and international designers, as well as 66 brands which are owned or licensed and distributed exclusively by Myer, known as 'Myer Exclusive Brands'.

Our 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 now represented across a wide range of price points and all categories. Key brands that are well established with strong customer advocacy have been successfully extended into new categories. Myer Exclusive Brands deliver a significantly higher profit margin through the vertical-integration of design, development, sourcing, supply chain, and marketing.

During the year, our merchandise offer continued to be refreshed with exciting new brands and inspiring new season fashion.

The best performing brands during the year were **Basque**, **Cue**, **Sportscraft**, **Regatta**, **TS 14+**, **Review, MAC Cosmetics**, **Chanel**, **Blaq**, **Reserve**, **Breville**, **Apple** and **Sunglass Hut**.

Growth in our Myer Exclusive Brands was driven by key brands including **Basque**, **Regatta**, **Reserve**, **Blaq**, **Trent Nathan**, **Bauhaus** and **Australian House & Garden** as well as the extension of established brands into new categories such as **sass & bide** intimates, **Jayson Brundson Home**, and **Leona Edmiston Home**.

Strong growth was achieved in small appliances due to premium brands including **Vitamix**, **Bamix** and **Delonghi**, as well as innovative in-store concept displays from **KitchenAid** and **Nespresso**.

We continued to attract significant new brands including **Napoleon Perdis**, which will add over $10 million in sales, as well as **Peter Alexander** and **Seafolly**. Brands recently purchased or licensed including **Australian House & Garden**, **Bauhaus** and **Trent Nathan**, which each add over $5 million in sales per annum, continued to grow.

The launch of **Piper** with Jodi Anasta as Ambassador in August 2013 is an example of our strategy to strengthen our Myer Exclusive Brands offer through the creation of stronger brands with more depth of range that stretch across multiple categories.

Sourcing offices deliver a key competitive advantage

We are looking forward to launching **Napoleon Perdis** to our customers in 65 Myer stores from October, with a national launch program planned for November.

We have a significant number of new brands arriving in store including **Dita Von Teese**, **Superdry**, **Orla Keily**, **Dualit**, **Kate Spade New York** and **Bang & Olufsen**.

We have enhanced our climatic ranging to ensure that our merchandise offering is appropriate for the different climates right across the country, from Hobart to Perth to Mackay.

Double-digit sales and profit growth was achieved in the highly successful sass & bide business for FY2013.

An agreement was reached with the shareholders of sass & bide to acquire the remaining 35 percent stake in the business, taking Myer's ownership to 100 percent. Since Myer acquired an initial stake in the business in February 2011, sass & bide has delivered consistently strong performance.

sass & bide is well placed to continue building on this strong platform and has an exciting pipeline of growth initiatives to deliver, including new store openings and brand extensions into new categories.

Over the course of the year, our sourcing offices in Asia performed ahead of expectations in volume and margin improvement and speed to market. We have invested across all aspects of direct sourcing, driving value and volume growth within a strong governance framework.

Footwear department – Sydney City Store

3 Strengthen our loyalty offer

Our **MYER one** loyalty program is one of Australia's most successful loyalty programs and represents approximately 70 percent of Myer's sales.

MYER one provides incredible insights through data analysis

The data from this program is highly valuable and enables critical evaluation of key aspects of our business including store locations, brands, space, product, service and marketing.

The program reached a milestone with the five millionth member joining the program.

During the year, membership tiers and rewards levels were restructured to include a premium Platinum tier. We now have four reward levels within **MYER one**, being Member, Silver, Gold and Platinum, based on annual spend with Myer. The Platinum tier was launched for our top 2,000 customers, by CEO invitation only. Platinum Members are rewarded with 'money can't buy' experiences, a concierge and private shopping parties. Launch events were held around the country in August 2013. New silver cards were also issued to our Silver tier members throughout August 2013.

The **MYER one** app was launched before Christmas 2012, and has been updated and improved over the course of the year, giving members smartphone access to shopping credit balances, Rewards Cards balances, and notifications about events and exclusive news. The app now has been downloaded over 200,000 times.

Over $50 million in Rewards Cards were distributed to members during the year, with an average spend on redemption of 3.8 times the value of the card.

The new **MYER one** Wine Club was launched in November 2012 with over 15 million shopping credits earned by members and a growing interest in the compelling offer by our **MYER one** members.

During the year, the **MYER one** affiliates strategy was strengthened with the very well received introduction of key partner Caltex. This is a reflection of our refocus on key partners with a national reach and over 80 million shopping credits earned since April 2013. Building on this success, we will continue to build relationships with meaningful key partners to enhance the **MYER one** affiliates program.

The Myer Visa card, rated five stars by CANSTAR for outstanding value (with annual spend of $12,000) continues to be an important part of our loyalty offer with cardholders earning **MYER one** shopping credits for their purchases.

The Commonwealth Bank 'pay-with-points' collaboration, launched in December 2012, has been well received by customers and uses market-leading technology to allow instant redemption of Commonwealth Awards points at Myer point-of-sale.

Our award-winning Emporium magazine is now available each month in a digital format that goes out to 1.3 million **MYER one** members. 80,000 editions have been downloaded to iPads and tablets. The printed magazine is available free of charge for our valued **MYER one** members, with over 250,000 editions distributed each quarter.

We have a pipeline of further enhancements for our **MYER one** loyalty program, as it is a key competitive advantage providing incredible insights through sophisticated data analysis.

4 Build a leading omni-channel offer

Our customers' expectations have evolved in line with increasing online inspiration, information and digital commerce, and Myer now operates in a global marketplace.

Fulfilling online order for Vue homewares

Our focus is on building a leading omni-channel offer that is inspiring, compelling and available to our customers wherever and whenever they choose to engage with us.

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

During the year, we enjoyed significant growth in key customer metrics with online sales growth of over 200 percent, the doubling of average monthly website visits and solid growth in the online basket size and average online order value.

Our online business continues to climb the store rankings, and in some weeks it trades in the top 25 largest stores in the Myer network.

The expansion of our online range has been a priority, with a significant increase in stock-keeping units (SKUs) during the year to over 70,000.

In August, we successfully implemented a further phase of our new order management system to deliver substantial improvements to the customer experience when shopping online, including improved flexibility and efficiency benefits for stores, customer service and supply chain.

This has delivered more detailed product information with real-time product availability, stock availability by store, customer login to store **MYER one** information, address book and check on progress of current online orders; and delivery options – home delivery, 'click and collect' and multi-delivery, which allows customers to order for more than one person at a time, and potential for delivery from all stores.

Website visits doubled

Online order value up

'Click and collect' has been available since December 2012, and we have plans to accelerate this offer for Christmas. Customers can shop online or on their smartphone and then pick up their order in store, delivering a truly flexible way for our customers to shop with us.

From September 2013, Cargo Services has provided logistics services for the online business to meet projected fulfilment volumes, particularly over peak trading periods. It will hold the 15,000 fastest turning SKUs, with 500,000 units expected to be dispatched in the first 12 months at a significantly lower cost than store-based fulfilment.

A digital services team has been successfully established in-house and includes team members with significant international experience from some of the world's leading retailers. Digital services being delivered include social media, e-commerce, digital advertising, web design and email marketing.

We are increasingly integrating our marketing and sponsorship activities, 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.

Digital channels play an ever more important role in the way we connect with our diverse customer base, including with live streaming of our seasonal fashion launch parades, driving significant engagement through social media channels including Facebook, Twitter and Instagram.

During the year, we were delighted to announce the five-year extension of our significant partnership with the Victoria Racing Club including the iconic Fashions on the Field, and a new partnership with the Australian Turf Club for three years. Myer is synonymous with racing across the country and now sponsors 23 race days across 14 turf clubs.

Our racing sponsorship is also leveraged for our customers through in-store shopping events, designer workshops, exclusive competitions, visual merchandising displays and online and social media content.

We also announced that Ambassador Laura Dundovic has extended her contract with Myer.

We continued to innovate, with pop-up shops offering a dynamic product range trialled in high traffic areas such as CBD railway stations and shopping centres.

Our stores will be alive this Christmas with an integrated, interactive Christmas experience for our customers. This exciting development will ensure the magic of Christmas truly shines at Myer.

The progress made during the year is evidence that our strategy to become a leading omni-channel retailer has real momentum and has prompted us to bring our marketing, **MYER one**, online, commercial services and digital teams together into a new business group, and prioritise investment in omni-channel in order to accelerate growth, scale and profitability.

Omni-channel:

an offer that is inspiring, compelling and available whenever and wherever our customers choose to engage with us

5 Optimise our store network

Our focus is on maximising returns per square metre by improving productivity through enhanced store layouts, new stores, improved efficiency of floor space through refurbishments and the closure of a handful of stores.

We have for the first time in ten years increased our sales per square metre with the early work on space delivering benefits.

In this context, we continue to review the merits of all existing and planned stores in our portfolio, including proactive lease negotiations which have yielded pleasing outcomes.

During the year we successfully opened new stores at Fountain Gate (Victoria) in September 2012, Townsville (Queensland) in October 2012, and Shellharbour (New South Wales) in May 2013. All stores are well on track to achieve their return on investment hurdles.

The Fremantle (Western Australia) store closed in January 2013. All team members were redeployed to nearby stores. We announced the closure of our Elizabeth (South Australia) store and our Dandenong (Victoria) store, with both scheduled to close in FY2014. Our **MYER one** data shows us that customers are also shopping at nearby stores.

We continued to invest in revitalising our stores for our customers with a number of refurbishments. The Highpoint (Victoria) store was refurbished and relaunched in March 2013 with a number of new brands, refreshed fixtures and fittings, and an improved floor layout.

A significant refurbishment of our store at Indooroopilly (Queensland) commenced during the year and is scheduled to be completed in 2014.

During the year a major upgrade of our CBD store in Adelaide (South Australia) commenced. We launched a new 'lifestyle' zoned homewares floor to a great customer response in July 2013. The refurbishment will be completed early 2014, reflecting the significant scope of works in our store as well as the concurrent centre refurbishment and Rundle Mall upgrade.

A refurbishment of our Miranda (New South Wales) store also commenced and is scheduled to be completed for Christmas 2014, with one floor handed back to the landlord to reduce footprint while maximising productivity.

Continue to invest in revitalising our stores for our customers

We have a 'space optimisation' project underway for eight of our stores, realigning space to maximise the available floor space for additional brands and more profitable categories including women's and men's fashion. This will complete the reallocation of floor space that was previously occupied by electronics categories we have exited or rationalised, including white goods, gaming and consoles, music and DVDs, and navigation systems, to more profitable categories.

We continue to adapt our business in line with customer expectations to meet current and future challenges. We have changed processes and systems to improve productivity, leveraging our previous IT investments. We are responding to the ways our customers want to shop with us through the execution of our omni-channel strategy and revitalising our store environments.

We will continue to review base leases as a normal part of doing business and ahead of lease expiry to ensure that we optimise our store network.

Successful personal shopping service extended to Menswear in selected stores

Three new stores

Fountain Gate
Townsville
Shellharbour

Sustainability

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

My Customer	My Team	My Community	My Environment	My Business
› Customer service and satisfaction › **MYER one** loyalty rewards	› Attraction and retention › Capability and development › Reward and recognition › Workplace safety	› Myer Stores Community Fund › Volunteering › Strategic community partnerships	› Energy and emissions › Packaging stewardship › Waste and recycling	› Ethical sourcing › Corporate governance › Shrinkage › Product responsibility

At Myer, sustainability is about responsible business growth and development that considers and addresses the environmental, ethical, economic and social impacts of our business operations and strategies. Sustainability is about maximising the positive outcomes and influence we can have on our internal and external stakeholders including our people, our communities, suppliers, customers, investors and the environment.

Myer's approach to sustainability management is to integrate responsibility and action into the business as part of our 'everyday' operations and management.

Myer has developed a Sustainability Strategy focusing our activities into 'five pillars,' with key areas of focus identified through consideration of Myer's business activities and impacts, internal risk assessment and in response to our stakeholder concerns and interests. For each key area, we have identified measures to track our performance. It is our intention to set that performance benchmark for each of these measures to develop targets and track performance over time.

We welcome stakeholder feedback – if you think we have missed a key issue for our business, please let us know at sustainability@myer.com.au.

Homewares – Sydney City Store

My Customer

Myer's customers are key to our sustainability as a business. We continue to inspire and delight them with our service, and reward them for their loyalty, as a key element of Myer's business strategy.

Over $50 million MYER one Rewards Cards distributed

Customer service and satisfaction

In July 2013, Myer launched a new program to capture customer satisfaction and feedback from all stores. Through an SMS message, **MYER one** customers are prompted to provide feedback regarding their experience in store. Feedback and comments are recorded and forwarded to the Store Management team for action.

Through this program, Myer has the ability to measure the Company's 'Net Promoter Score', which has become one of our five store imperatives.

Tracking the Net Promoter Score and having proactive and immediate feedback will enable us to understand how well customer service is being delivered, gain insights in real time, and identify opportunities for improvement. From next year, we will publish results from this customer satisfaction and feedback program.

MYER one loyalty rewards

Myer seeks to reward our customers through the **MYER one** loyalty program. For more information on the program and the rewards delivered this year, please refer to page 13.

Shellharbour
Store opening

My Team

Myer team members are our most important resource. We are committed to offering our more than 12,500 team members a supportive, challenging and rewarding workplace that enables them to contribute and develop to their full potential.

Attraction and retention

Having a motivated team of people who enjoy what they do is essential to the success of our business. At the end of the year, we had a total of more than 12,500 team members with a retention rate for the year of 74.4 percent.

Over the peak Christmas trading period, Myer employs additional casual employees, increasing the team member numbers in this period to over 15,000.

Myer offers an exciting, rewarding and supportive workplace. Team member benefits include store merchandise discounts, flexible work options and a range of paid and unpaid leave options.

Myer supports gender, age, language, disability and cultural diversity through our diversity policy. For more information on our diversity performance and team member profile, please refer to pages 35 to 38.

Capability and development

Myer supports the development of all our team through regular performance feedback, goal setting and career development sessions. Further skill and capability development opportunities are offered through on the job training, instructor-led training and online learning modules.

During the year, 9,810 team members took part in 8,734 hours of instructor-led development training and a further 38,228 online enrolments resulted in 18,265 online training hours.

Reward and recognition

We recognise and celebrate individual and team performance through a range of recognition programs. The annual Myer Inspirational People Awards recognise individuals and teams who have contributed to Myer achieving our Company goals, including sustainability, safety and community contribution. The CEO's High Performers Club recognises excellence in sales performance, and 46 people were added this year to the Club, which had 853 members in FY2013. The Myer 25 Year Club recognises the loyalty of our longstanding team members, with 182 new members added this year.

Workplace safety

Safety is a key performance measure across our business, for our stores, distribution warehouses and support office. We are proud of our ongoing improvements in safety performance. Our Lost Time Injury Frequency Rate (LTIFR) has shown consistent reduction over the past five years, from 20 in 2009 down to 8.6 this year. There were 118 lost time injuries in the year, down from 147 last year. The ongoing improvement on LTIFR is driven by the focus on safety through implementation of Myer's safety system. Team members are well supported following injury with programs such as incident reporting and InjuryNET, which provides early access to health providers.

All Myer team members receive safety induction and ongoing training, and all site contractors must undergo safety induction training. Over 10,000 team members were trained in the 'MySafety Matters', 'MyMoves' manual handling and 'Safe Work Practices' modules during the year. We also invested in upgrades to manual handling equipment such as garment rails and roll cages.

Our self-insurance licences require Myer to be able to demonstrate compliance and good practice in safety.

In 2013 we successfully completed work health and safety (WHS) audits in Queensland, and passed the WHS audit for New South Wales in August 2013.

Total team members
12,784

Female team members
78.8%

Retention rate
74.4%

Development training hours
26,999

Workplace safety
8.6 LTIFR

My Community

Myer has a longstanding history of local community support and engagement, and we continue to be committed to maintaining strong and meaningful relationships with our local communities.

This year, Myer worked with our stakeholders to contribute a total of $2,163,297 to our local communities; including $276,019 direct cash and product donations, $1,319,437 in fundraising and $567,840 worth of donated time.

Cheque presentation
Shellharbour Store

MYER's total contribution to our local communities over

$2.1million

Myer Stores Community Fund

The Myer Stores Community Fund is committed to building on Myer's philanthropic tradition of supporting the community since 1924. The Fund supports innovative projects for sick and disadvantaged children and youth, which enrich their life experiences and allow for daily comforts and security, as well as projects for women's health.

This year, the Myer Stores Community Fund supported 92 charities, donating over $1.3 million.* Myer team members raised money for 60 local charities, with the monies raised matched by the Fund. The Fund also directly supported Redkite; the Olivia Newton-John Cancer and Wellness Centre and the SMILE Foundation. Myer stores also support The Salvation Army through sales of its Christmas CD, and other merchandise fundraising for the National Breast Cancer Foundation, the Starlight Children's Foundation, and the Cancer Patients Foundation with its Look Good Feel Better program.

Volunteering

Team members spent $567,840 worth of paid time this year supporting the Myer Stores Community Fund and other charity activities. In addition, a Volunteer Leave program was introduced in February 2013, with permanent team members able to access one day of paid volunteer leave each year.

Strategic community partnerships

Myer has established strategic community partnerships that strongly align with our business focus, impacts, operations and customers – The Salvation Army, Fitted For Work and the Myer and Salvos Stores Fashion Rescue.

The Salvation Army

Myer's support of The Salvation Army will be further strengthened in FY2014 with the launch of a new Christmas partnership supporting their valuable work at this time of year, as well as the 20th anniversary of Myer's support of the Spirit of Christmas CD.

Fitted for Work

Fitted for Work assists women experiencing disadvantage to find work and keep it, by providing free personal outfitting, interview coaching, mentoring and transition to work programs. Its most recent Melbourne survey revealed that 75 percent of the women dressed by Fitted for Work were employed within three months of their visit.

Myer assists Fitted for Work through team member clothing donations, engaging suppliers to make clothing and accessories donations, expert pro-bono assistance, and volunteering opportunities.

Myer and Salvos Stores Fashion Rescue

With the aim of increasing textiles recycling, in 2013 we are trialling a relationship with Salvos Stores in Victoria, where community members who donate clothing in Salvos Stores receive a $10 Myer voucher. Myer and Salvos Stores intend to extend the initiative into 2014.

* Myer Stores Community Fund financial year and audited results are 1 July to 30 June.

My Environment

Myer is committed to minimising the impact of our operations on the environment, and integrating environmental management and accountability throughout our business.

We focus our efforts on our most significant environmental impacts of energy use and associated carbon emissions, packaging and waste management, and recycling of packaging materials.

Energy use
737,964 GJ

Emissions
182,320 TCO_2e

Emissions reduction from FY2012
-4.8%

Floor Ready compliance
73%

Recycling rate
55%

Energy and emissions

With a network of 67 stores, four distribution centres and our Melbourne support office, energy use is our key environmental impact, and a significant cost to our business. This year, we developed an Energy Management Strategy, with a target of 10 percent reduction in energy intensity (energy use by area and opening hour) by 2018. Site assessment audits were undertaken to identify energy efficiency opportunities, including building management system upgrades, heating and cooling system upgrades, lighting upgrades, education and improved reporting. In July 2013 we implemented the first of these projects.

Myer's Energy Management Strategy and reporting facilitates our action and reporting against our Energy Efficiencies Opportunities (EEO) requirements and our National Greenhouse and Energy Reporting (NGER) obligations.

MEASURES	FY2013 PERFORMANCE
Energy use*	737,964 GJ
Energy intensity	190.19 kJ/m^2/opening hour
Emissions*	182,320 TCO_2e
Emissions intensity	0.05 $kgCO_2e/m^2$/opening hour

* Energy emission data were measured 1 July 2012 to 30 June 2013.

Packaging stewardship

Myer is a signatory to the Australian Packaging Covenant, and we are focused on reducing transport and consumer packaging and using recyclable packaging materials.

'Floor Ready' is Myer's key program to achieve in-store product handling efficiencies and drive packaging design and minimisation. A six-criteria checking process is established to report on the compliance levels of arriving merchandise:

› garment swing and security tags;
› price marking;
› hanger requirements;
› minimal and uniform product packaging;
› product folding and packing; and
› reduction of individual product plastic bags.

Overall, 'Floor Ready' compliance for the year was an average of 55 percent, with a significant improvement over the year, to 73 percent in July 2013. More than 77 percent of Myer's active suppliers are signed on to the program, and we continue to engage more suppliers and work to improve compliance.

Waste and recycling

Myer has established recycling systems for security tags, clothes hangers, paper, cardboard and film plastics at all our sites. Our head office also recycles organics, paper towel and commingled containers; and our distribution centres recycle pallets, pallet sheets and metals.

Excess stock, damaged stock, samples and returns are recycled and reused through a third party, who on-sold more than 424.1 tonnes of stock and recycled a further 42.1 tonnes this year.

MATERIAL	TONNES
Recycling	
Cardboard and paper	3,914.7
Plastic film (LDPE)	420.3
Printer cartridges	0.4
Damaged stock	42.1
Hangers reuse (24.4 million hangers)	494.0
Security tags (3,885,692 tags)	69.9
Bottles and cans	58.0
Organics	6.1
Total recycling	**5,005.5**
Waste	
General waste*	**4,166.4**
Diversion rate	**55%**

* Based on waste density of $50kg/m^3$ at sites where volume only is recorded.

My Business

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

KEY FOCUS AREA	MEASURES	FY2013 PERFORMANCE
Ethical sourcing	Suppliers engaged in ethical sourcing policy (%)	100% of direct suppliers
	Supply chain audits (number)	136 audits
	Audit non-conformances	69 low and 22 moderate non-conformances
Corporate governance	Code of Conduct training (% of staff in past 24 months)	75.5%
Shrinkage	Shrinkage loss prevention	11% reduction on last year
Product responsibility	Quality assurance and merchandise compliance (%)	95.9%

Ethical sourcing

The Myer Ethical Sourcing Policy supports our commitment to sourcing merchandise that is produced in safe working conditions, where the human rights of workers are respected. A framework designed to measure supplier adherence, identify breaches, and continuously improve the ethical performance of our supply chain supports the Policy. The framework includes:

- transparency on the location of factories by all new suppliers;
- ranking of suppliers according to risk profile;
- determining which suppliers are to be audited under the Policy;
- detail of the audit process and two-year cycle;
- assessment of the risk level of issues identified during audits; and
- remedial action plan or withdrawal of supply for non-compliant suppliers, depending on the severity of the breach.

Myer's global sourcing offices in Hong Kong and Shanghai have responsibility for sourcing Myer Exclusive Brands merchandise.

In 2013, Myer has engaged with merchandise suppliers to ensure that they are aware of their responsibilities to adhere to the Myer Ethical Sourcing Policy. Myer undertook 136 audits of direct supplier factories. As a result of these audits, 91 non-conformances were identified, of which 69 rated as 'low' (isolated minor breach), 22 as 'moderate' (not a serious breach, but needs to be addressed), and none as 'high' (significant and in breach of the Policy). Remedial action plans are required from non-conforming suppliers, and follow-up contacts were undertaken to ensure that corrective actions were initiated.

Our ethical sourcing focus in 2014 will be:

- audit engagement of existing local Myer Exclusive Brands suppliers;
- inclusions of factory details on supplier merchandise registration forms;
- re-audits on a risk-weighted basis in line with our two-year audit cycle;
- review audits for the top 100 Myer Exclusive Brands suppliers;
- re-audits where moderate findings from Myer-initiated audits were determined;
- meeting with our key national and international brand suppliers to review their ethical sourcing policies and frameworks; and
- introduction of ethical sourcing awareness sessions at our half-yearly supplier updates.

No Fur policy

In November 2012, Myer implemented a merchandise-wide 'No Fur' policy, with only faux (fake) fur trims or garments being sold in Myer stores.

Corporate governance

Myer is committed to the highest levels of integrity and ethics in our business operations and interactions with our stakeholders. This is supported by our Code of Conduct, team member training and a whistleblower program.

Team members are required to acknowledge acceptance of the Code of Conduct prior to commencing work, and then annually refresh their Code of Conduct training. In the past 24 months, 75.5 percent of team members completed the Code of Conduct training. Efforts are being made to increase compliance through email contacts for team members, regular compliance level reporting to the managers and a proposed escalation process. The Myer confidential whistleblower hotline service is also widely promoted to team members, contractors and suppliers.

For more information on our corporate governance commitment and performance, please refer to page 28.

Shrinkage

'Shrinkage' is the loss of product and associated profit due to product theft or loss through product handling processes. Myer has a dedicated shrinkage cultural and process-based program to focus on reducing these losses. In FY2013, shrinkage reduced by 11 percent. These results were delivered through:

- embedding shrinkage management in store and corporate business operations;
- a continued focus on high-risk stores and merchandise categories;
- the deployment of Loss Prevention employees and utilisation of CCTV;
- improvements in merchandise protection, including source tagging of merchandise by suppliers; and
- an ongoing focus on compliance.

Product responsibility

Myer works with our suppliers to source and develop high quality and safe products, and we take our responsibilities regarding product safety and compliance seriously. We have a team of merchandise compliance specialists to monitor our product range for safety and labelling compliance.

In FY2013, we achieved a 95.9 percent conformance rate. The merchandise compliance team audited 15,566 products, and 628 non-conformances were identified and products removed from sale until issues were resolved with our supply chain. The product audits focused on cosmetics, candles, sunglasses, toys, and specialty food items.

Myer also works with government agencies to promote responsible product use and disposal, such as star ratings and recycling options for electrical appliances.

Board of Directors

Left to right: Chris Froggatt, Peter Hay, Paul McClintock AO, Bernie Brookes, Anne Brennan and Rupert Myer AM in the Myer Sydney Store

Paul McClintock AO
Chairman
Independent non-executive director

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

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

He is a professional Board member and is highly regarded for his wide and varied experience. From July 2000 to March 2003, he served as the Secretary to Cabinet and Head of the Cabinet Policy Unit reporting directly to the Prime Minister as Chairman of Cabinet with responsibility for supervising Cabinet processes and acting as the Prime Minister's most senior personal adviser on strategic directions in policy formulation.

Paul's former positions include Chairman of Medibank Private Limited, the COAG Reform Council, the Expert Panel of the Low Emissions Technology Demonstration Fund, Intoll Management Limited, Symbion Health, Affinity Health, Ashton Mining, Plutonic Resources and the Woolcock Institute of Medical Research. He was also a director of the Australian Strategic Policy Institute and Perpetual Limited, a Commissioner of the Health Insurance Commission and a member of the Australia-Malaysia Institute Executive Committee.

Paul graduated in Arts and Law from the University of Sydney and is an honorary fellow of the Faculty of Medicine of that University, and a Life Governor of the Woolcock Institute of Medical Research. He resides in New South Wales and is 64 years of age.

Other current directorships

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

Rupert Myer AM
Deputy Chairman
Independent non-executive director

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

Rupert serves as a non-executive Chairman and director of a number of public, private and government entities. His background includes serving in roles in the retail and property sector, investment, family office and wealth management services, the arts 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 55 years of age.

Other current directorships

Rupert is Chairman of the Australia Council for the Arts and Nuco Pty Ltd. He is a director of AMCIL Limited. He serves as a member of the Felton Bequests' Committee, and as a board member of Jawun – Indigenous Corporate Partnerships, The Myer Foundation, the University of Melbourne Faculty of Business and Economics Advisory Board and Creative Partnerships Australia.

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 36 years working within the retail industry in local and international roles in India and China.

Bernie previously held numerous executive roles with Woolworths and was instrumental in Woolworths' Project Refresh, reducing costs by more than $5 billion over five years. He also held a variety of general management positions in three states across buying, IT, marketing and operations.

Bernie has held executive roles of industry organisations including the Retail Traders Association in Queensland and Victoria and President of the Queensland Grocery Association. He supports numerous charitable organisations, including The Salvation Army, and is patron of the Myer Stores Community Fund and patron of the Australian Joe Berry Memorial Award.

Bernie was awarded the Sir Charles McGrath award for marketing excellence by the Australian Marketing Institute in 2012, and in 2013 was inducted into the Australian Retailers Association Hall of Fame, was awarded the William Booth Medal by The Salvation Army and the Paul Harris Fellow for Service to the Community for the Rotary Club, Sydney. Bernie is also currently the Australian representative judge of the World Retail Awards.

Bernie holds a Bachelor of Arts degree and a Diploma of Education from Macquarie University. He is also a Fellow of AIM. Bernie resides in Victoria and New South Wales and is 53 years of age.

Other current directorships

Bernie is currently a Territorial Advisory Board Member of The Salvation Army Australia and on the Advisory Boards of Inghams Enterprises/TPG and First Unity Financial Group. He is a director of Intercontinental Group of Department Stores.

Anne Brennan

Independent non-executive director

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

Anne brings 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 was formerly a director of Cuscal Limited.

Anne holds a Bachelor of Commerce (Honours) degree from University College Galway. She is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Anne resides in New South Wales and is 53 years of age.

Other current directorships

Anne is currently the Deputy Chair of Echo Entertainment Group Limited, and is a director of Argo Investments Limited, Charter Hall Group, Nufarm Limited, Rabobank Australia Limited and Rabobank New Zealand Limited.

Chris Froggatt

Independent non-executive director

Member of the Board since 9 December 2010
Chairman – 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 55 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.

Peter Hay

Independent non-executive director

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

Peter has experience in transformational business leadership and 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 63 years of age.

Other current directorships

Peter is currently Chairman of Lazard Pty Ltd's Advisory Board, and a director of Alumina Limited. He is a director of Australia and New Zealand Banking Group Limited, a director of GUD Holdings Limited, and a director of Newcrest Mining Limited. Peter is also a director of Epworth Foundation and Landcare Australia Ltd.

Peter is also a director of the Australian Institute of Company Directors, a member of the Australian Institute of Company Directors' Corporate Governance Committee, and a part-time member of the Takeovers Panel.

Management Team

Left to right: Anthony Coelho, Tony Sutton, Bernie Brookes, Marion Rodwell, Mark Ashby, Adam Stapleton, Greg Travers, Louise Tebbutt, Megan Foster, Timothy Clark, Graham Dean, Nicole Naccarella, Richard Harrison

Bernie Brookes

Chief Executive Officer and Managing Director

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

Mark Ashby

Chief Financial Officer

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

Greg Travers

Executive General Manager Business Services and Strategic Planning

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

Adam Stapleton

Executive General Manager Merchandise

Adam has 18 years of industry experience. He was appointed to the role of EGM Merchandise in February 2013. Adam is responsible for all of Myer's merchandise teams and functions, including Women's fashion and accessories, Youth and Childrens, Mens, 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.

Tony Sutton

Executive General Manager Stores

Tony oversees all of the operations of the Myer store network, including our customer service strategy, and has a focus on operational efficiencies. Tony was appointed to lead the Stores team from 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.

Timothy Clark

Group General Manager Property, Store Development and Services

Tim has 30 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 December 2010 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.

Graham Dean

Group General Manager Home and Entertainment

Graham is responsible for Myer's home lifestyle categories, including Homewares, Furniture, General Merchandise, Home Entertainment and Small Electrical. He has been leading the Home and Entertainment businesses since September 2011, and was appointed to the Myer Executive Management Group in February 2013. Prior to his current role, Graham was General Manager of Cosmetics at Myer. Graham has 28 years experience working with leading Australian retail businesses and internationally in the UK, across a diverse portfolio including logistics, retail operations, property and trading terms.

Megan Foster

Managing Director sass & bide, Group General Manager Freestanding Stores

Megan was appointed MD sass & bide and GGM Freestanding Stores in August 2013. She previously held the role of GGM Marketing and Brand Development where she was 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 23 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.

Nicole Naccarella

Group General Manager Women's Fashion

Nicole Naccarella has over 30 years experience in the fashion industry. She was appointed to her current role in February 2013, encompassing the Women's Apparel Business, Womenswear, Footwear and Accessories, Intimate Apparel, as well as Youth and Childrenswear.

She started in stores at Myer and has held various buying and planning roles, as well as Business Manager of Women's Myer Exclusive Brands and General Manager Women's Apparel.

Nicole has extensive knowledge of the women's fashion industry having worked in both retail and wholesale, including at Australian Horizons, and with some of the world's largest department store chains in the US.

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 18 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 Chairman of the Myer Superannuation Policy Committee.

Marion Rodwell

General Counsel and Company Secretary

Marion was appointed Group General Counsel and Company Secretary in 2008. Marion manages the Group legal function. She is also the Company Secretary of all companies in the Group. Marion has over 20 years of corporate, commercial, dispute resolution 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 (ACLA). In 2010, Marion was awarded ACLA Australian Corporate Lawyer of the Year.

Anthony Coelho

General Manager IT

Anthony joined the business in April 2012 and was appointed General Manager IT in October 2012. Anthony has over 20 years experience, having worked in a diverse range of organisations with both in-house and outsourced IT delivery models. With a strong background in retail banking, Anthony most recently worked at Apple before joining Myer and has previously worked for EDS Australia, NAB and Commonwealth Bank. With an extensive IT background, Anthony has responsibility for development and execution of Myer's IT strategy as an enabler of the wider business strategy.

Richard Harrison

General Manager Online

Richard was appointed General Manager Online in February 2013. He is responsible for implementing the online strategy and driving the development of Myer's leading omni-channel offer. Richard has significant specialist experience in developing and executing successful online strategies for a number of retail businesses for over 20 years. His most recent role was General Manager Multi-channel with the Warehouse Group (NZ), and he has also held senior online and store roles with Woolworths (NZ) and a direct to consumer online/catalogue business (Canada).

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;
› 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 39 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 is to:

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

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

The Board Charter addresses the following:

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

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

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

1.2 The Chairman, CEO and management

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

The Board Charter states that the Chairman should be an independent non-executive director. Paul McClintock AO (Chairman from 10 October 2012) is an independent non-executive director. The Company's former Chairman, Howard McDonald, was also an independent non-executive director.

The Chairman's responsibilities include:

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

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

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

1.3 Performance assessments

Review of the Board, Board Committees and individual directors

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

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

on an annual basis against both measurable and qualitative indicators.

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

During the reporting period, Paul McClintock AO was appointed as Chairman of the Company. The Chairman is working closely with the Board and the Board Committees in relation to their effectiveness, and has reviewed the procedures of the Board and Board Committees.

The Board and each Board Committee has conducted a review of their effectiveness and performance. During the reporting period, the Board and each Board Committee also reviewed and updated their respective Charters.

During the reporting period, the Company appointed Rupert Myer AM as the Deputy Chairman of the Company. The Deputy Chairman is responsible for the performance review of the Chairman.

A formal performance evaluation and assessment of the effectiveness of the Board, the Board Committees and individual directors was conducted in 2012 by an external adviser with corporate governance expertise. Action items identified in this review are continuing to be implemented as part of a process of ongoing communication between the Board and management.

In September 2013, the Chairman conducted the annual review of individual directors for the reporting period. Each director completed a Board review and assessment document, and met privately with the Chairman to discuss the assessment. In addition to the annual review, the Chairman regularly provides informal feedback to individual directors.

The Nomination Committee assists the Board in developing and implementing plans for identifying, assessing and enhancing director competencies.

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

Review of senior executives

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

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

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

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

It is the role of the Board to review the performance of the CEO and to review the assessments made by the CEO of the performance of his direct reports.

1.4 Remuneration arrangements

The remuneration of each director is set out in the Remuneration Report, which forms part of the Directors' Report and is presented on pages 47 to 65.

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 27 July 2013, and the number of meetings attended by each director and committee member are set out in the Directors' Report, at page 41.

1.6 Independent professional advice

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

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

Corporate Governance Statement
continued

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. The Company Secretary is accountable to the Board. All directors have direct access to the Company Secretary.

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

Marion Rodwell is the Company Secretary of the Company. Her experience and qualifications are set out on page 27 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 six directors. The majority of the Board are independent non-executive directors.

Name	Position	Appointed
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

Paul McClintock AO and Ian Morrice were appointed as directors on 8 August 2012. Howard McDonald retired as Chairman and as a director with effect from 10 October 2012. Ian Morrice retired from the Board with effect from 1 March 2013. All other directors served as directors for the entire reporting period.

Details of the skills, qualifications, experience, expertise and special responsibilities of each current director are set out on pages 24 to 25 of this Annual Report.

2.2 Skills, experience, expertise and diversity of directors

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

The Board, together with the Nomination Committee, reviews the composition of the Board and the skills, experience, expertise and diversity represented by the directors on the Board, and determines whether the composition and mix of those skills remain appropriate for the Company's strategy. Additional information about the Nomination Committee's responsibilities in relation to the size and composition of the Board is set out 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 comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. This will ensure that the composition of the Board continues to reflect a range of expertise, experience and diversity appropriate to the Group's business and strategies.

On 8 August 2012, the Company appointed Mr Paul McClintock AO as an independent non-executive director. 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.

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

2.3 Appointment of new directors and re-election of directors

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

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

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

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

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

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

Induction and education

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

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

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

2.4 Independence of directors

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

Guidelines and materiality thresholds for determining independence

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

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

As a guideline for determining the independence of directors, the Board has regard to the relationships set out in Box 2.1 of the ASX Principles. 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 five percent of the relevant base to be immaterial for the purposes of determining independence. Where this threshold is exceeded, the Board will review the materiality of the particular circumstance with respect to the independence of the particular director; and
- the Board will review any holding of five percent or more of the Company's shares, and will generally consider a holding of 10 percent or more of the Company's shares to be material.

The Board will also undertake a qualitative assessment of independence, which is an overriding requirement for independence. Specifically, the Board will consider whether there are any factors or considerations which may mean that the director's interest, business or relationship (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 six directors, five 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. There are no relationships affecting director independence or independent status. Directors did not participate in deliberations about or vote in relation to their own independence.

Part 3 – Board Committees

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

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

3.1 Introduction

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

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

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

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

Details of Committee members' attendance at Committee meetings are set out in the Directors' Report at page 41.

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

3.2 Audit, Finance and Risk Committee

Composition

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

Chairman	Anne Brennan
Members	Peter Hay Rupert Myer AM

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

Role and responsibilities

The Committee's key responsibilities and functions are to:

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

Corporate Governance Statement
continued

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

Rights of access and authority

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

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

3.3 Human Resources and Remuneration Committee

Composition

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

Chairman	Chris Froggatt
Members	Anne Brennan Rupert Myer AM

Howard McDonald was a member of the Committee until his retirement from the Board on 10 October 2012.

Role and responsibilities

The responsibilities of the Committee include:

- in relation to human resources policies:
  - to review the Company's policies and performance to assess the effectiveness of the policies and their compliance with relevant legislative, regulatory and governance requirements;
  - to review and report to the Board on the diversity-related measurable objectives for the Company and the Company's progress against objectives;
  - 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.
- in relation to organisational effectiveness and capability, to undertake an annual review of how the human resources strategy is supporting the business strategy;
- in relation to superannuation, to review and recommend to the Board superannuation arrangements for the Company, having regard to matters of compliance and legislative change;
- in relation to remuneration and incentives:
  - to review and recommend to the Board remuneration arrangements for the CEO, executives reporting to the CEO, and senior management;
  - to review major changes and developments in the Company's remuneration framework, recruitment, retention and termination policies and procedures for senior management, remuneration policies, superannuation arrangements, human resource practices and employee relations strategies for the Group;
  - to review performance assessment processes for the CEO and his direct reports, and the annual results of those assessments;
  - to review and recommend to the Board in respect of the Company's employee equity incentive plans;
  - to review and recommend to the Board the remuneration arrangements for the Chairman and the non-executive directors;
  - to review and recommend to the Board the Remuneration Report;
  - to review and facilitate shareholder and other stakeholder engagement in relation to the Company's remuneration policies and practices;

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:

Chairman	Paul McClintock AO (from 10 October 2012)
Members	Anne Brennan Chris Froggatt Rupert Myer AM

Howard McDonald was Chairman of the Committee until his retirement as a director 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 the CEO, and to review whether Board succession plans are in place to maintain an appropriate mix of skills, experience, expertise and diversity on the Board;
- to review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members to maintain an appropriate mix of skills, experience, expertise and diversity on the Board;
- to review and recommend to the Board membership of the Board, including recommendations for the appointment and re-election of directors, and where necessary to propose additional candidates for consideration by the Board;
- to assist the Board in assessing 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.

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 monitors and reports on material risks identified through the internal and external audit process.

4.2 Risk management framework

The Company has adopted an enterprise-wide framework that incorporates a system of risk oversight, risk management and internal control designed to identify, assess, monitor and manage risks consistent with AS/NZS ISO 31000:2009 Risk Management Principles and Guidelines and 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 2012.

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

4.4 Internal audit

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

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

4.5 Board assurances on financial reporting risks

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

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

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

Part 5 – Key governance policies

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

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

5.1 Code of Conduct

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

The objectives of the Code are to:

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

Corporate Governance Statement
continued

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 May 2013. Team members are required to undertake training and acknowledge acceptance of the Code on an annual basis.

5.2 Continuous disclosure

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

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

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

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

The Company has established a Continuous Disclosure Committee, which is comprised of the CEO, the CFO and the 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 Chairman 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 May 2013.

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

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

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

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

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

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

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

Part 6 – Diversity at Myer

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

- Diversity Policy

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

It also includes differences in backgrounds, education and life experiences.

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

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

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

6.1 Key principles

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

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

6.2 Diversity objectives

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

- has an inclusive workplace where every individual can 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, the Company:

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

6.3 Female representation

At 27 July 2013, the proportion of women employed by the Company was as follows:

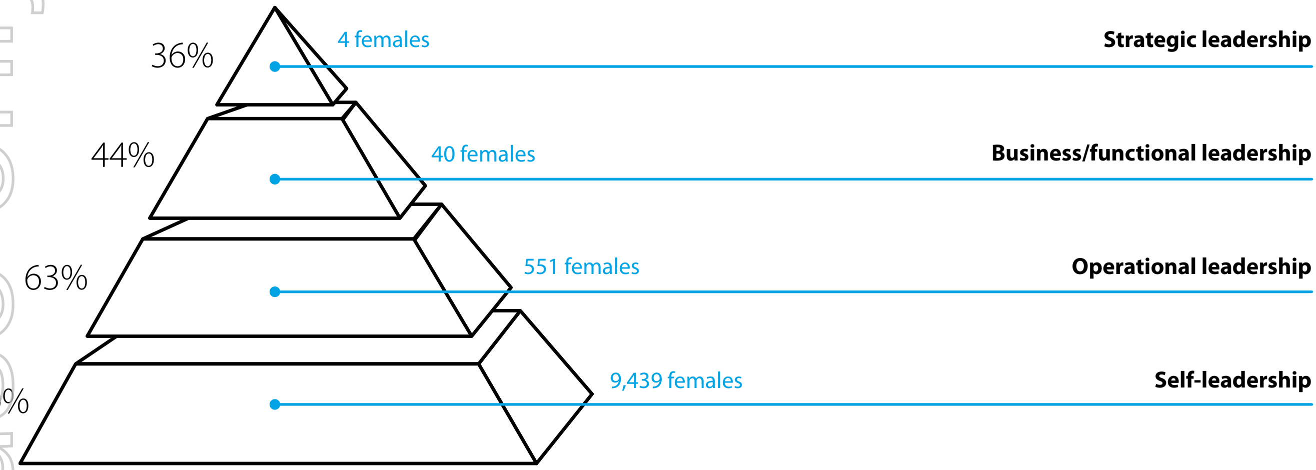
Board of Directors	33.3%
Leadership roles	60.8%
Total Myer workforce	78.8%

The following charts outline female leadership representation (as defined by the Workplace Gender Equality Agency – WGEA) across the Company, which is also included in the Company's annual report to WGEA.

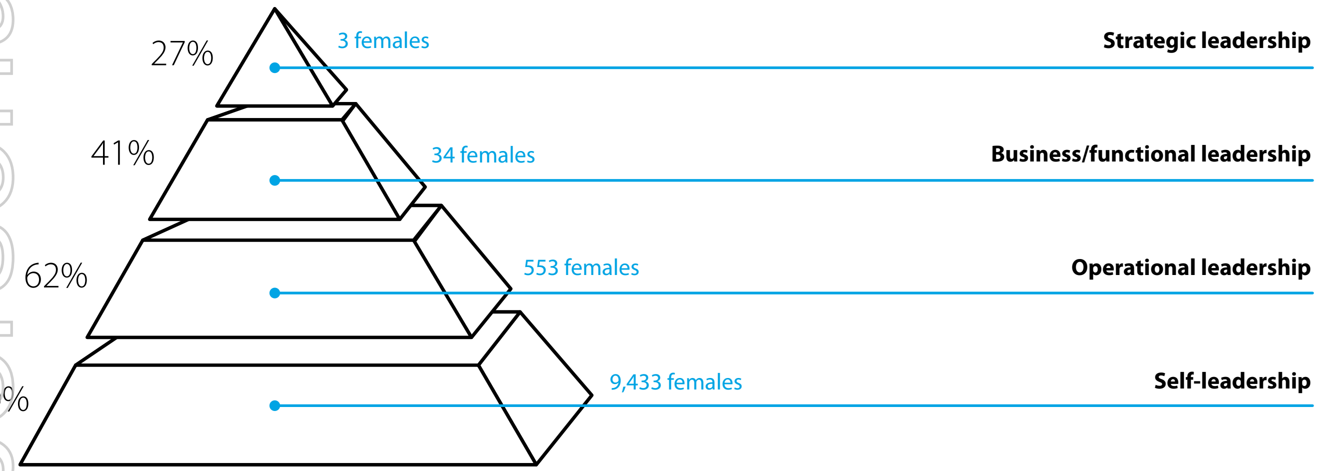
Corporate Governance Statement
continued

A copy of the Company's annual WGEA report is available on the Investor Centre of the Company's website at www.myer.com.au/investor.

Women in leadership positions at Myer as at 27 July 2013



Women in leadership positions at Myer as at 28 July 2012



6.4 Measurable objectives

The Board has assessed the Company's performance against the measurable objectives for achieving diversity at all levels of the Company established by the Board in respect of FY2013. Details on the Company's progress in achieving those objectives, and the measurable objectives which have been set by the Board in respect of FY2014, are outlined below:

FY2013 and FY2014 measurable objectives

Objective	Progress
The Company aims to maintain a 50% proportion of female candidates identified in succession plans. We aim to ensure that within each job grade level there are an equal number of senior women who are ready to move into leadership roles.	The career development plans of all female middle management employees are assessed annually to ensure their appropriateness in developing and retaining the Company's female talent. › The percentage of females represented in the Company's Top Talent Group is 46.1%, up from 40% in FY2012. › At store level, females represent 44.6% of those identified as having potential for further leadership positions.
The Company aims to maintain a return rate of more than 70% for team members returning from parental leave.	The Company is committed to ensuring that team members returning to work after a period of parental leave can do so under a graduated return program. Regardless of any business need, returning team members have a minimum six-month period of graduated return to enable their re-introduction to the workplace. › During the reporting period, 85.7% of the Company's team members who commenced parental leave returned from parental leave.
The Company aims for senior managers to meet or formally contact women on parental leave at least quarterly.	The Company has had a formal Keeping in Touch program in place since 2010. It aids both employees and managers with the transition to and from parental leave. It specifically provides flexibility for women to determine the level of contact they wish to maintain while on parental leave. This means women set contact levels they are comfortable with, which may be more or less frequently than quarterly, dependent upon their wishes.
The Company aims to maintain 50/50 gender balance in its Managers In Training Programs to facilitate the creation of a pool of qualified female candidates for manager role opportunities.	The Management Development Program (MDP) continues to be our main internal development program for entry-level management positions. The program is 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, 57.1% of participants in the MDP program were female and 42.9% of the participants were male. › The Royal Melbourne Institute of Technology (RMIT) intern program currently has 80% female representation. › The Graduate Development Program was not run in 2013. 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, 84.6% of the participants in this program were female.

Corporate Governance Statement
continued

6.5 Other initiatives

The Company's commitment to, and work in, other areas of diversity and inclusion during FY2013 have also resulted in achievements in each of the following areas:

Indigenous participation – The Company commenced developing its specific Indigenous employment strategy. This has included identifying opportunities to increase Indigenous career pathways and job readiness programs. The strategy outlines how it will achieve this through various career pathways.

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

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

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

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

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

Compliance with ASX Principles

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

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

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

Directors' Report

Your directors present their report on the consolidated entity consisting of the Company and the entities it controlled (collectively referred to as the Group) at the end of, or during, the period ended 27 July 2013.

1. Directors

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

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

Paul McClintock AO and Ian Morrice were appointed as directors on 8 August 2012. Howard McDonald retired as Chairman and as a director with effect from 10 October 2012. Ian Morrice retired as a director with effect from 1 March 2013. All other directors served as directors of the Company for the whole financial year and until the date of this Directors' Report.

Details of the qualifications, experience and special responsibilities of each current director are set out on pages 24 to 25 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 2010, and the period for which each directorship has been held.

The information provided in relation to former directors Mr Howard McDonald and Mr Ian Morrice is current as at the date that they retired as directors of the Company.

Director	Listed entity	Period directorship held
Paul McClintock AO	Intoll Management Limited	May 2003 – December 2010
	Perpetual Limited	April 2004 – November 2012
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
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
	Newcrest Mining Limited	August 2013 – present
Howard McDonald	Nil	–
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 27 July 2013, and the numbers of meetings attended by each director are 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 and Risk Committee		Human Resources and Remuneration Committee		Nomination Committee	
Director	A	B	A	B	A	B	A	B
Paul McClintock AO*	10	10	–	–	–	–	2	2
Rupert Myer AM	11	11	5	5	5	5	3	3
Bernie Brookes	11	11	–	–	–	–	–	–
Anne Brennan	11	11	5	5	5	5	3	3
Chris Froggatt	11	11	–	–	5	5	3	3
Peter Hay	10	11	4	5	–	–	–	–
Howard McDonald**	3	3	–	–	2	2	1	1
Ian Morrice***	5	5	–	–	–	–	–	–

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.
* = Paul McClintock AO was appointed as a director on 8 August 2012.
** = Howard McDonald retired as a director on 10 October 2012.
*** = Ian Morrice was appointed as a director on 8 August 2012, and retired as a director on 1 March 2013.

4. Directors' relevant interests in shares

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

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

Director	Ordinary shares	Options	Performance rights
Paul McClintock AO	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

Howard McDonald retired as a director of the Company with effect from 10 October 2012. At the date of his retirement, Mr McDonald had a relevant interest in 2,074,390 ordinary shares in the Company.

Ian Morrice retired as a director of the Company with effect from 1 March 2013. At the date of his retirement, Mr Morrice had a relevant interest in 82,000 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 27 of this Annual Report.

Directors' Report
continued

6. Principal activities

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

7. Operating and financial review

A detailed review of the Group's operations for the financial year and the results of those operations is set out on pages 2 to 17 of this Annual Report in About Myer (pages 2 and 3), the Joint Report by Chairman and CEO (pages 4 and 5) and the Operating and Financial Review (pages 6 to 17).

8. 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 Chairman of the Company, and the appointment of Mr Rupert Myer AM as Deputy Chairman;
- the retirement of Mr Howard McDonald as Chairman of the Company, and the retirement of Mr Ian Morrice as a non-executive director;
- the successful refinancing of debt facilities with improved interest margins and strong support from lenders;
- the opening of our new stores in Fountain Gate (Victoria) in September 2012, Townsville (Queensland) in October 2012 and Shellharbour (New South Wales) in May 2013, and the refurbishment and relaunch of our store at Highpoint (Victoria) in March 2013;
- major refurbishments of three of our top 20 stores in Adelaide (South Australia), Indooroopilly (Queensland) and Miranda (New South Wales), which are currently in progress and will continue into the next financial year;
- the closure of our store in Fremantle (Western Australia);
- reached an agreement to acquire remaining 35 percent of the shares in the sass & bide business, taking ownership to 100 percent; and
- the continued strengthening of our merchandise offer with significant new brands including Napoleon Perdis and a department store exclusive agreement with Peter Alexander and Seafolly.

These matters are discussed on pages 2 to 17 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.

9. Business strategies and future developments

A summary of the Group's strategic plan is set out on pages 2 and 3 of this Annual Report.

Discussion of the Group's business strategies and comments on the likely developments in the Group's operations are included in the Joint Report by Chairman and CEO (pages 4 and 5) and the Operating and Financial Review (pages 6 to 17).

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

10. Key risks and uncertainties

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

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

- **Consumer discretionary spending**
  The Australian retail environment in which Myer operates is currently experiencing challenging conditions. There is a risk that Myer's revenue will be impacted by any reduction in consumer spending or a change in consumer spending patterns.
- **Competition**
  The Australian retail industry in which Myer operates is highly competitive, has low barriers to entry and is subject to changing customer preferences.

  Myer's competitors include traditional department stores, discount department stores, specialty retailers, supermarkets, discount stores, independent local operators, mail order catalogues, online retailers, suppliers operating direct to customer channels and international retailers.

  Myer's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors or a failure by Myer to position itself successfully as the retail environment changes. Any deterioration in Myer's competitive position may result in a decline in financial performance and a loss of market share.

In order to manage risks associated with consumer discretionary spending and competition, Myer continues to adapt its five-point plan to meet changing customer preferences and embrace retail innovation. We are continuing to adapt our business in line with customer expectations and to meet current challenges. The Group is responding to the ways in which our customers shop through the execution of our omni-channel strategy and revitalising our store environments. Further details are set out in About Myer (pages 2 and 3), the Joint Report by Chairman and CEO (pages 4 and 5) and the Operating and Financial Review (pages 6 to 17).

- **Relationships with suppliers and ethical sourcing**
  There is a risk that Myer's relationships with suppliers, key brand owners, designers or concession operators may deteriorate. The loss or impairment of such relationships or an inability to renew existing contractual arrangements with such parties on terms which are no less favourable to Myer is likely to result in a reduction in Myer's financial performance.

  Supplier relationship management is an integral component to the success of the Myer business model. Myer undertakes a wide variety of mitigating strategies to cultivate supplier relationships for the long-term benefit of both parties.

  There are risks associated with Myer's suppliers not complying with Myer's ethical sourcing requirements, posing risks to reputation, merchandise supply and potential damages claims.

  Myer's Ethical Sourcing Policy is supported by a framework designed to measure supplier adherence, identify breaches and to continually improve the ethical performance of our supply chain. Further information is provided in the Sustainability section (at page 23).

› **Financial risk management**
The Company's activities expose it to a number of financial risks.

The Group adopts a financial risk management program which seeks to minimise the potential adverse impacts on the financial performance of the Group.

A detailed discussion of the Company's financial risk management and risk management generally is set out in the Financial Report (at note 2) and Part 4 of the Corporate Governance Statement (at page 33).

11. Matters subsequent to the end of the financial year

Myer has exercised the call option to acquire the remaining 35% in sass & bide. The acquisition was settled on 24 September 2013 at an acquisition price of $30.2 million, net of cash acquired. Further information is provided in the Financial Report (at note 30), in the Joint Report by Chairman and CEO (pages 4 and 5) and in the Operating and Financial Review (at page 11).

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

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

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

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

12. Dividends

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

2012 Final Dividend	**$'000**
Final dividend for the period ended 28 July 2012 of 9.0 cents per fully paid ordinary share, fully franked, paid on 14 November 2012	52,502
2013 Interim Dividend	**$'000**
Interim dividend for the period ended 27 July 2013 of 10.0 cents per fully paid ordinary share, fully franked, paid on 9 May 2013	58,345

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 8.0 cents per fully paid share, to be paid on 14 November 2013.

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

13. Options and performance rights granted over unissued shares

The 'Myer Equity Incentive Plan' (MEIP) operates for selected senior executives and has been in operation since December 2006. Under the MEIP, the Company has granted eligible executives options and performance rights over unissued ordinary shares of the Company, subject to certain vesting conditions. 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 27 July 2013 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[1]	Number of options[2]
17 December 2008	24 October 2013	$2.14	1,349,313
30 June 2009	24 October 2014	$2.34	2,609,650
6 November 2009	31 December 2013	$5.74	2,227,723
6 November 2009	31 December 2013	$4.10	5,152,671
Closing balance			**11,339,357**

1 To calculate the issue price of shares when options are exercised, the Company uses the 7-Day Volume Weighted Average Share Price on the date of issue.

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

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

› there is a pro-rata issue of shares to the Company's shareholders (such as a bonus issue); or

› any reconstruction of the capital of the Company (such as a subdivision or return of capital).

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

Further information about options granted under the MEIP (including the details of the options granted to the Key Management Personnel (KMP) of the Company) is included in the Remuneration Report (at pages 54 and 61 to 65).

Directors' Report
continued

Performance rights

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. As part of that review, the Board approved a change from the grant of options under the MEIP, to the grant of performance rights under the MEIP.

During the financial year, the Company granted a total of 2,308,824 performance rights under the MEIP to selected senior executives. These performance rights were granted under two offers – 973,981 performance rights were granted under an 'Executive Equity Incentive Plan' (EEIP) offer and 1,334,843 performance rights were granted under a 'Myer Equity Incentive Plan' (MEIP) offer. The performance rights granted under each offer are subject to different performance conditions.

No performance rights have been granted since the end of the financial year ended 27 July 2013.

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

Date performance rights granted	Expiry date	Issue price	Number of performance rights[1]
21 October 2011 (grant to senior executives)	31 December 2014	Nil	2,750,109
9 December 2011 (grant to CEO)	31 December 2014	Nil	2,058,383
29 January 2013 (grant to senior executives under the EEIP offer)	31 October 2015	Nil	838,234
29 January 2013 (grant to senior executives under the MEIP offer)	31 October 2015	Nil	1,319,006
Closing balance			**6,965,732**

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

A holder of a performance right may only participate in new issues of securities of the Company if the performance right has been exercised, 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 the performance rights granted under the EEIP offer and the MEIP offer, and the performance rights granted to the KMP of the Company) is included in the Remuneration Report (at pages 54 to 55 and 59 to 63).

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

Options

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

During the period ended 27 July 2013, 210,000 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 29,700 fully paid ordinary shares of the Company as at 28 July 2013.

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

During the period, 205,500 shares were transferred from the Trust to participants on the exercise of options under the MEIP, as detailed below.

Date options granted	Exercise price of options	Number of shares provided on exercise of options
17 December 2008	$2.14	205,500

Post balance date events

Since 27 July 2013, 1,050,000 further shares have been issued to, or otherwise acquired by, the Myer Equity Plans Trust.

Since 27 July 2013, 956,000 fully paid ordinary shares of the Company held by the Myer Equity Plans Trust were transferred to participants on the exercise of options granted under the MEIP, as detailed below.

Date options granted	Exercise price of options	Number of shares provided on exercise of options
17 December 2008	$2.14	956,000

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.

15. Remuneration Report

The Remuneration Report, which comprises part of this Directors' Report, is presented separately on pages 47 to 65.

16. Indemnification and insurance of directors and officers

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

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

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

17. Proceedings on behalf of the Company

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

No proceedings have been brought or intervened in on behalf of the Company with the leave of the court under section 237 of the Corporations Act.

18. Environmental regulation

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

The *Energy Efficiency Opportunities Act 2006* (Cth) 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 submitted its fifth public report for financial year 2012, and its second cycle Energy Efficiency Opportunities Assessment Plan, which was approved by the Department of Resources, Energy and Tourism in May 2013. The Group has published its Energy Efficiency Opportunities (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. In compliance with the requirements of the NGER Act, the Group submitted its fourth report to the Greenhouse and Energy Data Officer in October 2012, and is due to submit its fifth report by 31 October 2013.

19. Non-audit services

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

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in the Financial Report (at note 24).

The Board has considered the position and, in accordance with advice received from the Audit, Finance and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are satisfied that the provision of 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.

Directors' Report
continued

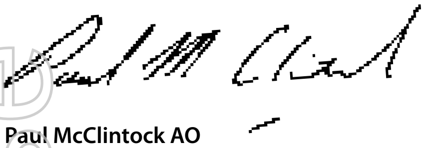
20. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 112 of this Annual Report.

21. Rounding of amounts

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

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



Paul McClintock AO
Chairman
Melbourne, 8 October 2013

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:

- FY2013 remuneration overview
- Future focus for executive reward
- Human Resources and Remuneration Committee and remuneration governance
- Use of remuneration consultants
- Directors and executives disclosed in this report
- Policies for remuneration of directors and other Key Management Personnel
- Remuneration and Company performance
- Remuneration outcomes for directors and other Key Management Personnel
- Equity arrangements with directors and other Key Management Personnel

FY2013 remuneration overview

During FY2013, the Board continued to review Myer's approach to executive remuneration with a view to ensuring ongoing alignment between executive remuneration, Group performance and shareholder returns.

The Human Resources and Remuneration Committee's overarching objective is to have policies and practices which encourage employees to achieve sustainable financial and customer outcomes, while attracting and retaining high quality senior executives. During the year, the Board made a number of decisions in support of this objective, including:

- A review of base salaries with increases applied to move closer to market median for comparable roles.
- A decision that no STI payments should be made given the overall profit achieved by the Company, not withstanding the fact that the executives performed well against the targets set and most of their KPIs were met.

  The reward potential of the STI plan was significantly affected by the prevailing economic conditions which impacted the retail sector. Executives were set challenging KPIs including achieving budgeted NPAT to drive performance for shareholders.

In terms of Long Term Incentive (LTI), performance rights and options granted to KMP in previous years that have the potential to vest (following the end of the reporting year) if applicable hurdles were met. However, these options and performance rights are unlikely to vest in full, as the Earnings Per Share (EPS) hurdle is unlikely to be achieved.

Executive reward incorporates three elements: base salary; STI; and LTI. Given the combination of outcomes for these three aspects for the current year, the Board has determined some structural changes will need to occur in this area in the coming year. Details are provided on pages 49 and 50 of this report.

Remuneration Report
continued

Key developments/changes for the year ended 27 July 2013 were:

	Organisational changes	Key development/remuneration outcomes
Governance and non-executive director remuneration	Howard McDonald retired as a non-executive director and as Chairman on 10 October 2012. Paul McClintock AO appointed as non-executive director on 8 August 2012 and as Chairman on 10 October 2012. Rupert Myer AM appointed as Deputy Chairman on 8 August 2012. Ian Morrice appointed as non-executive director on 8 August 2012 and retired as non-executive director on 1 March 2013.	No change to the aggregate directors' fee pool limit. Chairman's fee of $400,000 per annum payable to Paul McClintock. Deputy Chairman's fee of $30,000 per annum payable to Rupert Myer. Ernst & Young appointed as the Remuneration Adviser to the Human Resources and Remuneration Committee/Board in December 2012. Human Resources and Remuneration Committee Charter expanded to include: › review of learning and development priorities and alignment to the business strategy; and › review of culture and effectiveness of communication.
CEO and Managing Director remuneration		There were no changes to the CEO contract including CEO Total Fixed Compensation (TFC). No STI payment rewarded. No LTI reward delivered as the performance hurdles for the performance rights due to vest in FY2013 were not satisfied.
Other KMP remuneration	Nick Abboud ceased employment on 18 September 2012. Mark Goddard ceased employment on 4 February 2013. Adam Stapleton promoted as Executive General Manager Merchandise on 4 February 2013. Tony Sutton promoted as Executive General Manager Stores on 14 February 2013.	Adjustments between 5.26% and 16.67% applied for KMP effective from February 2013 to move closer to market median for comparable roles. Introduction of clawback provisions for STI and LTI plans which apply to KMP. No STI payment rewarded. Reduction in STI Executive Incentive Plan (EIP) target percentage of TFC from 70% to 60% for KMP to align with market standards. Additional performance hurdles introduced to the STI (EIP) – NPAT, Total Sales and Omni-Channel. No LTI reward delivered as the performance hurdles for the performance rights due to vest in FY2013 were not satisfied. This is the fourth consecutive year of non-vesting of options/performance rights. LTI – 2013 grant of 657,805 performance rights offered to KMP in December 2012.

The Board is committed to a direct, transparent link between performance and reward. Executive reward outcomes are dependent on delivering results to shareholders. We have a talented executive team and the approach taken by the Board in relation to remuneration is to ensure these individuals are retained and motivated to drive the future success of our Company.

As outlined in the 2012 Annual Report, the Board had determined that the current mix of reward for the KMP was not delivering the outcomes the Board had desired. These objectives were to ensure attraction and retention of KMP, alignment of KMP remuneration with shareholder interests and a reasonable likelihood of achievement of STI and LTI performance hurdles as well as delivery of STI and LTI rewards.

For several years, base rates of fixed remuneration for KMP remained relatively static compared to overall market comparators. In some cases rates have remained below our target objective of a median market level. STI opportunity remained above market level as a percentage of Total Fixed Compensation; however, due to challenging market conditions, the performance hurdles for STI have not been satisfied since 2010. Accordingly, STI plans have failed to deliver any reward at all for three consecutive years. Similarly, LTI offers of equity have failed to deliver any reward to KMP as the performance targets set at the time of grant have not been met.

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

In an effort to rebalance the remuneration components as identified in the 2012 Annual Report, there were some adjustments made to the three elements of executive reward.

Increases to the fixed remuneration component were applied to create a more balanced overall reward structure aligned at the median market level and as considered by the Board to be appropriate. This resulted in larger base adjustments during FY2013 than may otherwise have been applied. The decision to increase base salary for these key executives was not taken lightly. Two main factors contributed to the Board's decision to award these increases:

› Since 2009 the personnel performing these roles have taken on increased responsibilities and accountabilities as a result of public listing.
› External benchmarking showed that base salaries for these roles had fallen below comparative market rates.

The STI opportunity as a portion of total annual remuneration has been reduced from 70% of TFC to 60% of TFC for certain executives in FY2013. Additional hurdles were included in the STI plan for the Executive Management Group. In FY2012 STI was eligible to be rewarded on satisfaction of a single metric, being NPAT.

For FY2013 three metrics were used to determine any short term incentive payment. These were:

› NPAT: which remained the primary metric weighted at 40% of the total potential reward
› Total Sales: sales growth was the second metric also weighted at 40%
› Omni-Channel: omni-channel development with various objectives to be achieved was weighted at 20%

The percentage of TFC for the CEO applying to STI remained 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, Total Sales and Omni-Channel were also applied to the CEO annual incentive in FY2013.

In terms of LTI, in FY2013, grants of performance rights were separated into two offers – for executives, the Executive Equity Incentive Plan (EEIP) offer and for senior managers, the Myer Equity Incentive Plan (MEIP) offer. Further details about the MEIP offer are outlined on page 54 of this report. KMP were granted performance rights under the EEIP offer in FY2013. As with last year's performance rights granted to KMP, the performance rights granted under the EEIP offer are subject to two performance hurdles. 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 is 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 was altered for the FY2013 EEIP offer to reflect the more challenging environment for retail businesses and the circumstances faced by Myer. This range for the EEIP offer is between 2% and 7% CAGR EPS with zero vesting below 2% and 100% vesting at 7% CAGR EPS, reflecting the changing nature of both the economic and retail environment.

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.

Future focus for executive reward

In consideration of the year ahead, given the challenges of the economic outlook and consumer confidence, the Board will continue to review each element of the executive remuneration to ensure the structures are equitable and aligned with the long-term interests of shareholders.

Remuneration Report
continued

The Company's intention is to continually improve the alignment between its strategy and its remuneration framework to drive shareholder value and motivation of its people.

The Board considers each element of KMP reward annually, having regard to the experience and outcomes achieved and advice from its independent adviser Ernst & Young on the relative position of KMP at Myer to relevant comparator companies. In framing the remuneration structure for FY2014, the Board has assessed the Company's remuneration arrangements in the context of the ongoing difficult trading conditions being experienced by the retail sector. The Board has determined that the following changes will be made to the Company's remuneration structure for the 2014 financial year:

- Base Pay – Given the challenges of the economic outlook and increasing operating costs, the Board has determined that senior executives, including the CEO and KMP of the Company, will not receive any fixed pay adjustments for the 2014 financial year, except where a senior executive moves into a new and/or more complex role.
- Short Term Incentive – At the beginning of the financial year the Board determines the performance targets and measures that should apply to KMP and other executives for the year. The performance measure selected for STI Plan for executives focus in FY2014 is NPAT, ensuring that an STI reward is only available when profit is consistent with or ahead of the business plan approved by the Board. The NPAT hurdle was selected on the basis that it has a direct correlation to the financial performance of the Company.
- Long Term Incentive – Performance rights will be granted to KMP under a revised EEIP offer in FY2014.

  The performance rights granted under the EEIP offer will continue to be subject to the same two hurdles of relative TSR against an index of comparator companies (weighted at 50%) and CAGR EPS (weighted at 25%).

  The performance rights granted in FY2013 were subject to the same performance hurdles; however, the CAGR EPS hurdle was weighed at 50% and not 25%.

  A third metric will be introduced under the FY2014 plan relating to the successful delivery of the five-point plan over the performance period, and is weighted at 25%. This was chosen by the Board as a way of measuring the Company's transformation through the structural changes of the retail industry and in recognition of the important delivery of the strategic plan to the Company. This business transformation hurdle will be tested at the end of the Performance Period by comparing the Company's actual results against the measures set out in the five-point business plan.

  In light of the fact that the CEO's fixed term contract is due to expire in August 2014, the Board believes it important to ensure that the CFO remains with the business during a time of transition to a new CEO. With that objective in mind, additional performance rights will be offered to the CFO in FY2014. The potential value of the performance rights granted to the CFO under the EEIP will be equivalent to 75% of his TFC. The performance rights comprising 45% of TFC will be subject to the three metrics outlined above (applied in the same way as other executives covered by the EEIP offer), and 30% of TFC subject to a condition of continuous employment with the Company through to the vesting date.

Clawback arrangements have been incorporated into both STI and LTI plans for the KMP where the Board determines that a payment was granted under the plans for a KMP on the basis of, or has become eligible as a result of, a material misstatement or omission in Myer's financial statements.

Other than clawback arrangements, 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 an appropriate reflection of the overall reward objectives, relevant market comparators and in the interests of shareholders.

Human Resources and Remuneration Committee and remuneration governance

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

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

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

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

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

The Human Resources and Remuneration Committee is chaired by Ms Chris Froggatt. Other members of the Committee are Mr Rupert Myer AM and Ms Anne Brennan.

The 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 and performance hurdles.

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

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

The Committee has regard to the following policy objectives:

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

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

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

The Committee Chairman or if 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.

Use of remuneration consultants

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

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

The Board directly engages external advisers to provide input to the process of reviewing non-executive director, executive director and executive remuneration. During 2013, the Board approved the engagement of Ernst & Young (EY) to provide remuneration advice, benchmarking data, market commentary and professional guidance regarding Myer's executive remuneration and incentive plans. During this engagement no remuneration recommendations (as defined by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth)) was provided to the Company by EY.

Mercer Consulting provided market data and a recommendation in regard to non-executive director fees in 2012. Mercer Consulting also provided market data and a recommendation in November 2012 in relation to the remuneration of the CEO and KMP. In both cases, the market data reports and the recommendations were provided directly to the Committee chairman. Mercer Consulting provided a statement to the Committee that the reports had been prepared free of undue influence from KMP. The Committee had full oversight of the review process and therefore it, and the Board, were satisfied that the information provided by Mercer Consulting was free from undue influence by KMP. Myer's superannuation arrangements for all participating employees are provided through Myer's participation in the Mercer Master Trust. During this engagement no remuneration recommendation (as defined by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011* (Cth)) was provided to the Company by Mercer.

Directors and executives disclosed in this report

Name	Position	Name	Position	Name	Position
Non-executive directors		Executive director		Other Key Management Personnel	
P McClintock	Chairman (from 10 October 2012), Independent non-executive director[1]	B Brookes	CEO and Managing Director	M Ashby	Chief Financial Officer
H McDonald	Chairman (retired 10 October 2012), Independent non-executive director[2]			A Stapleton	Executive General Manager Merchandise[6]
R Myer	Deputy Chairman Independent non-executive director[3]			T Sutton	Executive General Manager Stores[7]
A Brennan	Independent non-executive director			G Travers	Executive General Manager Business Services and Strategic Planning
C Froggatt	Independent non-executive director			N Abboud	Executive General Manager Stores[8]
T Flood	Independent non-executive director[4]			M Goddard	Executive General Manager Retail Development[9]
P Hay	Independent non-executive director			P Winn	Executive General Manager Merchandise[10]
I Morrice	Independent non-executive director[5]				

1. P McClintock was appointed as a director on 8 August 2012 and appointed Chairman on 10 October 2012.
2. H McDonald retired on 10 October 2012. H McDonald was appointed as a director on 6 November 2006 and Chairman on 4 August 2009.
3. R Myer was appointed Deputy Chairman on 8 August 2012.
4. T Flood was appointed as a director on 26 July 2007 and retired on 11 April 2012.
5. I Morrice was appointed as a director on 8 August 2012 and retired on 1 March 2013.
6. A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013.
7. T Sutton was promoted to Executive General Manager Stores on 14 February 2013.
8. N Abboud was promoted to Executive General Manager Stores on 22 February 2010 and ceased employment on 18 September 2012.
9. M Goddard was appointed as Executive General Manager Retail Development on 13 March 2012 and ceased employment on 4 February 2013.
10. P Winn was appointed as Executive General Manager Merchandise on 31 March 2008 and ceased employment on 8 December 2011.

Remuneration Report
continued

Policies for remuneration of directors and other KMP

Executive Director and other KMP remuneration

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

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

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

Five-point plan

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

Remuneration strategy

Attract and retain high calibre executives
- reward competitively in the markets in which Myer operates
- provides a balance of fixed and 'at risk' remuneration

Align executive rewards with Myer's performance
- assess rewards against objective financial measures
- make short-term and long-term components of remuneration 'at risk'
- based on performance

Remuneration components

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

Short Term Incentive
- entirely focused on financial targets linked to objective measures

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

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

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

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

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 Chairman of committees or for other specific tasks that may be performed by directors.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit as approved from time to time by Myer shareholders at the Annual General Meeting. The maximum aggregate limit 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. 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 Company was listed in November 2009. Non-executive directors who chair a committee also receive additional yearly fees for their role in serving that committee. The following yearly fees currently apply:

Base annual fees	$
Chairman	400,000[1]
Other non-executive directors	150,000
Additional annual fees	
Deputy Chairman	30,000[2]
Audit, Finance and Risk Committee – Chairman	30,000
Audit, Finance and Risk Committee – member	–
Human Resources and Remuneration Committee – Chairman	15,000
Human Resources and Remuneration Committee – member	–
Nomination Committee – Chairman	–
Nomination Committee – member	–

1. Prior to October 2012 the fee for the Chairman was $500,000 per annum.
2. The new fee applicable to the role of Deputy Chairman applied from August 2012.

During FY2013, the Board considered a report from independent advisers 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.

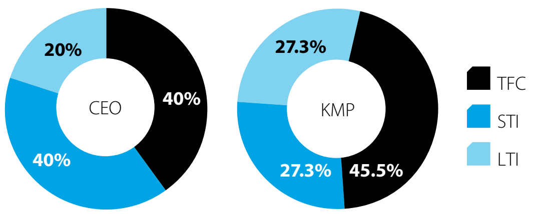
Executive remuneration

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

The executive pay and reward framework has three components:

- Total Fixed Compensation – base pay and benefits, including superannuation;
- Short Term Incentives through participation in the Executive Incentive Plan; and
- Long Term Incentives through participation in the offers under 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 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 with adjustments between 5.26% and 16.67% applied for KMP effective February 2013. Adjustments were made to ensure the base salaries of select KMP are positioned at the market level the Board considers to be appropriate, particularly in light of market comparator rates. Superannuation provided to KMP was adjusted to reflect the new Superannuation Guarantee Charge (SGC) arrangements required under the *Superannuation Guarantee (Administration) Amendment Act 2012* (Cth). These SGC adjustments were accommodated within (i.e. not additional to) the TFC adjustment made.

Remuneration Report
continued

Short Term Incentive

Short-term variable reward for the CEO and other 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 other KMP are set by the CEO and endorsed by the Committee for approval by the Board.

In the 2013 financial year, despite a number of strategic and operational objectives being met, the Board determined that it would not approve the payment of STI to any of the Myer management team, as key pre-determined financial criteria, particularly NPAT and Sales were less than the targets set for FY2013. 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 the overall profit of the Company for FY2013 did not warrant the payment of the STI for the year.

Myer's STI plan for members of the Executive Management Group (Executive Incentive Plan – EIP) operates on an annual basis subject to Board review and approval. The FY2013 EIP applied to all eligible Executive Management Group 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 EIP 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 60% for Executive General Managers and 45% for Group General Managers. If the Group achieves the pre-determined performance targets set by the Board, a short term incentive will be paid. 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.

EIP rewards are generally payable in October each year after the final determination and release of audited full-year results.

Each year, the Committee considers the appropriate performance criteria and recommends any payout level under the EIP, 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 EIP 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.

Long Term Incentive

KMP and members of the Executive Management Group received performance rights under the EEIP offer (which is also administered through the Myer Equity Incentive Plan). An allocation of performance rights for each executive through the EEIP offer 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 performance rights granted under the EEIP offer is to focus senior executives' 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 EPS performance and relative Total Shareholder Return (TSR) performance.

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

In 2012, the Board decided to rationalise the participation in the LTI Plan, in line with market practice. As part of this change, the Board made an offer of performance rights to senior managers below KMP in order to reward performance and encourage retention during this challenging retail environment. The granting of performance rights was made under the LTI plan to non-KMP employees who are continually evaluated as high performers. The offer of performance rights was made to these non-KMP employees is known as the MEIP offer. The performance rights granted under the MEIP offer require the approval first from the CEO, and then the Board. The value of each allocation under the MEIP offer reflects the employee's performance, future capability and retention risk. The MEIP offer was introduced in FY2013 with 52 executives receiving performance rights that will vest in FY2016 provided the executive remains in the employment of the Company.

Myer's LTI 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 (which for FY2013 included the MEIP offer and the EEIP offer), performance rights are granted to each participant. Each performance right is a conditional right to one ordinary Myer share on satisfaction of the performance conditions that apply to that performance right at the end of the relevant performance period. The performance right will therefore not provide any value to the holder between the year the performance right is granted until the end of the performance period 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 or where the claw back arrangements would apply (in the case where a payment was granted under the plans for a KMP on the basis of, or has become eligible as a result of, a material misstatement or omission in Myer's financial statements). 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 and shares are provided (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 rules of the MEIP and terms of the relevant offer. Any Board discretion, such as vesting in the event of a change of control, is clearly prescribed under the offer terms. 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 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 TSR hurdle, a CAGR EPS hurdle (described on page 59 and 60 of this report), a service hurdle and the delivery of a Board endorsed succession plan for the CEO role. The CEO has not been offered any further performance rights since the renewal of his contract in 2011.

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 STI reward subject to the EIP, other benefits including salary sacrificing for vehicle leasing and, when eligible, LTI reward through participation in the MEIP through the EEIP offer. Other key provisions of the agreements relating to remuneration are summarised below.

The termination provisions for the KMP are described below:

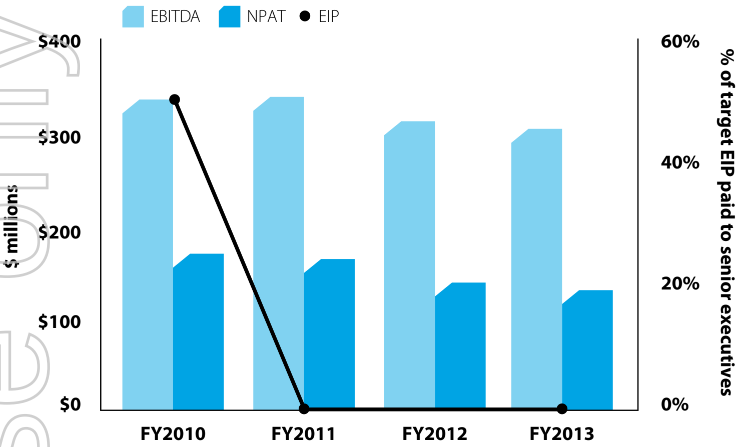
Name	Contract type	Base salary including superannuation[1] $	Termination notice period initiated by KMP	Termination notice period initiated by Company	Termination payment where initiated by the Company
B Brookes[2]	Fixed term – ending on 31 Aug 2014	1,800,000	6 months	12 months	12 months[2]
M Ashby	Rolling contract	700,000	3 months	6 months	6 months
A Stapleton[3]	Rolling contract	475,000	3 months	6 months	6 months
T Sutton[4]	Rolling contract	425,000	3 months	6 months	6 months
G Travers	Rolling contract	700,000	3 months	6 months	6 months

1. Base salaries (TFC) quoted as at 27 July 2013.
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. A Stapleton was appointed to Executive General Manager Merchandise on 4 February 2013.
4. T Sutton was appointed to Executive General Manager Stores on 14 February 2013.

Remuneration Report
continued

Remuneration and Company performance

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



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

	31 July 2010	30 July 2011	28 July 2012	27 July 2013
Basic EPS (cents)[1]	29.0	27.9	23.9	21.8
NPAT ($'000s)[2]	168,702[4]	162,657[5]	139,365	127,212
Dividends (cents per share)	22.0	22.5	19.0	18.0
Share price at beginning of year[3] ($)	4.10	3.45	2.31	1.83
Share price at end of year ($)	3.45	2.31	1.83	2.66

1. 2010 Basic EPS is calculated using pro-forma NPAT and divided by the closing shares on issue. 2011 Basic EPS is calculated using normalised NPAT and divided by the weighted average shares.
2. For details of 2011 to 2013 NPAT refer to page 6.
3. 2010 share price at the beginning of the year is the share price at listing.
4. 2010 NPAT is pro-forma NPAT excluding IPO costs.
5. 2011 NPAT excludes IPO and one-off costs.

Remuneration outcomes for directors and other KMP

The following tables have been prepared in accordance with section 300A of the Corporations Act. They show details of the nature and amount of each element of the remuneration paid or awarded for services provided in this period. In the case of share-based payments and retention incentives, the amounts disclosed reflect the amount expensed during the year in accordance with relevant accounting standards and accordingly this does not necessarily reflect the amount actually paid to the individual during the year, which may be more or less than the amount shown in the 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 and fees[1] $	Bonus/ incentive STI[2] $	Other[3] $	Non-monetary benefits $	Super-annuation[4] $	Subtotal $	Long service leave $	Retention bonus $	Termination and other payments $	Excluding share-based payments[5] $	Options[6] $	Total remuneration expense $
Non-executive directors												
P McClintock[7]												
2013	301,659	–	–	–	14,283	315,942	–	–	–	315,942	–	315,942
2012	–	–	–	–	–	–	–	–	–	–	–	–
H McDonald[8]												
2013	134,898	–	–	–	4,595	139,493	–	–	–	139,493	–	139,493
2012	484,225	–	–	–	15,775	500,000	–	–	–	500,000	–	500,000
R Myer[9]												
2013	163,457	–	–	–	13,500	176,957	–	–	–	176,957	–	176,957
2012	136,500	–	–	–	13,500	150,000	–	–	–	150,000	–	150,000
A Brennan												
2013	163,800	–	–	–	16,200	180,000	–	–	–	180,000	–	180,000
2012	164,225	–	–	–	15,775	180,000	–	–	–	180,000	–	180,000
T Flood[10]												
2013	–	–	–	–	–	–	–	–	–	–	–	–
2012	106,708	–	–	–	10,554	117,262	–	–	–	117,262	–	117,262
C Froggatt												
2013	150,150	–	–	–	14,850	165,000	–	–	–	165,000	–	165,000
2012	150,150	–	–	–	14,850	165,000	–	–	–	165,000	–	165,000
I Morrice[11]												
2013	77,694	–	–	–	7,684	85,378	–	–	–	85,378	–	85,378
2012	–	–	–	–	–	–	–	–	–	–	–	–
P Hay												
2013	136,500	–	–	–	13,500	150,000	–	–	–	150,000	–	150,000
2012	136,500	–	–	–	13,500	150,000	–	–	–	150,000	–	150,000
Executive directors												
B Brookes												
2013	1,783,530	–	109,805	–	16,470	1,909,805	29,351	–	–	1,939,156	604,616	2,543,772
2012	1,738,700	–	131,776	–	46,200	1,916,676	84,623	–	–	2,001,299	1,083,421	3,084,720
Key Management Personnel												
N Abboud[12]												
2013	89,127	–	184	–	13,936	103,247	–	–	–	103,247	-185,840	-82,593
2012	451,250	–	2,080	–	25,000	478,330	22,729	41,250	–	542,309	84,969	627,278
M Ashby												
2013	601,617	–	1,313		40,050	642,980	11,387	–	–	654,367	95,997	750,364
2012	511,231	–	2,442	–	47,935	561,608	22,561	41,250	–	625,419	71,944	697,363
M Goddard[13]												
2013	241,160	–	684	–	22,097	263,941	–	–	–	263,941	–	263,941
2012	139,159	–	103	–	4,780	144,042	979	–	–	145,021	–	145,021
A Stapleton[14]												
2013	188,595	–	255	–	9,321	198,171	19,349	–	–	217,520	55,223	272,743
2012	–	–	–	–	–	–	–	–	–	–	–	–
T Sutton[15]												
2013	167,783	–	295	–	6,863	174,941	30,711	–	–	205,652	55,535	261,187
2012	–	–	–	–	–	–	–	–	–	–	–	–
G Travers												
2013	623,064	–	1,313	–	18,602	642,979	21,612	–	–	664,591	95,997	760,588
2012	566,725	–	2,080	–	15,775	584,580	27,995	41,250	–	653,825	45,203	699,028
P Winn[16]												
2013	–	–	–	–	–	–	–	–	–	–	–	–
2012	313,138	–	917	–	6,932	320,987	-14,499	41,250	–	347,738	-127,021	220,717
Totals 2013	**4,823,034**	**–**	**113,849**	**–**	**211,951**	**5,148,834**	**112,410**	**–**	**–**	**5,261,244**	**721,528**	**5,982,772**
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**

Remuneration Report
continued

1. Cash salary includes short-term compensated absences, consideration for vehicle salary sacrifice and fees including allowances for Committee 'chairman' responsibilities for A Brennan and C Froggatt and Deputy Chairman fee for R Myer.
2. STI payments relate to program performance and conditions for the year they were earned, not the year of actual payment. Due to performance, no STI payments were earned in the FY2013 year under the MAIP/EIP.
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. Total remuneration expense excluding share-based payments reflects the accounting expense treatment of base salary, any bonuses or short term incentive payments, Fringe Benefit Tax expenses, superannuation, the balance of long service leave accruals, retention payments and any termination benefits in the reporting period.
6. Remuneration in relation to share options represents the amount expensed for the period based on valuations determined under AASB 2 *Share-based Payment*. This expense is based on the fair value at grant date, and reflects expectations of the number of options expected to vest. Where expectations change in relation to vesting, adjustment is made in the current period to reflect this change. As the equity grant may fully vest, partially vest or not vest at all, the benefit that the KMP ultimately realises is likely to be different to the amount disclosed in a particular year. The amount disclosed does not represent cash payments received in the period, and if vesting conditions are not met may result in reversal of the remuneration amount in a future period. There were no other equity-settled share-based payments and there were no cash-settled share-based payments.
7. P McClintock was appointed as an Independent non-executive director on 8 August 2012 and appointed Chairman on 10 October 2012.
8. H McDonald retired on 10 October 2012. H McDonald was appointed as a director on 6 November 2006 and Chairman on 4 August 2009.
9. R Myer was appointed Deputy Chairman on 8 August 2012.
10. T Flood was appointed as a director on 26 July 2007 and retired on 11 April 2012.
11. I Morrice was appointed as a director on 8 August 2012 and retired on 1 March 2013.
12. N Abboud ceased employment on 18 September 2012.
13. M Goddard ceased employment on 4 February 2013.
14. A Stapleton promoted to Executive General Manager Merchandise on 4 February 2013.
15. T Sutton promoted to Executive General Manager Stores on 14 February 2013.
16. P Winn ceased employment on 8 December 2011.

STI and LTI remuneration

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

	Total remuneration expense	Total fixed remuneration		At risk – STI		At risk – LTI[1]			
						Share options		Retention incentive	
Name	$	$	%	$	%	$	%	$	%
Executive Directors									
B Brookes									
2013	2,543,772	1,939,156	76	–	0	604,616	24	–	0
2012	3,084,720	2,001,299	65	–	0	1,083,421	35	–	0
Key Management Personnel									
N Abboud[2]									
2013	-82,593	103,247	-125	–	0	-185,840	225	–	0
2012	627,278	501,059	80	–	0	84,969	14	41,250	7
M Ashby									
2013	750,364	654,367	87	–	0	95,997	13	–	0
2012	697,363	584,169	84	–	0	71,944	10	41,250	6
M Goddard[3]									
2013	263,941	263,941	100	–	0	–	0	–	0
2012	145,021	145,021	0	–	0	–	0	–	0
A Stapleton[4]									
2013	272,743	217,520	80	–	0	55,223	20	–	0
2012	–	–	0	–	0	–	0	–	0
T Sutton[5]									
2013	261,187	205,652	79	–	0	55,535	21	–	0
2012	–	–	0	–	0	–	0	–	0
G Travers									
2013	760,588	664,591	87	–	0	95,997	13	–	0
2012	699,028	612,575	88	–	0	45,203	6%	41,250	6
P Winn[6]									
2013	–	–	0	–	0	–	0	–	0
2012	220,717	306,488	139	–	0	-127,021	-58	41,250	19
Totals 2013	**4,770,002**	**4,048,474**	**85**	**–**	**0**	**721,528**	**15**	**–**	**0**
Totals 2012	**5,474,127**	**4,150,611**	**76**	**–**	**0**	**1,158,516**	**21**	**165,000**	**3**

1. LTI was provided through the issue of options to individual executives under the MEIP. LTI allotments have been independently valued as at the date the option was granted to the executive. The proportions shown represent the amount expensed for the period under AASB 2 *Share-based Payment* as a proportion of total remuneration expense for the period. This amount also includes the current expense in relation to the retention bonuses. It does not reflect a cash payment to the executive under MEIP.
2. N Abboud ceased employment on 18 September 2012.
3. M Goddard ceased employment on 4 February 2013.
4. A Stapleton promoted to Executive General Manager Merchandise on 4 February 2013.
5. T Sutton promoted to Executive General Manager Stores on 14 February 2013.
6. P Winn ceased employment on 8 December 2011.

Equity arrangements with directors and other KMP

Long Term Incentives – FY2013 EEIP offer

The Board approved an LTI 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 through the EEIP offer, 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 2013 performance rights grants made to KMP in December 2012.

KMP	Value of performance rights at grant date $	Valuation of each performance right at grant date	Number of performance rights granted	Exercise price $	Applicable hurdles	Potential time of vesting
M Ashby	420,000	EPS $2.08 TSR $1.56	190,045	0	50% EPS Hurdle 50% TSR Hurdle	End of Perf. Period – July 2015
M Goddard[1]	300,000	EPS $2.08 TSR $1.56	135,747	0	50% EPS Hurdle 50% TSR Hurdle	End of Perf. Period – July 2015
A Stapleton[2]	213,750	EPS $2.08 TSR $1.56	96,719	0	50% EPS Hurdle 50% TSR Hurdle	End of Perf. Period – July 2015
T Sutton[3]	100,000	$2.08	45,249	0	Retention Hurdle[4]	End of Perf. Period – July 2015
G Travers	420,000	EPS $2.08 TSR $1.56	190,045	0	50% EPS Hurdle 50% TSR Hurdle	End of Perf. Period – July 2015

1. M Goddard ceased employment with Myer on 4 February 2013 and all options lapsed.
2. A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013.
3. T Sutton was promoted to Executive General Manager Stores on 14 February 2013.
4. T Sutton offered performance rights under the MEIP offer in FY2013, prior to his appointment as Executive General Manager Stores in February 2013.

The plan involved the grant of performance rights under the MEIP through the EEIP offer, 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 EEIP offer 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 re-testing 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).

FY2013 EEIP offer performance conditions

Other than for the CEO, who has additional hurdles as noted below, there are two performance conditions that apply to the FY2013 performance rights based on EPS and TSR performance. The performance rights are intended to be allocated on an equal weighting of 50 percent to each of the EPS Hurdle and the TSR Hurdle which are described below. These are 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 vest and 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 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 28 July 2012. 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 25 July 2015. 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.

Remuneration Report
continued

EPS Hurdle rate (compound annual growth over the performance period) Proportion of EPS performance rights that will vest:

EPS Hurdle rate (compound annual growth over the performance period)	% of EPS performance rights that will vest[1]
Less than 2%	Nil
At 2%	50% of the number of EPS performance rights
From 2% to 7% pro-rata vesting of rights	Pro-rata with a linear progression between 50% and up to 100% of the number of EPS performance rights
7% or greater	100% of the number of EPS performance rights

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

For the FY2014 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 maintained at the same rates as the FY2013 rates with CAGR EPS annual rates between 2 percent and 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 vest and 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 the combined return from changes in the market value of a share and dividend paid to shareholders (expressed as a percentage of the opening value) and relative TSR is the ranking of the compound growth in the Company's TSR over the performance period against the TSR of comparison companies. 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 during the 2011 financial year from independent remuneration consultants. TSR was considered a relevant market-based performance measure used by many ASX listed companies. The Board has recently considered the TSR Hurdle and determined that the current metric remains relevant for FY2014.

The TSR peer group

The table below sets out the peer group for the FY2013 EEIP offer. If any of these organisations cease to exist as entities at any time during the performance period, the size of the peer group may be maintained by additions determined by the Board.

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

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	

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 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. No changes have been made to this peer group in FY2013.

For the FY2014 EEIP, the Board has reviewed the peer group of companies and determined a change to the peer group. For FY2014, Air New Zealand Ltd will be removed from the peer group and Super Retail Group Ltd will be added to the peer group.

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 and proportion of TSR performance rights that will vest:

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

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 2015 with the ASX, the Board will test the performance conditions that apply to the FY2013 EEIP offer 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 to KMP and senior executives:

Year	2013 EEIP offer	2013 MEIP offer	2012 MEIP	2011	2010 MEIP
Vehicle	Performance Rights	Performance Rights	Performance Rights	No grants were made in FY2011.	Options
Performance Period	Three years (vesting following lodgement of the Company's audited results with the ASX for the period ending 25/7/2015) with no retesting thereafter. Offered to senior executives (other than the CEO) in December 2012.	Three years (vesting following lodgement of the Company's audited results with the ASX for the period ending 25/7/2015) with no retesting thereafter. Offered to invited senior managers in December 2012.	Three years (vesting following lodgement of the Company's audited results with the ASX for the period ending 26/7/2014) with no retesting thereafter. Offered to senior executives (other than the CEO) in October 2011.		Three years (vesting on 30/6/12) with no retesting thereafter. Offered to senior executives (other than the CEO) in November 2009.
Performance Conditions	50% of the award is tested with reference to EPS targets. 50% of the award is tested with reference to the Company's TSR performance.	Must continue to be an ongoing, permanent employee of Myer until the end of the performance period and maintain an acceptable level of individual performance over the performance period.	50% of the award is tested with reference to EPS targets. 50% of the award is tested with reference to the Company's TSR performance.		An EPS performance hurdle based on a compound annual growth rate in EPS of 10% over the performance period ended 28 July 2012.
Vesting Schedule:					Subject to the satisfaction of the relevant CAGR EPS condition and the payment of the exercise price.
	CAGR EPS (weighted at 50%) / Vesting Level Hurdle Rate < 2%: Nil At 2%: 50% 2% to 7%: Pro-rata with a linear progression between 50% and up to 100% >7%: 100%	100% vesting if the continuous service and acceptable individual performance hurdles are satisfied.	CAGR EPS (weighted at 50%) / Vesting Level Hurdle Rate < 5%: Nil At 5%: 50% 5% to 10%: Pro-rata with a linear progression between 50% and up to 100% >10%: 100%		
	TSR (weighted at 50%) / Vesting Level Percentile < 50th: Nil 50th to 75th: Pro-rata with a linear progression between 50% and up to 100% >75th: 100%		TSR (weighted at 50%) / Vesting Level Percentile < 50th: Nil 50th to 75th: Pro-rata with a linear progression between 50% and up to 100% >75th: 100%		
Fair Value	EPS: $2.08 TSR: $1.56	$2.08	EPS: $1.67 TSR: $1.08		$1.19
Exercise Price	Nil	Nil	Nil		$4.10

The performance rights offered to the CEO in 2011 under the LTI Plan have the same EPS Hurdle and TSR Hurdle in the table above under the 2012 column, 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.

Remuneration Report
continued

Options and performance rights have been granted under the Company's LTI plan . Under the terms of the 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 two offers of performance rights have been made to selected executives under the MEIP (which includes the FY2013 EEIP offer). Details of options granted under the MEIP that remain unvested as at 27 July 2013 are set out in the table below.

Grant type (Options/Performance Rights)	Grant date	Number of options[1]	Exercise price $	Value per option at grant date $	Vesting date (if option holder remains employed by a Myer Group company)	Expiry date
Options	23 Jan 2008	–	3.00	0.37	31 Jul 2012	21 Dec 2012
Options	17 Dec 2008	2,310,313	2.14	0.43	31 Jul 2013	24 Oct 2013
Options	30 Jun 2009	2,634,650	2.34	0.49	31 Jul 2014	24 Oct 2014
Options (CEO only EPS hurdle)	6 Nov 2009	5,152,671	4.10	1.31	End of Perf. Period	31 Dec 2013
Options (CEO only share price hurdle)	6 Nov 2009	2,227,723	5.74	1.01	End of Perf. Period	31 Dec 2013
Options (EPS hurdle)	6 Nov 2009	–	4.10	1.19	End of Perf. Period	31 Dec 2012
	FY2011			**No grants were made**		
Perf. Rights (CEO only EPS hurdle)	9 Dec 2011	808,383	nil	1.67	End of Perf. Period	31 Oct 2014
Perf. Rights (CEO only TSR hurdle)	9 Dec 2011	1,250,000	nil	1.08	End of Perf. Period	31 Oct 2014
Perf. Rights (EPS hurdle)	21 Oct 2011	1,089,102	nil	1.67	End of Perf. Period	31 Oct 2014
Perf. Rights (TSR hurdle)	21 Oct 2011	1,683,874	nil	1.08	End of Perf. Period	31 Oct 2014
Perf. Rights (EPS hurdle)	25 Jan 2013	419,114	nil	2.08	End of Perf. Period	31 Oct 2015
Perf. Rights (TSR hurdle)	25 Jan 2013	419,120	nil	1.56	End of Perf. Period	31 Oct 2015
Perf. Rights (continuous service hurdle)	25 Jan 2013	1,330,318		2.08	End of Perf. Period	31 Oct 2015
Total		**19,325,268**				

1. Of the options noted above, 681,300 options are vested and remain unexercised. Refer Financial Report (note 34) for details.

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. 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 being 31 December 2013.

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 and share price targets are unlikely to be achieved.

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 below. Further information on the MEIP is set out in note 34 to the Financial Report.

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

Name	Number of performance rights granted during the period	Value of performance rights at grant date $	Number of options vested during the period	Number of options lapsed during the period	Value at lapsed date $
Directors of Myer Holdings Limited					
P McClintock[1]	–	–	–	–	–
H McDonald[2]	–	–	–	–	–
R Myer	–	–	–	–	–
B Brookes	–	–	–	–	–
A Brennan	–	–	–	–	–
T Flood[3]	–	–	–	–	–
C Froggatt	–	–	–	–	–
P Hay	–	–	–	–	–
I Morrice[4]	–	–	–	–	–
Key Management Personnel of the Company					
N Abboud[5]	–	–	–	1,195,154	368,405
M Ashby	190,045	420,000	–	–	–
M Goddard[6]	135,747	300,000	–	135,747	247,059
A Stapleton[7]	96,719	213,750	–	–	–
T Sutton[8]	45,249	100,000	–	–	–
G Travers	190,045	420,000	–	–	–
P Winn[9]	–	–	–	–	–

1. P McClintock was appointed as a director on 8 August 2012 and appointed Chairman on 10 October 2012.
2. H McDonald retired on 10 October 2012. H McDonald was appointed as a director on 6 November 2006 and Chairman on 4 August 2009.
3. T Flood was appointed as a director 26 July 2007 and retired on 11 April 2012.
4. I Morrice was appointed as a director on 8 August 2012 and retired on 1 March 2013.
5. N Abboud ceased employment on 18 September 2012.
6. M Goddard ceased employment on 4 February 2013.
7. A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013.
8. T Sutton was promoted to Executive General Manager Stores on 14 February 2013.
9. P Winn ceased employment 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.

Remuneration Report
continued

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[2]	Value at exercise date[1] $
Directors of Myer Holdings Limited		
P McClintock	–	–
H McDonald	–	–
R Myer	–	–
B Brookes	–	–
A Brennan	–	–
T Flood	–	–
C Froggatt	–	–
P Hay	–	–
I Morrice	–	–
Key Management Personnel of the Company		
N Abboud	–	–
M Ashby	–	–
M Goddard	–	–
A Stapleton	–	–
T Sutton	–	–
G Travers	–	–
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.

There were no amounts paid per ordinary share by directors and other KMP on the exercise of options.

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 59 to 62). 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 2013 %	Forfeited 2013 %	Target value 2013 $	Forfeited value 2013 $	Year granted	Vested %	Forfeited %	The remaining financial years in which options may vest	Maximum total value of grant yet to vest $
B Brookes	0	100	1,800,000	1,800,000	2012	0		2015	556,508
					2010	0	100	2013-2014	–
N Abboud[2]	0	100	–	–	2012	0	100	2015	–
					2010	0	100	2013	–
					2009	0	100	2014-2015	–
					2008	100	0	2012-2013	–
M Ashby	0	100	420,000	420,000	2013	0	0	2016	280,393
					2012	0	0	2015	67,242
					2010	0	100	2013	–
					2008	0	100	2012-2013	–
A Stapleton[3]	0	100	226,875	226,875	2013	0	0	2016	141,680
					2012	0	0	2015	29,692
					2010	0	0	2014	9,148
T Sutton[4]	0	100	196,425	196,425	2013	0	0	2016	76,289
					2010	0	0	2014	27,443
G Travers	0	100	420,000	420,000	2013	0	0	2016	280,393
					2012	0	0	2015	67,242
					2010	0	100	2013	–

1. The % of STIs achieved and forfeited for 2013 are based on performance against 'at target' performance as explained on page 54.
2. N Abboud ceased employment on 18 September 2012.
3. A Stapleton was promoted to Executive General Manager Merchandise on 4 February 2013.
4. T Sutton was promoted to Executive General Manager Stores on 14 February 2013.

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 23(c) to the Financial Report.

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 27 July 2013

Myer Holdings Limited
ABN 14 119 085 602

Contents

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 40 to 46, which is not part of this Financial Report.

This Financial Report was authorised for issue by the directors on 8 October 2013. The directors have the power to amend and reissue this Financial Report.

Consolidated income statement

for the period ended 27 July 2013

	Notes	2013 52 weeks $'000	2012 52 weeks $'000
Total sales value (excluding GST)	5	**3,144,904**	3,119,119
Concession sales		**(485,720)**	(467,207)
Sale of goods (excluding GST)	5	**2,659,184**	2,651,912
Sales revenue deferred under customer loyalty program		**(37,942)**	(39,212)
Revenue from sale of goods (excluding GST)	5	**2,621,242**	2,612,700
Other operating revenue (excluding finance revenue)	5	**116,414**	113,451
Cost of goods sold		**(1,450,678)**	(1,464,574)
Other income	5	**24,633**	26,844
Operating gross profit		**1,311,611**	1,288,421
Selling expenses		**(794,584)**	(756,035)
Administration expenses		**(302,178)**	(302,413)
Store closure and restructuring costs	6	**–**	(18,450)
Write-back of fixed lease rental increases provision	6	**–**	23,109
Earnings before interest and tax		**214,849**	234,632
Finance revenue	5	**1,417**	1,499
Finance costs	6	**(29,782)**	(31,263)
Net finance costs		**(28,365)**	(29,764)
Profit before income tax		**186,484**	204,868
Income tax expense	7	**(56,607)**	(63,801)
Profit for the period		**129,877**	141,067
Profit is attributable to:			
Owners of Myer Holdings Limited		**127,212**	139,365
Non-controlling interests		**2,665**	1,702
		129,877	141,067

		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	33	**21.8**	23.9
Diluted earnings per share	33	**21.6**	23.7

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

Consolidated statement of comprehensive income
for the period ended 27 July 2013

	Notes	2013 52 weeks $'000	2012 52 weeks $'000
Profit for the period		**129,877**	141,067
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cash flow hedges		**9,241**	(509)
Exchange differences on translation of foreign operations		**(567)**	66
Income tax relating to components of other comprehensive income	7(d)	**800**	(535)
Other comprehensive income for the period, net of tax		**9,474**	(978)
Total comprehensive income for the period		**139,351**	140,089
Total comprehensive income for the period is attributable to:			
Owners of Myer Holdings Limited		**136,485**	138,317
Non-controlling interests		**2,866**	1,772
		139,351	140,089

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

Consolidated balance sheet
as at 27 July 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**81,470**	38,058
Trade and other receivables	9	**24,384**	17,712
Inventories	10	**363,880**	385,702
Derivative financial instruments	11	**9,442**	–
Total current assets		**479,176**	441,472
Non-current assets			
Property, plant and equipment	12	**508,974**	515,482
Deferred tax assets	13	**16,846**	21,115
Intangible assets	14	**931,017**	936,149
Other non-current assets		**3,692**	3,975
Total non-current assets		**1,460,529**	1,476,721
Total assets		**1,939,705**	1,918,193
LIABILITIES			
Current liabilities			
Trade and other payables	15	**387,673**	397,137
Derivative financial instruments	11	**–**	2,490
Current tax liabilities		**19,042**	15,191
Provisions	16	**84,304**	85,957
Other liabilities	19	**31,710**	2,094
Total current liabilities		**522,729**	502,869
Non-current liabilities			
Borrowings	17	**420,824**	421,193
Derivative financial instruments	11	**2,331**	1,785
Provisions	16	**13,243**	15,439
Deferred income		**73,583**	69,821
Other liabilities	19	**1,353**	29,406
Total non-current liabilities		**511,334**	537,644
Total liabilities		**1,034,063**	1,040,513
Net assets		**905,642**	877,680
EQUITY			
Contributed equity	20	**520,216**	519,776
Retained earnings	21	**379,722**	363,357
Reserves	21	**(4,024)**	(14,800)
Capital and reserves attributable to owners of Myer Holdings Limited		**895,914**	868,333
Non-controlling interests		**9,728**	9,347
Total equity		**905,642**	877,680

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

Consolidated statement of changes in equity
for the period ended 27 July 2013

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total $'000
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	20	297	–	–	–	297
Dividends paid	22	–	–	(125,404)	–	(125,404)
Employee share schemes	21	–	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
Total comprehensive income for the period		**–**	**9,273**	**127,212**	**2,866**	**139,351**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	20	**440**	**–**	**–**	**–**	**440**
Dividends paid	22	**–**	**–**	**(110,847)**	**(2,485)**	**(113,332)**
Employee share schemes	21	**–**	**1,503**	**–**	**–**	**1,503**
		440	**1,503**	**(110,847)**	**(2,485)**	**(111,389)**
Balance as at 27 July 2013		**520,216**	**(4,024)**	**379,722**	**9,728**	**905,642**

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 27 July 2013

	Notes	2013 52 weeks $'000	2012 52 weeks $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**3,041,594**	3,034,529
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,767,819)**	(2,792,188)
		273,775	242,341
Other income		**26,443**	27,105
Interest paid		**(26,411)**	(32,169)
Tax paid		**(48,282)**	(57,363)
Net cash inflow from operating activities	31	**225,525**	179,914
Cash flows from investing activities			
Payments for property, plant and equipment		**(54,768)**	(48,715)
Acquisition of brands		**(906)**	(8,413)
Payments for intangible assets		**(18,670)**	(10,189)
Proceeds from sale of software		**–**	2,696
Lease incentives received		**5,991**	16,750
Interest received		**1,397**	1,462
Net cash outflow from investing activities		**(66,956)**	(46,409)
Cash flows from financing activities			
Repayment of borrowings net of transaction costs		**(2,015)**	(115)
(Loans to)/repayment of loans by employees		**(250)**	3
Proceeds from the issue of shares		**440**	297
Payment of costs of Initial Public Offering		**–**	(7,502)
Dividends paid to equity holders of the parent	22	**(110,847)**	(125,404)
Dividends paid to non-controlling interests		**(2,485)**	–
Net cash outflow from financing activities		**(115,157)**	(132,721)
Net increase in cash and cash equivalents		**43,412**	784
Cash and cash equivalents at the beginning of the financial period		**38,058**	37,274
Cash and cash equivalents at end of period	8	**81,470**	38,058

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

Notes to the consolidated financial statements
27 July 2013

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 IFRS

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

Historical cost convention

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

Critical accounting estimates

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

(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 27 July 2013 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 Group 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, balance sheet and statement of changes in equity respectively.

(ii) Employee Share Trust

The Group has formed the Myer Equity Plans Trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares in Myer Holdings Limited held by the trust are disclosed as treasury shares and deducted from contributed equity.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

(e) Revenue recognition

Total sales value presented on the income statement represents proceeds from sale of goods from sales (both by Myer and concession operators) and prior to the deferral of revenue under the customer loyalty program. Concession sales presented in the income statement 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 26). Lease incentives received on entering into operating leases are recognised as deferred income and are amortised over the lease term. Payments made under operating leases (net of any amortised deferred income) are charged to the income statement on a straight line basis over the period of the lease.

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

(h) Business combinations

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

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

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

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

(i) Impairment of non-current assets

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

Notes to the consolidated financial statements
continued

1 Summary of significant accounting policies continued

(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

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

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

(m) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held to maturity investments

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

(iv) Available for sale financial assets

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

Recognition and derecognition

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

Measurement

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

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

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

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

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

Impairment

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

(n) Derivatives and hedging activities

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

(o) Property, plant and equipment

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

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

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

› Buildings	40 years
› Fixtures and fittings	3 – 12.5 years
› Plant and equipment, including leasehold improvements	10 – 20 years

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

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

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

(p) Intangible assets

(i) Goodwill

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

(ii) Brand names and trademarks

The Group's 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.

Notes to the consolidated financial statements
continued

1 Summary of significant accounting policies continued

(p) Intangible assets continued

(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.

(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 34.

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

(ii) Diluted earnings per share

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

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

(y) Goods and Services Tax (GST)

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

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

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

(z) Rounding of amounts

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

Notes to the consolidated financial statements
continued

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 the 27 July 2013 reporting period. The Group's assessment of the impact of these new standards and interpretations, that were considered relevant for the consolidated entity, is set out below.

Reference	Title	Summary	Application date of Standard	Impact on Group's Financial Statements	Application date for Group for financial year ending
AASB 9 Amendments were made to this and other standards via AASB 2009-11 and AASB 2010-7	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. The main changes are described below: › The standard will affect the accounting of available for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. › Where the fair value option is used for financial liabilities, the change in fair value is accounted for in other comprehensive income if it relates to changes in credit risk. The remaining change is presented in the income statement.	1 January 2015	There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The Group also does not have any available for sale financial assets.	30 July 2016
AASB 10 Amendments were made to this and other standards via AASB 2011-7 and AASB 2012-10	*Consolidated Financial Statements*	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity. Control exists when the investor can use its power to affect the amount of its returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.	1 January 2013	The Group does not expect the new standard to have a significant impact on its composition.	26 July 2014

Reference	Title	Summary	Application date of Standard	Impact on Group's Financial Statements	Application date for Group for financial year ending
AASB 11 Amendments were made to this and other standards via AASB 2011-7 and AASB 2012-10 and amendments to AASB 128	*Joint Arrangements*	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly controlled Entities – Non-monetary Contributions by Ventures* and 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. Joint operations that give the venturers a right to the underlying assets and obligations is accounted for by recognising the share of those assets and obligations.	1 January 2013	No impact identified as the Group does not have any joint arrangements.	26 July 2014
AASB 12	*Disclosure of Interests in Other Entities*	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. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The Group does not expect the new standard to have a significant impact.	26 July 2014
AASB 13 Amendments were made to this standard via AASB 2011-8	*Fair Value Measurement*	AASB 13 provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The Group does not expect the new standard to have a significant impact.	26 July 2014
AASB 119 Amendments were made to this and other standards via AASB 2011-10	*Employee Benefits*	The amended AASB 119 requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income 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 revised standard also changes the definition of short-term employee benefits. The distinction between short-term and long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	1 January 2013	The Group does not expect the amended standard to have a significant impact.	26 July 2014

Notes to the consolidated financial statements
continued

1 Summary of significant accounting policies continued

(ab) Parent entity financial information

The financial information for the parent entity, Myer Holdings Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

(ac) Comparative amounts

Where current period balances have been classified differently 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).

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

	2013			2012		
	USD $'000	**EURO $'000**	**HKD $'000**	**USD $'000**	**EURO $'000**	**GBP $'000**
Trade payables	**21,873**	**863**	**82**	11,987	350	15
Forward exchange contracts	**108,982**	**–**	**–**	113,550	–	–

Group sensitivity

Based on the financial instruments held at 27 July 2013, had the Australian dollar strengthened/weakened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the period would have been $1.5 million higher/$1.8 million lower (2012: $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 $6.3 million lower/$7.8 million higher (2012: $6.4 million lower/$7.0 million higher) had the Australian dollar strengthened/weakened by 10% against the US dollar, arising from foreign exchange contracts designated as cash flow hedges. The Group's exposure to other foreign exchange movements is not material.

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

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The risk is managed by the use of floating to fixed interest rate swap contracts. During the period, the Group policy was to fix the rates between 0 to 50% of its Term Debt Facility. The Group complied with this policy during the period.

Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

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

	2013		2012	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Borrowings – variable	**4.2%**	**420,824**	5.2%	421,193
Interest rate swaps (notional principal amount)	**4.9%**	**(200,000)**	5.6%	(100,000)
Net exposure to cash flow interest rate risk		**220,824**		321,193

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 27 July 2013, if interest rates had changed by +/ – 10% from the period end rates with all other variables held constant, post-tax profit for the period would have been $0.4 million lower/$0.4 million higher (2012: $0.8 million lower/$0.8 million higher), mainly as a result of higher/lower interest expense on borrowings.

Other components of equity would have been $0.6 million higher/$0.6 million lower (2012: $0.6 million higher/$0.6 million lower) mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

The range of sensitivities has been assumed based on the Group's experience of average interest rate fluctuations in the applicable reporting period.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. Sales to retail customers are primarily required to be settled in cash or using major credit cards, mitigating credit risk. Where transactions are settled by way of lay-by arrangements, revenue is not recognised until full payment has been received from the customer and goods collected.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as disclosed in notes 8, 9, and 11.

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

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

Notes to the consolidated financial statements
continued

2 Financial risk management continued

(b) Credit risk continued

	2013 $'000	2012 $'000
Cash at bank and short-term bank deposits		
AAA	–	–
AA	81,470	38,058
A	–	–
	81,470	38,058
Derivative financial assets		
AAA	–	–
AA	9,442	–
A	–	–
	9,442	–

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and due to close out market positions. Due to the seasonal nature of the retail business, the Group has in place flexible funding facilities to ensure liquidity risk is minimised.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2013 $'000	2012 $'000
Floating rate		
Expiring within one year (revolving credit facility)	–	30,000
Expiring beyond one year (revolving cash advance facility)	200,000	200,000
	200,000	230,000

The long-term revolving cash advance facility comprises the following 3 tranches totalling $625 million:

- Tranche A $75 million, fully drawn expires on 21 August 2015
- Tranche B $275 million, fully drawn expires on 22 August 2016
- Tranche C $75 million drawn, $200 million undrawn expires on 21 August 2017

In addition to the above, the Group had a $30 million revolving credit facility which expired in April 2013.

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
2013							
Non-derivatives							
Non-interest bearing	**316,859**	**–**	**–**	**–**	**–**	**316,859**	**316,859**
Variable rate	**8,992**	**8,290**	**18,118**	**452,161**	**–**	**487,561**	**420,824**
Fixed rate	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total non-derivatives	**325,851**	**8,290**	**18,118**	**452,161**	**–**	**804,420**	**737,683**
Derivatives							
Net settled (interest rate swaps)	**761**	**992**	**649**	**–**	**–**	**2,402**	**2,331**
Gross settled							
– (inflow)	**(80,436)**	**(38,038)**	**–**	**–**	**–**	**(118,474)**	**(9,442)**
– outflow	**72,947**	**36,035**	**–**	**–**	**–**	**108,982**	**–**
Total derivatives	**(6,728)**	**(1,011)**	**649**	**–**	**–**	**(7,090)**	**(7,111)**
2012							
Non-derivatives							
Non-interest bearing	300,152	–	27,553	–	–	327,705	327,705
Variable rate	11,247	11,219	22,938	443,649	–	489,053	421,193
Fixed rate	–	–	–	–	–	–	–
Total non-derivatives	311,399	11,219	50,491	443,649	–	816,758	748,898
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

(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 27 July 2013 and 28 July 2012.

Notes to the consolidated financial statements
continued

2 Financial risk management continued

(d) Fair value measurements continued

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2013				
Assets				
Derivatives used for hedging	**–**	**9,442**	**–**	**9,442**
Total assets	**–**	**9,442**	**–**	**9,442**
Liabilities				
Derivatives used for hedging	**–**	**2,331**	**–**	**2,331**
Total liabilities	**–**	**2,331**	**–**	**2,331**
2012				
Assets				
Derivatives used for hedging	–	–	–	–
Total assets	–	–	–	–
Liabilities				
Derivatives used for hedging	–	4,275	–	4,275
Total liabilities	–	4,275	–	4,275

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 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 of 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.

Critical accounting estimates and assumptions

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

(i) Income taxes

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

(ii) Impairment

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

(iii) Recoverable amount of inventory

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

4 Segment information

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

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

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

	2013 52 weeks $'000	2012 52 weeks $'000
Revenue		
Sales revenue		
Total sales value (excluding GST)	**3,144,904**	3,119,119
Concession sales	**(485,720)**	(467,207)
Sale of goods (excluding GST)	**2,659,184**	2,651,912
Sales revenue deferred under customer loyalty program	**(37,942)**	(39,212)
Revenue from sale of goods (excluding GST)	**2,621,242**	2,612,700
Other operating revenue		
Concessions revenue	**116,302**	113,305
Rental revenue	**112**	146
	116,414	113,451
Finance revenue		
Interest revenue	**1,417**	1,499
Finance revenue	**1,417**	1,499
Total revenue	**2,739,073**	2,727,650
Other income		
Other	**24,633**	26,844
	24,633	26,844

Other income includes revenue in relation to the financial services business, forfeited lay-by deposits, customer delivery fees, commission on EFT transactions and gift card non-redemption income.

6 Expenses

	2013 52 weeks $'000	2012 52 weeks $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Defined contribution superannuation expense	**37,706**	35,443
Other employee benefits expenses	**423,876**	407,225
Total employee benefits expenses	**461,582**	442,668
Depreciation, amortisation and write-off expense	**89,787**	81,858
Finance costs		
Interest and finance charges paid/payable	**26,808**	34,113
Fair value losses on interest rate swap cash flow hedges, transferred from equity	**768**	150
Loss/(gain) on remeasurement of financial liability	**2,206**	(3,000)
Finance costs expensed	**29,782**	31,263
Rental expense relating to operating leases		
Minimum lease payments	**202,655**	193,142
Contingent rentals	**6,557**	6,249
Total rental expense relating to operating leases	**209,212**	199,391
Net foreign exchange losses	**(4,285)**	(8,320)
Impairment of assets – inventory	**14,148**	15,413
Store closure costs and restructuring costs	**–**	18,450

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 was written back to the income statement in 2012.

Notes to the consolidated financial statements
continued

7 Income tax expense

	2013 52 weeks $'000	2012 52 weeks $'000
(a) Income tax expense		
Current tax	**51,454**	38,071
Deferred tax	**5,153**	25,730
Income tax expense	**56,607**	63,801
Deferred income tax expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 13)	**9,765**	16,679
(Decrease) increase in deferred tax liabilities (note 18)	**(4,612)**	9,051
	5,153	25,730
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	**186,484**	204,868
Tax at the Australian tax rate of 30% (2012: 30%)	**55,945**	61,460
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible entertainment	**67**	32
Non-assessable (gain)/loss on remeasurement of financial liability	**662**	(900)
Impairment loss on intangible assets	**–**	3,226
Sundry items	**(668)**	176
	56,006	63,994
Adjustments for current tax of prior periods	**601**	(193)
Income tax expense	**56,607**	63,801
(c) Deferred tax relating to items recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity (note 21(b))	**(594)**	(587)
(d) Deferred tax relating to items charged or credited directly to other comprehensive income		
Cash flow hedges (note 21(b))	**800**	(535)

8 Cash and cash equivalents

	2013 $'000	2012 $'000
Cash on hand	**2,845**	2,945
Cash at bank	**78,625**	35,113
	81,470	38,058

Risk exposure

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

9 Trade and other receivables

	2013 $'000	2012 $'000
Trade receivables	**4,353**	5,235
Provision for impairment of receivables (note (a))	**(718)**	(411)
	3,635	4,824
Other receivables	**10,186**	4,803
Prepayments	**10,563**	8,085
	20,749	12,888
	24,384	17,712

(a) Impaired trade receivables

As at 27 July 2013 current trade receivables of the Group with a nominal value of $718 thousands (2012: $411 thousands) were impaired. The amount of the provision was $718 thousands (2012: $411 thousands).

The ageing of these receivables is as follows:

	2013 $'000	2012 $'000
Up to 3 months	**57**	19
Over 3 months	**661**	392
	718	411
Movements in the provision for impairment of receivables are as follows:		
Carrying amount at beginning of period	**411**	702
Provision for impairment recognised during the period	**360**	58
Receivables written off during the period as uncollectible	**(53)**	(309)
Unused amount reversed	**–**	(40)
Carrying amount at end of period	**718**	411

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 27 July 2013, trade receivables of $169 thousands (2012: $1,806 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:

	2013 $'000	2012 $'000
Up to 3 months	**65**	1,720
Over 3 months	**104**	86
	169	1,806

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

(c) Foreign exchange and interest rate risk

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

(d) Fair values and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer to note 2 for more information on the financial risk management policy of the Group and the credit quality of the entities' trade receivables.

Notes to the consolidated financial statements
continued

10 Inventories

	2013 $'000	2012 $'000
Retail inventories	**363,880**	385,702

11 Derivative financial instruments

	2013 $'000	2012 $'000
Current assets		
Forward foreign exchange contracts (i)	**9,442**	–
Total current derivative financial instrument assets	**9,442**	–
Current liabilities		
Forward foreign exchange contracts (i)	**–**	2,490
Total current derivative financial instrument liabilities	**–**	2,490
Non-current liabilities		
Interest rate swap contracts (ii)	**2,331**	1,785
Total non-current derivative financial instrument liabilities	**2,331**	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) 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 27 July 2013 nil (2012: gain of $0.1 million) was reclassified from equity and included in the cost of inventory. There was no hedge ineffectiveness in the current or prior period.

(ii) Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 4.25% (2012: 5.19%). It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 47% (2012: 24%) 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 2.908% and 3.99% (2012: 3.985% and 3.990%) and the variable rates under the swap agreements are the Bank Bill Swap Rate bid (BBSY Bid).

The contracts require settlement of net interest receivable or payable each 3 months. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the income statement when the hedged interest expense is recognised. In the period ended 27 July 2013 $0.8 million was reclassified in profit and loss (2012: $0.2 million) and included in finance cost. There was no hedge ineffectiveness in the current period.

(b) Risk exposures

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial assets mentioned above.

12 Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
At 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						
Carrying amount at beginning of period	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)
Carrying amount at end of period	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
Period ended 27 July 2013						
Carrying amount at beginning of period	**10,100**	**16,494**	**237,341**	**231,204**	**20,343**	**515,482**
Additions	**–**	**–**	**3,198**	**5,787**	**49,663**	**58,648**
Transfer between classes	**–**	**–**	**25,598**	**19,137**	**(44,821)**	**(86)**
Assets written off – cost	**–**	**–**	**(2,549)**	**(1,199)**	**–**	**(3,748)**
Assets written off – accumulated depreciation	**–**	**–**	**1,683**	**888**	**–**	**2,571**
Depreciation charge	**–**	**(488)**	**(36,955)**	**(26,539)**	**–**	**(63,982)**
Exchange differences	**–**	**–**	**7**	**(63)**	**145**	**89**
Carrying amount at end of period	**10,100**	**16,006**	**228,323**	**229,215**	**25,330**	**508,974**
At 27 July 2013						
Cost	**10,100**	**19,500**	**410,474**	**357,863**	**25,330**	**823,267**
Accumulated depreciation	**–**	**(3,494)**	**(182,151)**	**(128,648)**	**–**	**(314,293)**
Net book amount	**10,100**	**16,006**	**228,323**	**229,215**	**25,330**	**508,974**

Notes to the consolidated financial statements
continued

13 Deferred tax assets

	2013 $'000	2012 $'000
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits	**21,232**	19,839
Non-employee provisions	**1,881**	5,805
Deferred income	**79**	640
Amortising deductions	**4,280**	9,090
Other	**13,937**	15,697
Tax losses	**1,463**	332
Total deferred tax assets	**42,872**	51,403
Set off of deferred tax liabilities pursuant to set off provisions (note 18)	**(26,026)**	(30,288)
Net deferred tax assets	**16,846**	21,115
Movements:		
Carrying amount at beginning of period	**51,403**	68,082
Credited/(charged) to income statement (note 7)	**(9,765)**	(16,679)
Credited/(charged) to other comprehensive income	**1,234**	–
Carrying amount at end of period	**42,872**	51,403

14 Intangible assets

	Goodwill $'000	Brand names and trademarks $'000	Software $'000	Lease rights $'000	Total $'000
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					
Carrying amount at beginning of period	376,631	418,356	119,594	29,299	943,880
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 amortisation	–	–	6,248	–	6,248
Amortisation charge*	–	(359)	(19,839)	(2,408)	(22,606)
Impairment loss**	–	–	–	(10,754)	(10,754)
Carrying amount at end of period	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	–	(2,205)	(66,089)	(32,403)	(100,697)
Net book amount	376,631	425,910	117,471	16,137	936,149
Period ended 27 July 2013					
Carrying amount at beginning of period	**376,631**	**425,910**	**117,471**	**16,137**	**936,149**
Additions	**–**	**406**	**18,860**	**–**	**19,266**
Transfer between classes	**–**	**–**	**86**	**–**	**86**
Assets written off – cost	**–**	**–**	**(1,991)**	**–**	**(1,991)**
Amortisation charge*	**–**	**(14)**	**(20,984)**	**(1,612)**	**(22,610)**
Exchange differences	**–**	**–**	**117**	**–**	**117**
Carrying amount at end of period	**376,631**	**426,302**	**113,559**	**14,525**	**931,017**
At 27 July 2013					
Cost	**376,631**	**428,520**	**200,632**	**48,540**	**1,054,323**
Accumulated amortisation and impairment	**–**	**(2,218)**	**(87,073)**	**(34,015)**	**(123,306)**
Net book amount	**376,631**	**426,302**	**113,559**	**14,525**	**931,017**

* Amortisation of $22.6 million (2012: $22.6 million) is included in administration and selling expenses in the income statement.
** In FY12 impairment of $10.8 million was 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 amounting to $349.5 million cannot be allocated to the Group's individual cash generating units (the Group's stores), and hence has been allocated to the business as a whole. Similarly, brand names which have an indefinite useful life and amounting to $402.8 million have been allocated to the business as a whole.

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

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

› discount rate (pre tax) 14.4% (2012: 14.4%)
› terminal growth rate 2.5% (2012: 2.5%)
› operating gross profit margin 42% (2012: 41%)

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

Notes to the consolidated financial statements
continued

15 Trade and other payables

	2013 $'000	2012 $'000
Trade payables	**189,856**	201,163
Other payables	**197,817**	195,974
	387,673	397,137

Trade and other payables are non-interest bearing.

16 Provisions

	2013 $'000	2012 $'000
Current		
Employee benefits	**61,261**	59,590
Workers' compensation (a)	**18,781**	19,839
Sales returns (b)	**2,763**	3,867
Other	**1,499**	2,661
	84,304	85,957
Non current		
Employee benefits	**5,961**	5,243
Fixed lease rental increases (c)	**7,266**	10,196
Other	**16**	–
	13,243	15,439

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

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

(c) Fixed lease rental increases
The Group is party to a number of leases that include fixed rental increases during their term. In accordance with AASB 117 *Leases*, the total rentals over these leases are being expensed over the lease term on a straight-line basis. The above provision reflects the difference between the future committed payments under these leases and the total future expense.

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

	Workers' compensation $'000	Sales returns $'000	Other $'000	Fixed lease rental increases $'000	Total $'000
2013					
Carrying amount at beginning of period	**19,839**	**3,867**	**2,661**	**10,196**	**36,563**
Additional provisions recognised during the period	**3,089**	**2,763**	**6,523**	**1,468**	**13,843**
Amounts utilised during the period	**(4,147)**	**(3,867)**	**(7,669)**	**(4,398)**	**(20,081)**
Carrying amount at end of period	**18,781**	**2,763**	**1,515**	**7,266**	**30,325**

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

	2013 $'000	2012 $'000
Current long service leave obligations expected to be settled after 12 months	**28,615**	28,658

17 Borrowings

	2013 $'000	2012 $'000
Non-current borrowings		
Bank loans	**420,824**	421,193
Total borrowings	**420,824**	421,193

(a) Structure of debt

The debt funding of the Group at 27 July 2013 comprised of a revolving cash advance syndicated facility of $625 million. This facility was established on 29 October 2009, drawn down on 6 November 2009 and amended and restated on 3 June 2011. On 9 July 2013 the facility went through a second amendment and restatement which included extending the tenor and changing the facility to be entirely a revolving cash advance facility. In addition, the Group had a $30 million revolving credit facility which expired in April 2013. At balance date the following amounts were drawn:

	2013 $'000	2012 $'000
Bank loans	**425,000**	425,000
Less transaction costs	**(4,176)**	(3,807)
Borrowings	**420,824**	421,193

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

	Amount	Term	Expiry Date
Revolving cash advance facility – Tranche A	$75 million	2 years	21 August 2015
Revolving cash advance facility – Tranche B	$275 million	3 years	22 August 2016
Revolving cash advance facility – Tranche C	$275 million	4 years	21 August 2017

The revolving cash advance facility is revolving, so that amounts repaid may be redrawn during their terms.

(b) Security

The revolving cash advance facility in place at 27 July 2013 is unsecured, subject to various representations, undertakings, events of default and review events which are usual for a facility of this nature.

(c) Fair value

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

(d) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 2.

Notes to the consolidated financial statements
continued

18 Deferred tax liabilities

	2013 $'000	2012 $'000
Deferred tax liabilities comprise temporary differences attributable to:		
Property, plant, equipment and software	**14,523**	19,858
Deferred stamp duty	**991**	1,141
Brand names	**8,465**	8,465
Derivative financial instruments	**350**	535
Deferred income	**1,202**	–
Sundry items	**495**	289
	26,026	30,288
Set off of deferred tax liabilities pursuant to set off provisions (note 13)	**(26,026)**	(30,288)
Net deferred tax liabilities	**–**	–
Movement:		
Carrying amount at beginning of period	**30,288**	20,702
Charged/(credited) to income statement (note 7)	**(4,612)**	9,051
Charged/(credited) to other comprehensive income	**350**	535
Carrying amount at end of period	**26,026**	30,288

19 Other liabilities

	2013 $'000	2012 $'000
Current		
Financial liability (note 21(b) (iii))	**29,758**	–
Short-term payable	**1,952**	2,094
	31,710	2,094
Non current		
Financial liability (note 21(b) (iii))	**–**	27,553
Long-term payable	**1,000**	1,500
Retirement benefit obligations	**353**	353
	1,353	29,406

20 Contributed equity

	2013 Number of shares	2012 Number of shares	2013 $'000	2012 $'000
Opening balance	**583,384,551**	583,147,884	**558,107**	557,635
Options exercised at $2.14 per ordinary share	**–**	36,667	**–**	47
Shares issued to Myer Equity Plans Trust at market value	**210,000**	200,000	**621**	425
	583,594,551	583,384,551	**558,728**	558,107
Treasury shares				
Opening balance	**(25,200)**	(306,405)	**(38,331)**	(38,156)
Shares issued to Myer Equity Plans Trust	**(210,000)**	(200,000)	**(621)**	(425)
Shares allocated on exercise of options at $0.01	**–**	316,809	**–**	3
Shares allocated on exercise of options at $1.27	**–**	120,396	**–**	153
Shares allocated on exercise of options at $2.14	**205,500**	44,000	**440**	94
Closing balance of Treasury shares	**(29,700)**	(25,200)	**(38,512)**	(38,331)
Closing balance	**583,564,851**	583,359,351	**520,216**	519,776

(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 Equity Incentive Plans (see note 34 for further information).

(c) Employee share and option schemes

Information relating to the employee share-based payment schemes, including details of shares issued under the schemes, is set out in note 34.

(d) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it 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 27 July 2013 and 28 July 2012 were as follows:

	2013 $'000	2012 $'000
Total borrowings (note 17)	**420,824**	421,193
Less: cash and cash equivalents (note 8)	**(81,470)**	(38,058)
Net debt	**339,354**	383,135
Total equity	**905,642**	877,680
Total capital	**1,244,996**	1,260,815
Gearing ratio	**27%**	30%

The decrease in the gearing ratio during 2013 was primarily driven by an increase in cash and the increase in equity associated with surplus retained earnings over dividends paid during the year.

Notes to the consolidated financial statements
continued

21 Retained earnings and reserves

	2013 $'000	2012 $'000
(a) Retained earnings		
Movement in retained earnings were as follows:		
Balance at beginning of period	**363,357**	349,396
Profit for the period	**127,212**	139,365
Dividends	**(110,847)**	(125,404)
Balance at end of period	**379,722**	363,357
(b) Reserves		
Share-based payments (i)	**22,185**	20,682
Cash flow hedges (ii)	**6,039**	(3,837)
Other reserve (iii)	**(31,650)**	(31,650)
Foreign currency translation (iv)	**(598)**	5
	(4,024)	(14,800)
Movement in reserves were as follows:		
Share-based payments		
Balance at beginning of period	**20,682**	19,314
Share-based payments expense recognised	**2,097**	1,955
Income tax (note 7)	**(594)**	(587)
Balance at end of period	**22,185**	20,682
Cash flow hedges		
Balance at beginning of period	**(3,837)**	(2,699)
Net gain on revaluation	**12,305**	2,699
Transfer to net profit	**(3,229)**	(3,442)
Transfer to inventory and other assets	**–**	140
Deferred tax (notes 13 and 18)	**800**	(535)
Balance at end of period	**6,039**	(3,837)
Other reserve		
Balance at beginning of period	**(31,650)**	(31,650)
Other reserve recognised	**–**	–
Balance at end of period	**(31,650)**	(31,650)
Foreign currency translation		
Balance at beginning of period	**5**	(85)
Currency translation differences arising during the period	**(603)**	90
Balance at end of period	**(598)**	5

(i) Share-based payments

The share-based payments reserve is used to recognise the fair value of options and rights granted to employees under the employee share plans. Further information on share-based payments is set out in note 34.

(ii) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 1(n). Amounts are recognised in the income statement when the associated hedged transaction affects profit or loss.

(iii) Other reserve

Under the shareholders' agreement entered into with the non-controlling shareholders at the time of acquisition in 2011, the Group 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 has been reclassified to current liabilities in 2013.

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

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

Notes to the consolidated financial statements
continued

22 Dividends

	2013 $'000	2012 $'000
(a) Ordinary shares		
Final fully franked dividend for the period ended 28 July 2012 of 9.0 cents (2011: 11.5 cents) per fully paid share paid 14 November 2012 (2011: 16 November 2011)	**52,502**	67,068
Interim fully franked dividend for the period ended 27 July 2013 of 10.0 cents (2012: 10.0 cents) per fully paid share paid 9 May 2013 (2012: 10 May 2012)	**58,345**	58,336
Total dividends paid	**110,847**	125,404
(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 8.0 cents per fully paid ordinary share, (2012: 9.0 cents) fully franked based on tax paid at 30%.		
The aggregate amount of the proposed dividend expected to be paid on 14 November 2013, but not recognised as a liability at period end, is:	**46,685**	52,502
(c) Franked dividends		
The franked portions of the final dividends recommended after 27 July 2013 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 26 July 2014.		
Franking credits available for subsequent financial periods based on a tax rate of 30% (2012 : 30%)	**19,094**	14,619

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 $20 million (2012: reduction of $22 million).

23 Key Management Personnel disclosures

(a) Compensation

Key Management Personnel compensation for the period ended 27 July 2013 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.

	2013 $	2012 $
Short term employee benefits	**4,936,883**	5,037,909
Post employment benefits	**211,951**	230,576
Long-term benefits	**112,410**	309,388
Share-based payments	**721,528**	1,158,516
	5,982,772	6,736,389

Detailed remuneration disclosures are provided in the Remuneration Report on pages 47 to 65.

(b) Equity instruments

(i) Option and performance rights holdings

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

	Opening balance	Granted as compen-sation[1]	Exercised	Other changes[2]	Closing balance	Vested and exer-cisable[3]	Unvested
2013							
Directors of Myer Holdings Limited							
Paul McClintock AO[4]	–	–	–	–	–	–	–
Howard McDonald[5]	–	–	–	–	–	–	–
Rupert Myer AM	–	–	–	–	–	–	–
Bernie Brookes	**9,438,777**	–	–	–	**9,438,777**	–	**9,438,777**
Anne Brennan	–	–	–	–	–	–	–
Tom Flood[6]	–	–	–	–	–	–	–
Chris Froggatt	–	–	–	–	–	–	–
Peter Hay	–	–	–	–	–	–	–
Ian Morrice[7]	–	–	–	–	–	–	–
Other Key Management Personnel of the Group							
Nick Abboud[8]	**1,195,154**	–	–	**(1,195,154)**	–	–	–
Mark Ashby	**1,600,896**	**190,045**	–	**(1,340,168)**	**450,773**	–	**450,773**
Mark Goddard[9]	–	**135,747**	–	**(135,747)**	–	–	–
Adam Stapleton[10]	–	**96,719**	–	**229,354**	**326,073**	–	**326,073**
Tony Sutton[11]	–	**45,249**	–	**437,870**	**483,119**	–	**483,119**
Greg Travers	**680,896**	**190,045**	–	**(420,168)**	**450,773**	–	**450,773**
2012							
Directors of Myer Holdings Limited							
Howard McDonald	26,667	–	(26,667)	–	–	–	–
Rupert Myer AM	–	–	–	–	–	–	–
Bernie Brookes	7,380,394	2,058,383	–	–	9,438,777	–	9,438,777
Anne Brennan	–	–	–	–	–	–	–
Tom Flood	10,000	–	(10,000)	–	–	–	–
Chris Froggatt	–	–	–	–	–	–	–
Peter Hay	–	–	–	–	–	–	–
Other Key Management Personnel of the Group							
Nick Abboud	986,036	214,986	(5,868)	–	1,195,154	30,000	1,165,154
Mark Ashby	1,340,168	260,728	–	–	1,600,896	586,666	1,014,230
Mark Goddard	–	–	–	–	–	–	–
Greg Travers	478,836	260,728	(58,668)	–	680,896	–	680,896
Penny Winn[12]	1,320,168	–	–	(1,320,168)	–	–	–

1. Options and rights granted during the year are outlined in note 34.
2. Other changes comprise of (i) options and rights which have expired or forfeited during the period, (ii) balances held by new Key Management Personnel from the date of appointment and (iii) removes balances for those no longer regarded as Key Management Personnel.
3. All vested options are exercisable at the end of the period.
4. Appointed Director on 8 August 2012 and appointed Chairman of the Company on 10 October 2012.
5. Retired as Chairman and Director on 10 October 2012.
6. Retired as Director effective 11 April 2012.
7. Appointed Director on 8 August 2012. Resigned effective 1 March 2013.
8. Ceased employment on 18 September 2012.
9. Ceased employment on 4 February 2013.
10. Promoted to Executive General Manager Merchandise on 4 February 2013.
11. Promoted to Executive General Manager Stores on 14 February 2013.
12. Resigned effective 8 December 2011.

Notes to the consolidated financial statements
continued

23 Key Management Personnel disclosures continued

(b) Equity instruments continued

(ii) Ordinary 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.

	Opening balance	Exercise of options	Ceased employment	Other changes[1]	Closing balance
2013					
Directors of Myer Holdings Limited					
Paul McClintock AO[2]	–	–	–	106,000	106,000
Howard McDonald[3]	2,074,390	–	(2,074,390)	–	–
Rupert Myer AM	733,999	–	–	–	733,999
Bernie Brookes	10,783,380	–	–	(604,428)	10,178,952
Anne Brennan	53,658	–	–	–	53,658
Tom Flood[4]	400,000	–	(400,000)	–	–
Chris Froggatt	10,040	–	–	–	10,040
Peter Hay	12,195	–	–	–	12,195
Other Key Management Personnel of the Group					
Nick Abboud[5]	–	–	–	–	–
Mark Ashby	245,257	–	–	–	245,257
Mark Goddard[6]	–	–	–	–	–
Greg Travers	1,515,808	–	–	(190,000)	1,325,808
Adam Stapleton[7]	–	–	–	–	–
Tony Sutton[8]	–	–	–	–	–
2012					
Directors of Myer Holdings Limited					
Howard McDonald	2,047,723	26,667	–	–	2,074,390
Rupert Myer AM	725,710	–	–	8,289	733,999
Bernie Brookes	11,546,630	–	–	(763,250)	10,783,380
Anne Brennan	53,658	–	–	–	53,658
Tom Flood	390,000	10,000	–	–	400,000
Chris Froggatt	10,040	–	–	–	10,040
Peter Hay	12,195	–	–	–	12,195
Other Key Management Personnel of the Group					
Nick Abboud	–	5,868	–	(5,868)	–
Mark Ashby	245,257	–	–	–	245,257
Mark Goddard	–	–	–	–	–
Greg Travers	1,537,140	58,668	–	(80,000)	1,515,808
Penny Winn[9]	200,000	–	(200,000)	–	–

1. Other changes comprise of (i) shares which have been purchased or sold during the period, (ii) balances held by new Key Management Personnel from the date of appointment and (iii) removes balances for those no longer regarded as Key Management Personnel.
2. Appointed Director on 8 August 2012 and appointed Chairman of the Company on 10 October 2012.
3. Retired as Chairman and Director on 10 October 2012.
4. Retired as Director effective 11 April 2012.
5. Ceased employment on 18 September 2012.
6. Ceased employment on 4 February 2013.
7. Promoted to Executive General Manager Merchandise on 4 February 2013.
8. Promoted to Executive General Manager Stores on 14 February 2013.
9. Resigned effective 8 December 2011.

(c) Loans

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

(i) Aggregates for Key Management Personnel

In 2013 and 2012 there were no loans to individuals at any time.

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

In 2013 and 2012 there were no loans to individuals that exceeded $100,000 at any time.

(d) Other transactions

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

24 Remuneration of auditors

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

	2013 $	2012 $
(a) PwC Australia		
(i) Assurance services		
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**396,510**	383,075
Other assurance services		
Audit of rent certificates	**43,125**	41,400
Other services	**6,150**	6,000
Total remuneration for other assurance services	**49,275**	47,400
Total remuneration for assurance services	**445,785**	430,475
(ii) Taxation services		
Tax consulting and tax advice	**183,253**	166,946
(iii) Other services		
Other services	**–**	40,000
Total remuneration of PwC Australia	**629,038**	637,421
(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*	**65,857**	37,026
(ii) Taxation services		
Tax consulting and tax advice	**28,786**	16,712
(iii) Other services		
Other services	**–**	6,546
Total remuneration for overseas practices of PwC	**94,643**	60,284

Notes to the consolidated financial statements
continued

25 Contingencies
Contingent liabilities

The Group had contingent liabilities at 27 July 2013 in respect of:

Guarantees

The Group has issued bank guarantees amounting to $51.5 million (2012: $46.9 million), of which $33.9 million (2012: $31.9 million) represents guarantees supporting workers' compensation self insurance licences in various jurisdictions.

For information about other guarantees given by entities within the Group, including the parent entity, please refer to notes 29 and 32.

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

26 Commitments
(a) Capital commitments

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

	2013 $'000	2012 $'000
Property, plant, equipment and software		
Payable:		
Within one year	**16,754**	7,481
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
	16,754	7,481

(b) Operating lease commitments

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

	2013 $'000	2012 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**209,975**	201,016
Later than one year but not later than five years	**798,279**	700,046
Later than five years	**1,936,273**	1,825,835
	2,944,527	2,726,897

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.

27 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 28.

(c) Key Management Personnel

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

(d) Transactions with other related parties

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

28 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] 2013 %	Equity holdings[4] 2012 %
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

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

(2) Each of these entities is classified as small proprietary and therefore relieved from the requirement to prepare and lodge financial reports with ASIC.

(3) Each of these entities is party to a deed of cross guarantee, refer note 29.

(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 2013 or 2012.

Notes to the consolidated financial statements
continued

29 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 27 July 2013.

(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 27 July 2013 of the closed group.

	2013 52 weeks $'000	2012 52 weeks $'000
Income statement		
Total sales value (excluding GST)	**3,100,100**	3,080,111
Concession sales	**(501,692)**	(478,905)
Sale of goods (excluding GST)	**2,598,408**	2,601,206
Sales revenue deferred under customer loyalty program	**(37,942)**	(39,211)
Revenue from sale of goods (excluding GST)	**2,560,466**	2,561,995
Other operating revenue (excluding finance revenue)	**119,658**	115,853
Cost of goods sold	**(1,431,003)**	(1,448,141)
Dividend received	**4,615**	–
Other income	**23,505**	25,908
Operating gross profit	**1,277,241**	1,255,615
Selling expenses	**(777,896)**	(738,701)
Administration expenses	**(287,228)**	(293,966)
Store closure and restructuring costs	**–**	(18,450)
Write back of fixed lease rental increases provision	**–**	23,109
Earnings before interest and tax	**212,117**	227,607
Finance revenue	**1,379**	1,460
Finance costs	**(29,767)**	(31,174)
Net finance costs	**(28,388)**	(29,714)
Profit before income tax	**183,729**	197,893
Income tax expense	**(54,246)**	(61,617)
Profit for the period	**129,483**	136,276
Statement of comprehensive income		
Profit for the period	**129,483**	136,276
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedges	**7,704**	(455)
Exchange differences on translation of foreign operations	**(706)**	–
Income tax relating to components of other comprehensive income	**1,235**	(552)
Other comprehensive income for the period, net of tax	**8,233**	(1,007)
Total comprehensive income for the period	**137,716**	135,269
Summary of movements in retained earnings		
Opening balance	**360,762**	349,890
Profit for the period	**129,483**	136,276
Dividends paid	**(110,847)**	(125,404)
Closing balance	**379,398**	360,762

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 27 July 2013 of the closed group.

	2013 $'000	2012 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**69,555**	30,790
Trade and other receivables	**33,273**	23,726
Inventories	**356,268**	378,089
Derivative financial instruments	**8,438**	–
Total current assets	**467,534**	432,605
Non-current assets		
Other financial assets	**41,374**	41,374
Property, plant and equipment	**504,559**	510,760
Deferred tax assets	**21,265**	27,066
Intangible assets	**879,544**	884,193
Other	**3,310**	3,812
Total non-current assets	**1,450,052**	1,467,205
Total assets	**1,917,586**	1,899,810
LIABILITIES		
Current liabilities		
Trade and other payables	**381,180**	394,334
Derivative financial instruments	**–**	2,207
Current tax liabilities	**17,165**	14,549
Provisions	**82,506**	84,899
Other	**30,802**	1,119
Total current liabilities	**511,653**	497,108
Non-current liabilities		
Borrowings	**420,824**	421,193
Derivative financial instruments	**2,331**	1,785
Provisions	**12,763**	15,023
Deferred income	**73,583**	69,821
Other	**1,354**	29,406
Total non-current liabilities	**510,855**	537,228
Total liabilities	**1,022,508**	1,034,336
Net assets	**895,078**	865,474
EQUITY		
Contributed equity	**520,216**	519,776
Retained earnings	**379,398**	360,762
Reserves	**(4,536)**	(15,064)
Total equity	**895,078**	865,474

30 Events occurring after the reporting period

Subsequent to 27 July 2013, the directors have determined to pay a final dividend of 8.0 cents per share, fully franked at the 30% corporate income tax rate, payable on 14 November 2013. The record date for this dividend is 30 September 2013.

The financial effect of the final ordinary dividend for 2013 has not been recognised in the annual financial statements for the period ended 27 July 2013 and will be recognised in subsequent financial statements.

Post year end Myer exercised the call option to acquire the remaining 35% in sass & bide. The acquisition was settled on 24 September 2013 at $30.2 million, net of cash acquired.

Notes to the consolidated financial statements
continued

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

	2013 52 weeks $'000	2012 52 weeks $'000
Profit for the period	**129,877**	141,067
Depreciation and amortisation, including lease inducements	**83,559**	88,124
Interest income	**(1,402)**	(4,499)
Interest expense	**1,646**	1,717
Share-based payments expense	**2,097**	1,955
Net exchange differences	**(567)**	66
Change in operating assets and liabilities		
Decrease (increase) in trade and other receivables	**(2,289)**	7,158
Decrease (increase) in inventories	**22,002**	(4,306)
Decrease (increase) in deferred tax asset	**4,475**	25,144
Decrease (increase) in derivative financial instruments	**(2,168)**	(3,505)
(Decrease) increase in trade and other payables	**(13,768)**	(21,010)
(Decrease) increase in current tax payable	**3,850**	(18,706)
(Decrease) increase in provisions	**(3,849)**	(31,080)
(Decrease) increase in other liabilities	**2,062**	(2,211)
Net cash inflow from operating activities	**225,525**	179,914

32 Parent entity financial information

(a) Summary financial information

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

	2013 $'000	2012 $'000
Balance sheet		
Current assets	**211,255**	176,071
Total assets	**1,104,911**	1,073,806
Current liabilities	**69,960**	38,320
Total liabilities	**493,116**	488,850
Shareholders' equity		
Issued capital	**520,216**	519,776
Reserves		
Cash flow hedges	**(1,648)**	(1,785)
Other reserve	**(31,650)**	(31,650)
Share-based payments	**15,282**	13,185
Retained earnings	**109,595**	85,430
Profit for the period	**136,264**	268,641
Total comprehensive income	**136,953**	267,275

(b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities	**–**	–
	–	–

The parent entity is the borrowing entity under the Group's financing facilities. Under these facilities, the parent entity is party to a cross-guarantee with various other Group entities, who guarantee the repayment of the facilities in the event that the parent entity is in default.

The parent entity is also party to a deed of cross guarantee entered into on 10 May 2010. The details of the deed of cross guarantee are set out in note 29. At balance date no liability has been recognised in relation to these guarantees on the basis that the potential exposure is not considered material.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 27 July 2013 or 28 July 2012. 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 27 July 2013 or 28 July 2012.

33 Earnings per share

	2013 cents	2012 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**21.8**	23.9
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**21.6**	23.7

	$'000	$'000
(c) Reconciliations of earnings used in calculating earnings per share		
Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders	**127,212**	139,365

	Number	Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**583,425,804**	583,288,348
Adjustments for calculation of diluted earnings per share:		
Options	**5,996,592**	4,578,147
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**589,422,396**	587,866,495

(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 34.

10,015,044 options outstanding at period end are not included in the calculation of diluted earnings per share because they are antidilutive for the period ended 27 July 2013. These options could potentially dilute basic earnings per share in the future.

Notes to the consolidated financial statements
continued

34 Share-based payments

(a) Equity Incentive Plans

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

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

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

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

Grant type/ Grant date	Expiry date	Exercise price ($)	Balance 30 July 2011	Granted	Exercised	Expired and lapsed	Balance 28 July 2012	Vested and exercisable
2012								
Option 1 Dec 2006	15 Oct 2011	$0.01	316,809	–	(316,809)	–	–	–
Option 1 Aug 2007	15 Oct 2011	$1.27	157,063	–	(157,063)	–	–	–
Option 23 Jan 2008	21 Dec 2012	$3.00	7,440,580	–	–	(1,219,400)	6,221,180	3,979,675
Option 17 Dec 2008	24 Oct 2013	$2.14	3,705,863	–	(44,000)	(645,200)	3,016,663	448,600
Option 30 Jun 2009	24 Oct 2014	$2.34	4,153,900	–	–	(1,000,000)	3,153,900	–
Option 06 Nov 2009	31 Dec 2012	$4.10	3,193,278	–	–	(672,269)	2,521,009	–
Option CEO EPS 06 Nov 2009	31 Dec 2013	$4.10	5,152,671	–	–	–	5,152,671	–
Option CEO share price 06 Nov 2009	31 Dec 2013	$5.74	2,227,723	–	–	–	2,227,723	–
Right EPS 21 Oct 2011	31 Oct 2014	$0.00	–	1,411,330	–	(113,472)	1,297,858	–
Right TSR 21 Oct 2011	31 Oct 2014	$0.00	–	2,182,073	–	(175,427)	2,006,646	–
Right CEO EPS 9 Dec 2011	31 Oct 2014	$0.00	–	808,383	–	–	808,383	–
Right CEO TSR 9 Dec 2011	31 Oct 2014	$0.00	–	1,250,000	–	–	1,250,000	–
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

The number of options which expired during the period was 8,267,021 (2012: nil).

The weighted average share price at the date of exercise of options exercised during the period ended 27 July 2013 was $3.04 (2012: $2.16).

The weighted average remaining contractual life of share options and rights outstanding at the end of the period was 0.9 years (2012: 1.4 years).

Notes to the consolidated financial statements
continued

34 Share-based payments continued

Fair value of performance rights granted

The assessed fair value at grant date of rights granted during the period is noted below. Fair value varies depending on the period to vesting date. The fair values at grant dates were independently determined using a Monte-Carlo simulation pricing model that takes into account the exercise price, the term of the rights, the impact of dilution, the fair value of shares in the Company at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. The fair values and model inputs for performance rights granted during the period included:

	2013 EEIP Rights (EPS)	2013 EEIP Rights (TSR)	2013 MEIP Rights
(a) Fair value of performance rights granted	$2.08	$1.56	$2.08
(b) Exercise price at grant date	$0.00	$0.00	$0.00
(c) Grant date	25-Jan-13	25-Jan-13	25-Jan-13
(d) Expiry date	31-Oct-15	31-Oct-15	31-Oct-15
(e) Share price at grant date	$2.50	$2.50	$2.50
(f) Expected price volatility of the Group's shares	30%	30%	30%
(g) Expected dividend yield	7.6%	7.6%	7.6%
(h) Risk-free interest rate	2.70%	2.70%	2.70%

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

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

(b) Expenses arising from share-based payment transactions

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

	2013 $'000	2012 $'000
Options and rights issued under the MEIP and EEIP	**2,097**	1,955

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 67 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 27 July 2013 and of its performance for the financial year 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 29 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 29.

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

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

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

Paul McClintock AO
Chairman
Melbourne

8 October 2013

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the year ended 27 July 2013, 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
8 October 2013

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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 Consolidated Balance Sheet as at 27 July 2013, the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the period 29 July 2012 to 27 July 2013, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Myer Holdings Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Independent Auditor's Report
continued

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Auditor's opinion
In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 27 July 2013 and of its performance for the period ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 47 to 65 of the directors' report for the period ended 27 July 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion
In our opinion, the remuneration report of Myer Holdings Limited for the period ended 27 July 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Andrew Mill
Partner

Melbourne
8 October 2013

Shareholder information

as at 20 September 2013

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

	Number
Issued capital	584,294,551
Number of shareholders	51,169
Minimum parcel price	$2.78 per unit
Holders with less than a marketable parcel	6,945 (1,182,169 shares)

Distribution of shareholders and shareholdings

Range	Total holders of ordinary shares	Units	% of issued capital
1 – 1,000	25,623	12,534,383	2.15
1,001 – 5,000	18,969	43,082,370	7.37
5,001 – 10,000	3,485	26,719,863	4.57
10,001 – 100,000	2,943	70,078,170	11.99
100,001 and over	149	431,879,765	73.92
Total	**51,169**	**584,294,551**	**100.00**

Unmarketable parcels

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $2.78 per unit	180	6,945	1,182,169

Twenty largest shareholders

Rank	Name	Units	% of issued capital
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	113,825,913	19.48
2.	J P MORGAN NOMINEES AUSTRALIA LIMITED	87,471,175	14.97
3.	NATIONAL NOMINEES LIMITED	67,478,112	11.55
4.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	38,392,340	6.57
5.	CITICORP NOMINEES PTY LIMITED	21,095,264	3.61
6.	BNP PARIBAS NOMS PTY LTD <DRP>	16,463,047	2.82
7.	AMP LIFE LIMITED	10,406,148	1.78
8.	BERNARD JOSEPH BROOKES	9,995,054	1.71
9.	NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	6,580,691	1.13
10.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	6,474,390	1.11
11.	WARBONT NOMINEES PTY LTD <ACCUMULATION ENTREPOT A/C>	4,920,025	0.84
12.	BAINPRO NOMINEES PTY LIMITED	2,955,150	0.51
13.	QIC LIMITED	2,525,802	0.43
14.	HOWARD JOHN MCDONALD	1,824,390	0.31
15.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – GSCO ECA	1,631,003	0.28
16.	MR RICHARD WILLMOT CHADWICK + MRS GWENDA ANN CHADWICK	1,335,000	0.23
17.	GREGORY JAMES TRAVERS	1,325,808	0.23
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	1,248,797	0.21
19.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,088,124	0.19
20.	BOND STREET CUSTODIANS LIMITED <MACQUARIE ALPHA OPPORT A/C>	1,084,328	0.19
	Top 20 holders of fully paid ordinary shares	**398,120,561**	**68.14**
	Total remaining holders balance	**186,173,990**	**31.86**

Shareholder information
continued

Substantial shareholders

As at 20 September 2013, there are four substantial shareholders that Myer is aware of:

Name	Date of most recent notice	Relevant interest
Harris Associates L.P.	27 June 2013	29,410,764 shares
LSV Asset Management	27 June 2013	30,649,581 shares
UBS AG	26 August 2013	57,053,271 shares
Commonwealth Bank of Australia	6 September 2013	47,286,637 shares

Voting rights

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

Options and performance rights

Myer has unlisted options and performance rights on issue. As at 20 September 2013, there were 200 holders of options and 277 holders of performance 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

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
GPO Box 2975
Melbourne VIC 3001

Myer Shareholder Information Line
1300 820 260
+61 (0) 3 9415 4332 (outside Australia)
www.investorcentre.com

Investor Relations
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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 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 2013 Annual General Meeting of Myer Holdings Limited will be held at Mural Hall, Level 6, Myer Melbourne, Bourke Street Mall, Melbourne, Victoria on Wednesday, 20 November 2013 at 11.00am.

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www.myer.com.au