MYER
Annual Report 2011

Strong Foundations

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Annual General Meeting

The 2011 Annual General Meeting of Myer Holdings Limited will be held at Mural Hall, Level 6, Myer Melbourne, Bourke Street Mall, Melbourne, Victoria on Friday, 25 November 2011 at 11am.

Myer Holdings Limited
ABN 14 119 085 602

Myer Holdings Limited

A focused retail business with strong management

Our significant investment since 2006 has set strong foundations for a sustainable business, demonstrated in the current challenging environment. We are committed to optimising our store network, improving customer service and delivering a leading omni-channel offer.

About Myer

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

Known for a welcoming, familiar, trusted and stylish shopping environment, Myer has a strong connection with its customers, with one of the most reputable retail brands in Australia.

Vision: *"To be an international-class retailer providing inspiration to everyone"*

Our focus on providing inspiration to everyone includes our customers, our 13,000 team members, our 56,000 shareholders, our 800 suppliers globally and the many communities that we engage through our strong brand.

In financial year 2011, total sales were $3.159 billion. Myer is a significant employer and has a long history of philanthropy and local community engagement.

Inspiring and delighting our customers through newness, innovation and inspiration

Myer offers eleven core product categories including: Womenswear; Menswear; Youth fashion; Childrenswear; Intimate apparel; Beauty, fragrance and cosmetics; Homewares; Electrical goods; Toys; Fashion accessories; and General merchandise. A true department store, Myer offers a comprehensive and fashion focused 'whole of home' solution, stocking over 600,000 product lines, comprising 2,400 brands sourced from over 800 suppliers globally. The brand offering includes well-known national brands, Australian and International designers, as well as over 50 brands owned and distributed exclusively by Myer, including Vue, Basque and Blaq.

Myer's strategic plan

The business model we have had in place since 2006 is flexible and sustainable which has helped us to manage recent volatile retail trading conditions. We continue to implement this strategy focusing on the key elements:

- New stores growth and refurbishments
- Grow our Myer Exclusive Brands
- Build and strengthen **MYER one** loyalty program
- Ensure product mix and floor selling space delivers optimal financial returns
- Improve customer service
- Deliver a flexible omni-channel offer
- Continue to reduce shrinkage

New stores and refurbishments

The Myer store network includes a footprint of 67 stores in prime retail locations across Australia. We have stores in 28 of the top 30 shopping centres across Australia. We have a strategy to expand the store network through new stores, replacement stores and refurbishments, and to continue to build on the momentum of our world-class, international award winning flagship Melbourne store.

Myer Exclusive Brands

Our merchandise offer includes over 50 brands that are owned by Myer. The Exclusive Brands offering is across many price points and ranges from entry-point basics to designer fashion. We have established Global Sourcing Offices in Hong Kong and Shanghai to drive further growth of our Myer Exclusive Brands (MEBs), source product more efficiently and improve profitability.

MYER one loyalty program

The **MYER one** loyalty program is a key competitive advantage for the business. This loyalty program provides unique insights into customer shopping preferences and is an effective way of communicating with our customers ensuring they receive relevant and targeted offers. Loyal **MYER one** members earn shopping credits for shopping at Myer as well as a range of affiliate businesses that have partnered with the program. Rewards are distributed in the form of **MYER one** reward gift cards and when redeemed in Myer stores members spend on average 3.6 times the value of the reward card.

Selling space optimisation

Across our store network, we continually review the way our stores are presented through product mix and brand placements. This is to ensure we are delivering the best possible merchandise offer, improving the customer shopping experience and ultimately achieving maximum return per square metre of selling space for our shareholders.

01 Our team members are key to the success of Myer

02 New stores and refurbishments continue to inspire and delight our customers

03 Brand awareness is enhanced through in-store theatre and events as well as seasonal fashion launches

04 Exciting new brands have further strengthened our fashion credentials

05 We are building a customer service and performance-based culture across the business

06 Our **MYER one** loyalty program delivers a key competitive advantage

02


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Improving customer service

Our people are critical to achieving our vision and delivering our strategic plan. We are continuing to build a customer service and performance-based culture across the business. This includes fostering the development of all of our team members from our graduates, to high performing store managers to our buyers and support office teams. The support of our committed and experienced senior management team helps to build this culture focused on achieving results. In response to customer feedback, we have a renewed focus on improving customer service through the investment in additional selling hours in high service categories and a comprehensive program including training, product knowledge and other initiatives.

Omni-channel retailer

In a rapidly changing technology environment Myer continues to develop and implement a flexible omni-channel offer for our customers. The channels include our significant store network complemented by enhanced online, digital and mobile platforms.

Reducing shrinkage

Reducing the level of theft and fraud in our stores contributes to improving our profitability. We have made excellent progress in initiatives to reduce shrinkage.

Strong foundations

We have made significant progress on our strategic plan. We have invested over $600m in capital since 2006 to build a sustainable retail business platform and these strong foundations have been proven during the recent economic downturn.

Our vision is to be an international-class retailer providing inspiration to everyone – our customers, team members, shareholders and suppliers.

Highlights

Myer delivered a solid result this year in the context of a very tough retail environment. Consumers continue to be reluctant to spend in the face of a number of increased cost of living pressures, the imminent imposition of new taxes, uncertainty surrounding interest rates and an increased propensity to save. The challenging economic conditions experienced in the first half were exacerbated by the floods in Queensland and Victoria. During the second half of the year domestic and global political and economic uncertainties, as well as rising unemployment, further impacted consumer confidence.

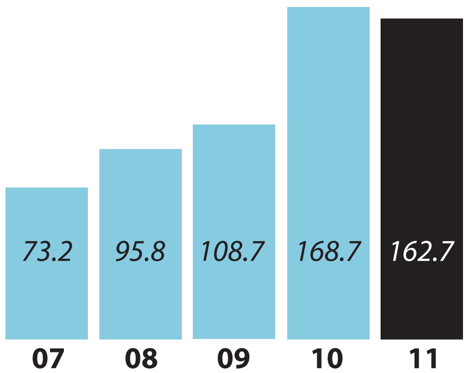
Financial highlights[1]

- Sales down 3.8 percent to $3,158.8 million, down 5.5 percent on a like-for-like basis
- Excluding Electrical, total sales were down 1.2 percent
- Electrical restructure represented a $32.4 million reduction in total sales with exit of non-performing categories and replacement with more profitable categories
- Operating gross profit margin up 63 basis points to 40.26 percent
- Continued focus on costs, overall cash costs declined 3.4 percent to $933.7 million
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) margin increased by 50 bps to 10.7 percent
- Earnings before interest and tax (EBIT) of $258.9 million (FY2010: $270.9 million)
- EBIT margin of 8.20 percent (FY2010: 8.25 percent)
- Net profit after tax (NPAT) of $162.7 million (FY2010: $168.7 million)
- Basic earnings per share of 27.9 cents (FY2010: 29 cents)
- Disciplined inventory management, like-for-like inventory increased by $7 million (up 2.0 percent)
- Return on funds employed (ROFE) of 21.4 percent on a rolling 12 months basis (FY2010: 24.1 percent)
- Refinance of debt facilities with improved interest margins and strong support from lenders
- Interim dividend of 11.0 cents per share and final dividend of 11.5 cents per share, taking the full year dividend to 22.5 cents per share.

1 FY11 financial metrics shown on pages 4 to 9 represent the statutory 52 week financial results as reported in the Financial Report, adjusted to remove certain one-off charges where relevant. Prior period comparatives, and variances to prior period, where shown, are calculated with reference to 52 week pro forma values for FY2010 to ensure comparability. Refer Financial Performance section of Review of Operations on page 11 for detailed discussion of financial performance, including commentary on the composition of the numbers referenced above.

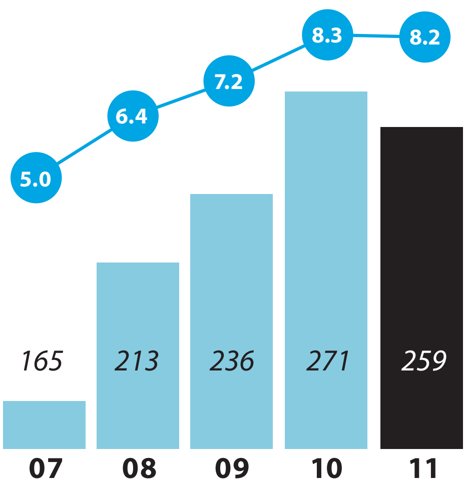
"Strong foundations deliver solid result in challenging environment."

Net profit after tax ($m)

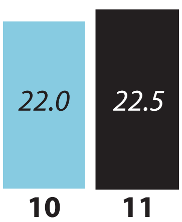


Earnings before interest and tax (EBIT) ($m)

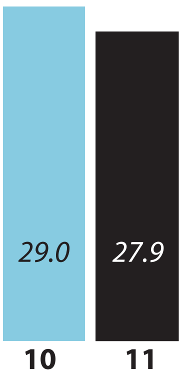
EBIT margin (%)



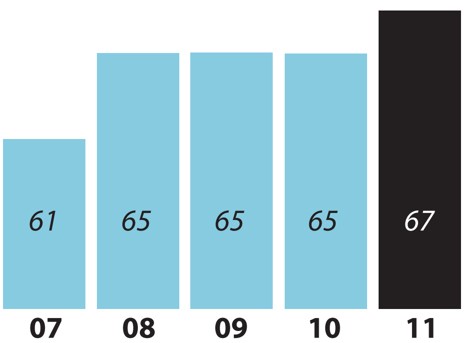
Full year dividends (cents)



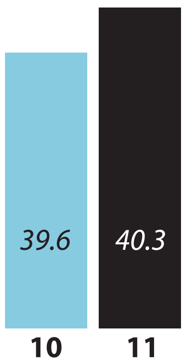
Earnings per share (cents)



Myer department store network (number)



Operating gross profit margin (%)



Operational highlights

The $600 million capital investment made since 2006 has established strong foundations for the business that helped us to manage through challenging conditions over the past 12 months:

- Flagship Myer Melbourne reopened, as well as new stores at Top Ryde (New South Wales) and Robina (Queensland). A new store at Mackay (Queensland) is expected to open on time in October 2011
- Refurbished stores at Charlestown (New South Wales), Canberra (ACT) and Garden City (Western Australia)
- Further growth in Myer Exclusive Brands mix, now represent 17.7 percent of department store sales
- Continued investment in capex of $113 million (including Myer Melbourne and point-of-sale (POS) system)
- Global Sourcing Offices established in Hong Kong and Shanghai
- Improved merchandise offer with new brands extending the breadth and depth of range
- sass & bide strategic alliance established with purchase of 65 percent stake
- Progressed customer service strategy supported by renewed focus on optimising promotions
- Further developed e-commerce, digital marketing and social media strategy.

From the Chairman

I am pleased to present the 2011 Myer Holdings Limited Annual Report to shareholders.

Business performance

Total sales for the full year ended 30 July 2011, were $3.158 billion, down 3.8 percent on last year, reflecting an unprecedented trading environment and weak consumer sentiment.

We reported a net profit after tax of $162.7 million, down 3.6 percent on last year and in line with the guidance provided to the market earlier in the year. This is a solid result given the challenges we faced. We maintained a strong focus on reducing costs, managing our promotional program and achieved an improved operating gross profit margin as well as a clean inventory position at year-end – an excellent result. These achievements, together with our strong balance sheet, represent highlights in a challenging year.

The Board was pleased to deliver an increased full year dividend to shareholders. A strong balance sheet, strong cash generation and a robust profit performance, has led Directors to announce a fully franked final dividend of 11.5 cents per share, taking the total dividend for the year to 22.5 cents per share. The dividend will be paid on 16 November to all shareholders registered on 30 September 2011.

Operational highlights

While we understand the significant macro-economic factors that are impacting many discretionary retailers, we have remained focused on delivering our strategy. Our new flagship Melbourne store has been well received with sales gaining momentum since reopening in March. In addition we opened two new stores.

In February, we purchased a 65 percent stake in sass & bide, a very successful Australian women's fashion brand. This business, which has significant growth potential, is an excellent addition to our existing brand portfolio.

In July, we realised an $8.2 million profit after tax when we sold our 26 percent stake in Harris Scarfe as we believe our capital can be better directed within our own business.

Our people and the communities in which we operate are key to the Myer business. Following the floods in Queensland and Victoria, we supported a range of fundraising and relief efforts. Myer team members, our suppliers and customers generously responded to these events. We remain committed to our valuable relationships with charities including the Olivia Newton-John Cancer and Wellness Centre Appeal, the Salvation Army and Vision Australia.

Australian retail environment

The 2011 financial year presented an extremely challenging environment for the discretionary retail sector. Consumer confidence was impacted by increasing cost of living pressures including costs of education and health care, new taxes in the flood levy and proposed carbon tax and interest rate uncertainty. In the first half, natural disasters including the devastating floods in Queensland and Victoria impacted many communities and our business in those areas. The second half was characterised by domestic and global economic and political uncertainty as well as rising unemployment.

This backdrop presented the most difficult trading conditions I have seen in my retail career. I am pleased that Bernie and his management team have performed well in dealing with the issues presented to them and continue to be firmly focused on implementing our strategic plan. I strongly believe the key is maintaining an adaptable and flexible approach and being able to fine-tune all elements of our business.

Strong foundations

We have invested over $600 million in capital in the business since 2006, significantly improving our supply chain, point-of-sale and merchandise systems. This has delivered a highly efficient and flexible retail platform, enabling management to better control inventory and adapt to the volatile trading conditions.

Our strategy continues as planned in the face of external challenges. We are delivering new stores, store refurbishments, an improved merchandise offer, an omni-channel offer and have a focus on improving customer service. The Board is very supportive of management plans to invest significantly in improving customer service. As with any investment, return on investment hurdles must be achieved and progress to date is very encouraging.

Myer's transformed business model delivered a

SOLID FINANCIAL PERFORMANCE.

Our Global Sourcing Offices in Shanghai and Hong Kong opened during the year and will enable further growth of our Myer Exclusive Brands, ensuring we deliver the right product to stores quickly and efficiently. We are committed to building a socially responsible and sustainable business. In June, the Board endorsed our Ethical Sourcing Policy. The policy confirms our commitment to the ethical manufacture and supply of merchandise for our business, and working with suppliers to improve their social and environmental practices.

The Board

I acknowledge the support and dedication of the Board this year and I am confident that they have the credentials and requisite diversity to serve the interests of our shareholders. To complement the existing Board, in December, we appointed Chris Froggatt as a new Director who brings over 20 years' executive experience as a human resources specialist in leading international companies.

In August the Board was pleased to reach an agreement with CEO Bernie Brookes to extend his contract until August 2014. While Bernie's previous contract was due to expire in August 2012, the Board agreed a new contract to provide stability and continuity of management. Bernie has a strong vision for Myer and is committed to delivering our strategy. The expected continuation of economic challenges in the short-term demand the attention of a highly experienced retailer as Chief Executive, supported by a strong management team.

> ***"I strongly believe the key is maintaining an adaptable and flexible approach."***

Outlook

While there are no clear short-term indicators of when consumer confidence will return to more normal levels, the leverage potential is significant for this highly efficient business.

On behalf of the Board, I take this opportunity to thank Bernie and his management team as well as all the 13,000 Myer team members who help deliver the best possible results for shareholders.

As we look to the future, I would like to sincerely thank you, our shareholders and customers, for your ongoing support.

Howard McDonald
Chairman

From the CEO

“A solid result in a very difficult trading environment reflecting the investment made over the past five years.”

In last year’s annual report I outlined the significant investment we had made since 2006 to turn the business around and prepare for growth. In 2011, the strong foundations established as a result of that investment have served us well and allowed us to successfully navigate the unprecedented and volatile retail trading conditions. We have delivered on many of our business objectives – rigorously managed inventory and costs, introduced new brands and improved our store presentation.

Our plans have been challenged by the generally cautious consumer but we have successfully continued to progress our strategic plan.

Business performance

Total sales for the full year ended 30 July 2011 were $3.158 billion, down 3.8 percent on last year, and down 5.5 percent on a like-for-like basis. Sales were disappointing, however, in the context of the challenging retail environment, I am pleased with the resilience of Myer’s performance on a number of levels.

The decision to exit whitegoods and significantly reduce our music and DVD offering, combined with significant price deflation across a number of electrical and entertainment product lines, impacted sales.

It was pleasing to report an increased operating gross profit margin up 63 basis points to 40.26 percent. This was driven by an increase in Myer Exclusive Brands (MEBs) as a percentage of sales, a further reduction in shrinkage, changes in product mix, and improved sourcing. We have over 50 MEBs, many of which are household names and represent a multitude of price points and ranges.

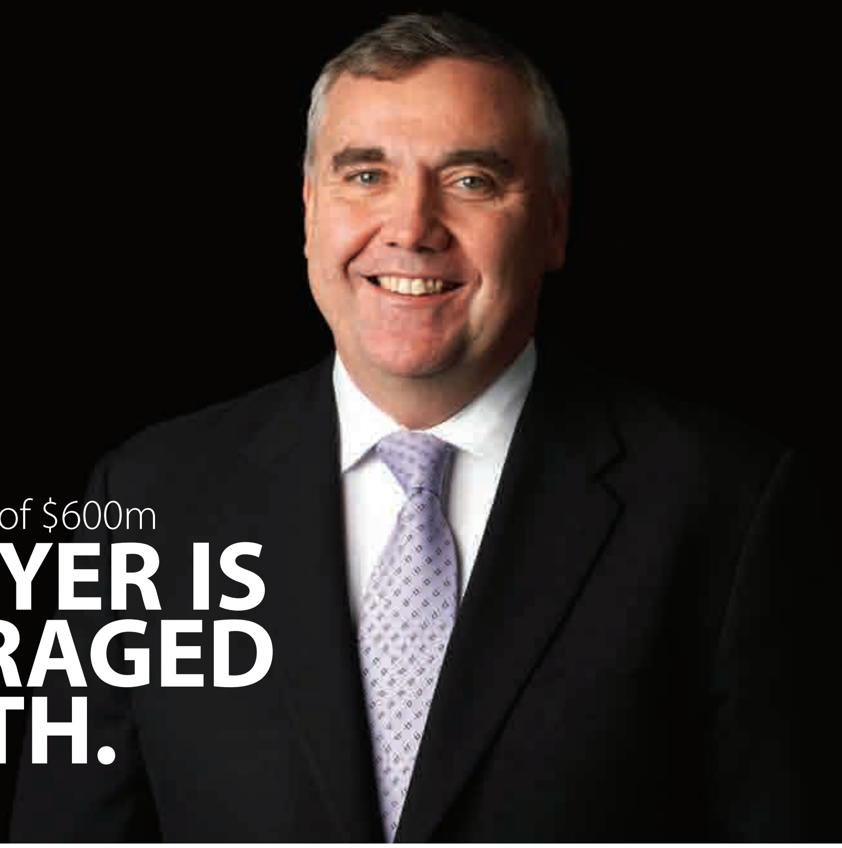
We maintained a disciplined focus on costs across the business and the overall cash cost base declined 3.4 percent to $933.7 million. We successfully delivered an increased EBITDA of $337.9 million, up 0.9 percent. In addition, EBITDA margin increased 50bps to 10.7 percent. EBIT was down 4.4 percent to $258.9 million. An EBIT margin of 8.2 percent represented a solid result.

We reported a net profit after tax of $162.7 million, down 3.6 percent on last year. Our merchandise system, new POS system and improved supply chain ensured that we successfully managed our inventory.

A key highlight for 2011 was the reopening of our flagship Myer Melbourne store in March. The store continues to gather sales momentum, with a positive uplift in sales, and importantly a very strong customer response and a significant increase in the number of customer compliments received. The store was recognised internationally, winning the Store Design of the Year award at the 2011 Oracle World Retail Awards. This is an extremely prestigious award and we are so proud of the team that delivered the Melbourne store.

We opened two new stores at Top Ryde (New South Wales) and Robina (Queensland). In Queensland, we will shortly open our new store at Mackay and our new store at Townsville is on track to open in May 2012.

In March, we purchased 65 percent of sass & bide, a highly successful Australian designer brand that complements our womenswear offer. The rollout of sass & bide to 30 stores is progressing well and our customers have responded positively. We were delighted to strengthen our merchandise offer with new brands including Arthur Galan AG, Simona and Fleur Wood joining our brand portfolio during the year.



Capital investment since 2006 of $600m

ENSURES MYER IS WELL LEVERAGED FOR GROWTH.

The opening of our Global Sourcing Offices in Shanghai and Hong Kong will enable us to further develop our direct sourcing capabilities, underpinning the growth in our Myer Exclusive Brands as well as enhancing gross margin.

During 2011, we invested in developing a fully integrated digital and online offer for consumers. We are committed to further developing our omni-channel offer with a new web platform to be launched later this year, featuring improved product research capabilities, product availability and e-commerce functionality.

Despite the challenging environment I am pleased that we progressed our strategies to reduce overall markdowns and invest in customer service. I am excited by the early progress. The significant and much needed investment in more selling hours, increased training, improved rostering and incentives for service excellence is building momentum. Stores are receiving positive feedback from team members and customers – with increasing numbers of compliments demonstrating that we are achieving real traction. Our investment in customer service is targeted and measured and will continue to be rolled out during 2012.

Our people

We were pleased to reach agreement on the *Myer Stores Agreement 2010*. The increases in wage and other benefits for store team members under the agreement are recognition of the contribution and commitment Myer team members make to the Company.

During the year, we continued to see ongoing improvements in our safety performance across the business with all of our safety measures improving on last year. Lost time injury frequency rate was reduced, representing a 20 percent improvement on 2010.

I would like to thank all our team members, including the management team, for their commitment and support.

Australian retail sector

In January, the Commonwealth Government announced a Productivity Commission Inquiry into the Australian retail sector. This was an important opportunity for Myer to contribute to a public discussion about the retail sector and its future prospects. Myer seeks a reassessment of the low importation threshold and a clear understanding of the implications of increasing labour costs through penalties and casual loadings on trading hours, trading days and workforce composition.

We continue to monitor the Inquiry and hope the outcomes deliver reform to ensure the retail industry can continue delivering economic benefits to all Australians.

Outlook

Although the retail environment remains extremely challenging, our strong, experienced and committed team will continue to manage the business appropriately. The business model we have developed since 2006 is flexible and sustainable, the foundations of which will continue to help us to meet future challenges.

Bernie Brookes

Bernie Brookes
Chief Executive Officer and Managing Director

Review of Operations

Our world-class supply chain, leading merchandise offer, store network and strong brand provide huge potential to deliver a leading omni-channel offer.

The highlights of 2011 included the reopening of our world-class flagship store at Myer Melbourne and two new stores at Top Ryde in New South Wales and Robina in Queensland. We focused on improving customer service with a targeted and measured investment funded by optimising our promotions. Our merchandise offer was significantly enhanced with the addition of new brands to inspire and delight our customers. We acquired 65 percent of the leading Australian designer brand sass & bide to complement our womenswear offer. Our focus on digital marketing and social media continued throughout the year as we further developed our omni-channel offer. Global Sourcing Offices were established in Shanghai and Hong Kong to support the growth of our Myer Exclusive Brands strategy.

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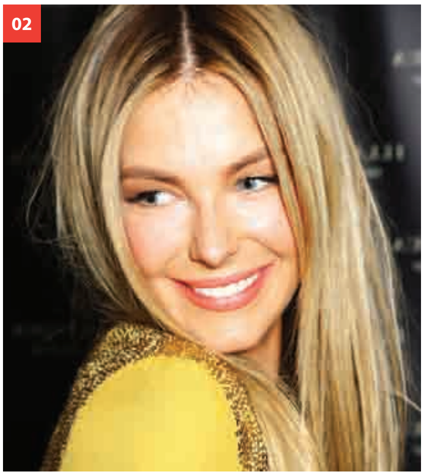
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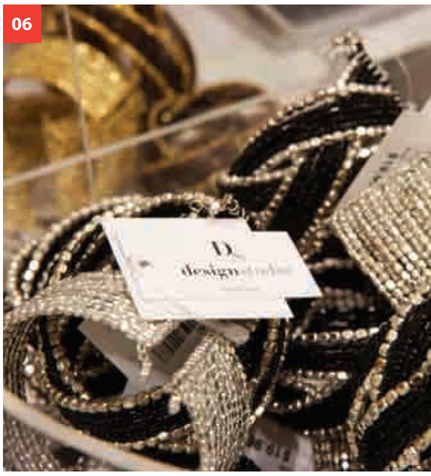
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Financial performance[1]

The Group delivered a solid result for the financial year, in the context of a challenging retail trading environment. Total sales for the 52 weeks to 30 July 2011 were $3,158.8 million, down 3.8 percent compared to last year (52 weeks). On a like-for-like basis sales were down 5.5 percent. Included in this result is $14.1 million in sales from sass & bide (since the acquisition of the 65% shareholding on 2 March 2011).

Operating gross profit margin increased by 63 basis points to 40.26 percent compared to last year. Drivers of this result were increased profitability from Myer Exclusive Brands, reduction in shrinkage, improved sourcing, optimised promotional strategy and improved product mix. The strong Australian dollar also assisted margins and helped mitigate some higher input costs for product sourced from Asia.

Costs continued to be tightly managed during the year and the overall cash cost of doing business declined by 3.4 percent to $933.7 million.

Depreciation increased from $64 million last year to $79 million as a result of the completion of capital projects (including new POS system, Myer Melbourne rebuild and new support office). EBITDA margin increased by 50 bps to 10.7 percent and EBITDA was up 0.9 percent to $337.9 million. EBIT was $258.9 million, down 4.4 percent compared to last year.

The impact from sass & bide in the consolidated FY2011 NPAT was negligible, as expected when we purchased the 65% shareholding.

As a result of the ongoing review of our business we have provided for the costs associated with the rationalised music and DVD offer, the exit of gaming and consoles from stores, a reduction in headcount in support office and the pending closure of the Forest Hill store, resulting in a store closure and restructuring charge in the year of $10.5m ($7.6m after tax). In July 2011 we divested our shareholding in the retailer, Harris Scarfe, as we believe our capital can be better directed within our business, generating a profit on sale of $11.7m ($8.2m after tax).

NPAT before one-offs in relation to the sale of our share in Harris Scarfe, the restructuring charge and IPO costs was down 3.6 percent to $162.7 million.

Statutory EBIT for FY11 was $260.1m, down 3.8% on FY10. Statutory NPAT for FY11 was $159.7m after IPO costs, up 137.7% on FY10, reflecting the impact of IPO costs of $96.3m on the prior year.

We maintained our focus on inventory management during the period. Taking into account stock held for our new store at Robina and the expanded Myer Melbourne, conversion of our music and DVD offering to wholesale, sass & bide and early delivery of summer FY2012 stock, inventory was up 2.0 percent ($7 million). Operating inventory at the end of the period was $381 million.

Net debt increased by $68 million to $382 million, driven in part by the purchase of the 65 percent shareholding in sass & bide in March 2011 ($41.3 million), as well as continued capex investment and a full year of paying dividends.

In June 2011, we successfully refinanced our banking facilities of $625 million, extending maturity dates to June 2014 ($325 million) and to June 2015 ($300 million), with lower interest margins and strong support from our lenders. There remains significant 'headroom' in our banking covenants.

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01 The world-class Myer supply chain is supported by four distribution centres, including one at Altona, Victoria

02 Jennifer Hawkins is the face of Myer and a key Myer Ambassador

03 Events including the 2011 Spring/Summer Fashion Launch strengthen Myer brand awareness as well as profiles of our designers

04 Newness, inspiration and fashionability are integral to our merchandise offer

05 Australian-designer womenswear brand, Fleur Wood, joined Myer in 2011

06 Design Studio fashion accessories, was an exciting new Myer Exclusive Brand this year

07 The Miss Shop (Youth) category was a standout performer in 2011

08 Bose home theatre interactive concepts have been very popular with customers

09 The arrival of prestigious designer brand, Arthur Galan AG, was an excellent addition to the Myer brand portfolio

1 FY11 financial metrics noted represent the statutory 52 week financial results as reported in the Financial Report unless otherwise stated. Prior period comparatives, and variances to prior period where shown are calculated with reference to 52 week proforma values for FY10 to ensure comparability. FY11 Net profit after tax of $162.7m excludes residual IPO costs of $3.5m (after tax), store closure and restructuring costs of $7.6m (after tax), and the profit on sale of our shareholding in Harris Scarfe of $8.2m (after tax). FY10 Net profit after tax of $168.7m represents a 52 week proforma, adjusted to remove the impact of the 53rd week of trade included in the statutory 2010 Financial Report, the effect of IPO costs, and interest and tax adjusted to reflect the post IPO capital structure as if it had been in place for the entire period. Like-for-like sales excludes new stores at Top Ryde and Robina, refurbishments and the acquisition of 65% of sass & bide.

Review of Operations *continued*

Omni-channel Retailer

Our store network

New stores

Our flagship Myer Melbourne store was opened in March with very positive feedback from our customers. Sales continue to gain momentum in this world-class department store.

During the year we also opened two new stores at Top Ryde (New South Wales) and Robina (Queensland).

Our new store at Mackay in Queensland is expected to open on time in October 2011, and our new Townsville store in Queensland is on track to open in May 2012. Myer will be the only full-line department store in both of these regional cities and the excitement continues to build in these communities. New stores at Fountain Gate (Victoria) and Shell Harbour (New South Wales) are already under construction, and are planned to open in 2014.

While we remain committed to our new store rollout strategy, we will continue to assess the financial merits of all new and existing stores in our network as we enter lease negotiations and renewals. We made the decision recently not to renew the lease of the store in Forest Hill (Victoria), which will be closed in 2012. Forest Hill is a small store with a limited range and our **MYER one** data indicates that many customers choose to shop at the larger stores located at nearby Chadstone, Doncaster, Eastland and Knox City. All Forest Hill team members will be redeployed to nearby Myer stores.

Replacement stores and refurbishments

During the year, we announced an agreement to rebuild our store in Hobart (Tasmania) following the fire that significantly damaged the store in 2007. This redevelopment will deliver a 12,450m^2 replacement store, representing significantly more selling space than the original store. We have also negotiated plans to build a replacement store at Werribee (Victoria), to deliver a significantly larger store to meet the demand in this growth corridor of Melbourne.

Refurbishments were completed in our stores in Canberra (Australian Capital Territory) and Garden City (Western Australia). The Sydney City store in New South Wales was reconfigured to create space for additional apparel and footwear brands. Our Eastland store in Victoria was also refurbished and relaunched in August 2011. Works at our Liverpool store in New South Wales are due for completion in December 2011, and the refurbishment of the Carindale store in Queensland commenced in September 2011.

Improving customer service remains a priority

Improving customer service remains a priority across the business. We have implemented a new service improvement program comprising a number of elements including additional hours in stores in high-service categories such as footwear, intimate apparel, womenswear, men's suiting and accessories. We have

01 Team Member incentive schemes in our Electrical department help improve customer service and drive sales

02 The new POS system has increased efficiency and transaction speed and improved the customer experience

03 We are developing an omni-channel strategy as customers adapt to new technology, allowing us to communicate in new and innovative ways

04 We are investing in customer service despite the ongoing challenging retail environment

05 Our flagship Myer Melbourne store showcases innovative visual merchandise installations

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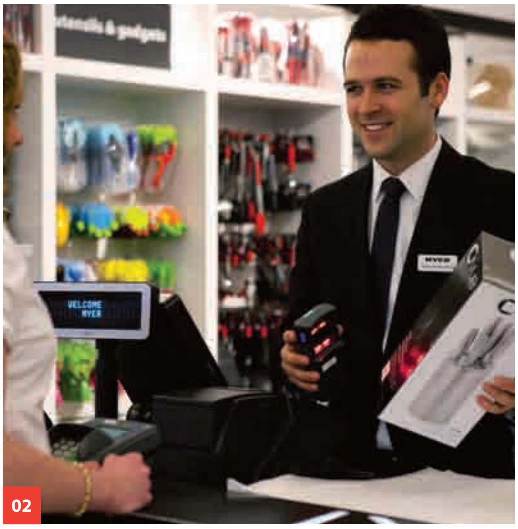

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doubled the length of the team member induction program; improved commission schemes in electrical, furniture and cosmetics; introduced team member productivity leader boards; and continued with our service reward programs.

The customer service investment trial began in March in select stores and with pleasing results, we refined the formula and the rollout was extended. If results continue to meet our expectations, we will continue the targeted and measured rollout.

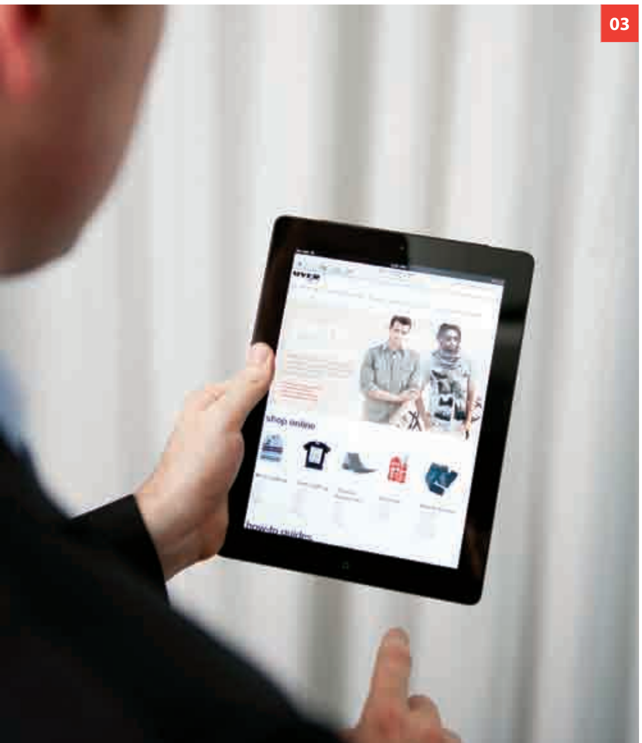
We have also completed the rollout of new directional signage assisting the overall shopping experience for customers.

Our CEO's High Performers Club, which recognises leaders in customer service with excellent selling skills, continues to gain momentum with almost 650 team members now part of the program. We aim to have 1,000 team members inducted into the Club by the end of 2012.

We continued to expand the services offered in stores including personal shopping, pre-season International and Australian designer sales, and a range of health and beauty treatments for both women and men.

Improving technology in stores

The rollout of new IT hardware and an updated operating platform for all stores was completed in August 2011. Including new workstations, scanners and a complete refresh of all applications, this significant upgrade will increase the efficiency of executing administrative activities in stores.



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Following the successful rollout of new POS in all stores, completed in November 2010, we have built on our commitment to improve transaction speed and overall service. In this context, we have taken the decision to consolidate some of the POS locations into clusters within ten of our stores. This will result in larger, more visible transaction centres which will be staffed at all times during trading hours improving the customer experience.

The investment in a national closed circuit TV (CCTV) network as part of a broader campaign to reduce shrinkage has continued to reduce the level of theft from stores and improve customer and team member safety.

Online expansion

We made some important improvements to the myer.com.au website including enhanced website merchandising, search, sort and navigation functionality as well as a wider product range. Customers have responded well to our current offer of free delivery for many online purchases and we are encouraged by the rapid growth in our online sales.

We are well progressed in developing a fully integrated omni-channel offer for consumers including our stores, online and mobile. The redevelopment of our digital and online offer will include: a new e-commerce site; **MYER one** personalisation; click and collect in stores; a private shopping club for our top **MYER one** members; myfind.com super deals online; as well as other initiatives currently under development.

With approximately 11 million unique visits to our website during the past 12 months, we see huge potential to provide a leading omni-channel offer leveraged off our strong brand, store network, and world-class supply chain.

04

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“We continued to evolve as an omni-channel retailer with investment in our store network, improved e-commerce offer, superior technology, all underpinned by improving our level of service to customers.”

Review of Operations *continued*

Merchandise

Inspiring and delighting our customers

Our focus remains on inspiring and delighting our customers across all categories with newness and fashionability.

The category that was a standout performer during the year was Youth, which incorporates our highly popular **Miss Shop** brands. Other key categories with strong performances were Womens and Mens apparel, Home and Cosmetics.

In response to changing customer demands, we decided to refine our Electrical offer to focus on product lines more synonymous with Myer. This has meant that we exited whitegoods, gaming and consoles and reduced our music, DVD and GPS offer. This restructure allows us to increase selling space allocated to our more sought-after and profitable apparel and furniture ranges. Our future electrical offering will continue to include strong performing categories such as small appliances and home theatre as well as a meaningful range of audio visual, home office and portable electronics.

We were pleased with a number of strong performances in the wholesale business including **Bonds**, **Berlei**, **Seafolly**, **Apple** and the cosmetics brands **MAC Cosmetics** and **Chanel**. Our customers welcomed the launch of the popular appliance brand **KitchenAid**. **Benefit** experienced excellent growth in both product sales and services including brow waxing and lash tinting.

Customers have supported our numerous Myer Exclusive Brands that continue to grow as a percentage of our overall product mix. This growth is driven by the introduction of new brands, as well as new product lines and brand extensions.

Some of the new brands introduced this year included **Leona+**, **Domingo**, **Design Studio** and **Delicious**. In response to customer feedback, we have recently launched a number of new categories within our Myer Exclusive Brands portfolio including a plus-size range for women, **BIB**, and for men, **Jack Stone**. We have also recently launched a range of active wear, **Urbane activ** and an exclusive range of women's fashion designed by Jayson Brunsdon, **Jayson Brunsdon Black Label**. Where possible, we extend our more popular Myer Exclusive Brands into new categories. Some of the brands we expanded in 2011, include: **Vue** (from Homewares to Furniture); **Leona by Leona Edmiston** (from Womenswear to Childrenswear as **Little Leona** and plus sizes as **Leona +**); and **Innovare Made in Italy** (from footwear to handbags and wallets). Our best performing Myer Exclusive Brands were **Vue** (Homewares), **Design Studio** (Fashion accessories) and **Miss Shop** (Youth).

Having purchased a 65 percent stake in **sass & bide**, we successfully rolled out the brand to 30 of our stores. Fifteen stores have a full concession offering with the remainder on a wholesale basis. We also welcomed a number of prestigious new Australian designer brands to our concession portfolio including **Arthur Galan AG** and **Simona**. The addition of these new brands further strengthens our fashion credentials and adds additional depth to our offer.

Our concession business benefited from the addition of new apparel brands including **Howard Showers** and **Metalicus**. Concessions that performed well during the year were **Sunglass Hut**, **Karen Millen**, **Charlie Brown**, **TS14+**, **David Lawrence** and **Cue**.

We remain the exclusive Australian department store home of major International designers including **Balmain**, **Nina Ricci**, **Roland Mouret**, **Givenchy** and **Temperley London**.

New brands strengthen our fashion credentials

The addition of new brands in 2011 has further strengthened the fashion credentials of the business.

In addition to our investment in **sass & bide**, during the year we purchased the stable of **Wayne Cooper** brands including **Wayne Cooper**, **Wayne by Wayne Cooper**, **Wayne Jnr by Wayne Cooper** and **Brave by Wayne Cooper**. We purchased these brands in order to further consolidate our working relationship with this talented designer for the long term.

We were delighted to welcome a number of other new brands into Myer stores during 2011.

01

01 The addition of exciting new brands, including Luke Nguyen cookware, has further enhanced our merchandise offer

02 A number of new Myer Exclusive Brand categories, including a plus-size range for women, BIB, launched successfully in 2011

03 Our Youth category, including T by Bettina Liano, was a strong performer this year

NEWNESS, INNOVATION, INSPIRATION.

Other exciting new brands:

- A number of new International designers introduced including **Catherine Malandrino**, **The Row**, **Matthew Williamson Escape**, and **Lee Anglomania** an exclusive denim range from Vivienne Westwood
- High profile Australian designer, **Fleur Wood**, further enhances our womenswear offer with a range of feminine and bohemian designs
- UK fashion brand, **Lipsy**, launched exclusively in our **Miss Shop** department for Summer 2012
- Myer is the exclusive department store home of the **Luke Nguyen** cookware range which was successfully supported by in-store events in 2011
- With a continued focus on 'fashion meets technology' in the entertainment category, **KitchenAid** was introduced to the Myer range in 2011 with great success
- **Purebaby**, a beautiful collection of organic cotton garments for infants and children which complements the existing brand hierarchy, was launched in Summer 2012
- **Gumboots**, a fun and affordable collection for boys and girls complementing the existing brand hierarchy, was launched in Myer in Summer 2012
- We have secured the exclusive distribution rights in Australia for the renowned Menswear brand, **T.M.Lewin**
- We extended our footwear and accessories range with the addition of international designers **Stephane Kelian** and **Balmain**
- We added a number of important menswear brands including **Domingo**, **Cambridge**, **Le Coq Sportif**, **Stussy**, **Deacon**, and **DKNY**
- In home we also added **Heritage** furniture and launched a very popular range of **Delicious** cookware and tabletop accessories
- Following the success of **Leona by Leona Edmiston** we extended her range into a new range of Childrenswear called **Little Leona.**

02

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Review of Operations *continued*

Marketing

An integrated marketing approach

In response to rapidly changing technology that encourages innovative ways of communicating with customers, we have successfully adapted our marketing strategy to incorporate online and digital media. While our overall marketing spend remained broadly in line with last year, we have reallocated some advertising spend from traditional advertising channels to **MYER one** direct campaigns and more digital marketing.

Digital and social media

An improved e-commerce offering complements our store network. Social media has been embraced as part of everyday marketing with a growing following on Facebook and Twitter. Our customers are also responding positively as we post more engaging video content.

Emporium fashion magazine continued to be well received and further digital opportunities exist to leverage the *Emporium* iPad application.

Visual merchandising within all our stores and the iconic Myer store windows continue to set a benchmark. Innovative visual merchandise installations supported the Melbourne store opening and our 2010 Christmas 'Angels' campaign was well received by customers. The Angel theme was successfully integrated across all of our marketing channels including in-store displays, TV, print, digital and online.

MYER one loyalty program delivers a competitive advantage

The **MYER one** loyalty program achieved a major milestone in 2011 when the number of members exceeded four million. The insights we gain from **MYER one** data are uniquely valuable in evaluating new brands, new stores, product and services mix, store layouts, as well as marketing and event programs.

The number of **MYER one** email addresses we have registered continued to grow and we now have over 1.69 million email contacts.

We continue to reward our **MYER one** members and we distributed over $48 million in Myer rewards gift cards to members during 2011. We also delighted our top **MYER one** members with over 1,000 tickets to our key sponsored events.

The **MYER one** affiliates program continued to gain momentum with 325 new outlets signed during 2011, bringing the total number of affiliates to over 1,000 individual locations for affiliates. These affiliates reward their customers with **MYER one** shopping credits allowing customers to earn **MYER one** shopping credits from non-Myer retail outlets and services. Some of our new partners include Hertz, Beaurepaires and select Ritchies IGA supermarkets.

As we develop our omni-channel strategy our **MYER one** loyalty program will increasingly prove to be a competitive advantage, particularly with our plans to personalise the myer.com.au website for our members as part of our new web platform.

During the year, we increased the range of financial services offered to our customers to include insurance products and the Myer Christmas Club, adding to the existing Myer Visa offer.

Strengthening brand awareness

Myer has a long history of supporting the community through event sponsorships at a local, regional and national level. Whether on the catwalk at a major fashion festival, trackside at a local race day or on stage for carols at Christmas, we are committed to the communities in which we operate.

In March 2011, our iconic flagship Melbourne store was officially reopened with a gala black tie cocktail party as the store also celebrated 100 years of being Melbourne's favourite department store.

During the year, we partnered with 17 turf clubs across Australia and hosted Myer Fashions on the Field competitions at 30 race days. The 48th Myer Fashions on the Field competition at the Melbourne Cup Carnival saw over 1,000 race-goers enter the competition at Flemington in Victoria.

We endeavor to complement celebrity appearances at our sponsored events with in-store appearances to drive foot traffic. Successful in-store appearances this year included Jerry Hall, Georgia Jagger, Katy Perry and Lord Wedgwood.

01

01 In addition to quarterly reward cards, our loyal **MYER one** customers are rewarded with exclusive events, private sales, preview nights, birthday vouchers and more

02 We provide customer entertainment through vibrant in-store theatre – from the iconic Myer windows, to glamorous fashion parades, to appearances by children's characters, celebrities and sporting personalities

03 We continue to support the communities in which we operate, sponsoring Fashions on the Field events at over 17 turf clubs across Australia this year

04 Our Designers and Myer Ambassadors helped to celebrate the relaunch of our flagship Melbourne store in March

05 Myer *Emporium* magazine reached a record advertising spend for the November 2011 edition, demonstrating the attractiveness of the flexible format available in both print and as an iPad application

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A fully integrated marketing strategy to communicate with our loyal MYER one members and customers and to engage with our local communities.

Review of Operations
continued

Supply chain & Global Sourcing Offices

Supply chain improving speed to market

We continued to gain efficiencies from the significant investment we have made over the past five years in our supply chain. Our efficient supply chain ensures that we get on trend and in season fashion to our customers. We reduced shipping lead-times from our Asian hubs to less than 24 days.

We continue to leverage our supply chain capability and the 'quick-ship' program of our Myer Exclusive Brand furniture ranges has been very well received by customers. The quick ship furniture is held in our distribution centres, ensuring speedy delivery to customers and represents a distinct competitive advantage for Myer.

With the support of many of our suppliers we have increased compliance with our 'floor ready' standards for merchandise. Merchandise is pre-hung, source tagged and price ticketed requiring minimal packaging. In addition to saving time for our team members when restocking, this initiative also results in reduced packaging.

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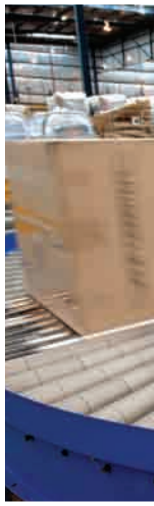

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01 Our highly-efficient supply chain benefits from strong relationships with our transport and supplier partners

02 Merchandise that arrives 'floor ready' delivers significant efficiency benefits and helps to reduce shrinkage

03 The Global Sourcing Offices in Shanghai and Hong Kong support the development of our direct sourcing capabilities and help deliver improved profitability

04 The investment in supply chain ensures the fast transition of merchandise across the distribution centre dock and into stores

05 Our Global Sourcing Offices will enable more efficient and effective sourcing

Global Sourcing Offices

We opened offices in Shanghai in July and Hong Kong in August to enable us to further develop our direct sourcing capabilities as we grow our Myer Exclusive Brands. The Shanghai office will manage the majority of sourcing from northern China, while the Hong Kong office will manage sourcing from remaining regions and importantly continue to look for new sourcing opportunities in emerging markets. These offices are in addition to our four dedicated hubs in China that are run by Cargo Services.

The successful recruitment of over 60 team members ensured the offices immediately started to add value to our buying team. Many of the new team were recruited locally and have extensive experience with top Australian and International retailers. The Myer Board took the opportunity in May to visit the offices and meet with new team members and key suppliers.

We have implemented appropriate Quality Assurance and Quality Control policies and procedures. In June, the Board endorsed our Ethical Sourcing Policy. We continue to work with suppliers to improve their social and environmental practices and to assist our suppliers to understand and implement the policy.

We are committed to responsible business growth and development, which appropriately considers and addresses the ethical and social implications of our business decisions. More detail about our Sustainability Strategy can be found on pages 20 to 23.


04


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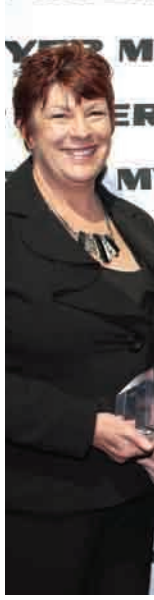
Sustainability

Committed to building a socially responsible business

At Myer, we are committed to responsible business growth and development. Our Sustainability Strategy is comprised of four key focus areas: people, community, business and environment.



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People

Myer is one of the largest private sector employers in Australia, with over 13,000 team members throughout the country. Our team members are integral to what we do as they interact with our customers every day.

Learning and development

We are committed to investing in our people to ensure we can develop talent from within the business. Our *Store Management Development Program* helps build competency among high-potential team members who aspire to leadership positions at Myer. We also have a Graduate Development Program with almost 50 graduates successfully completing the program since 2007. We have strong relationships with universities including RMIT and the Australian Centre for Retail Studies (ACRS) at Monash University.

These relationships have led to the employment of talented product development interns from RMIT in our buying and merchandise areas, while many team members have gained valuable insights into key national and international retail trends through seminars, international study tours and training programs conducted by the ACRS.

We invest in skills development and leadership programs to ensure that our team members are proud to work at Myer and that they can contribute to the best of their abilities.

Team member benefits and wellness

With a workforce comprised of almost 80 percent female team members, Myer was proud to be the first major Australian retailer to introduce paid parental leave in 2009. We are committed to helping team members balance work and family responsibilities and encourage a long and fulfilling career at Myer. In 2011, we initiated a *Keeping in Touch* newsletter to ensure team members on parental leave remain connected with Myer. We have a flexible work policy and are committed to the health and wellness of our people including gym membership at our support office, and access to counselling through the Myer Team Member Support Service.

Reward and Recognition

The Myer Inspirational People Awards are held in October each year to celebrate the success of individuals and teams who have worked hard to achieve our goals.

Our CEO's High Performers Club and Service Heroes continue to be key elements of our reward and recognition program for store team members.

The annual Myer 25 Year Club celebrations are an opportunity to acknowledge the long term service of many individuals to our business and we were proud to induct an additional 150 members to the Club in 2011. The numbers continue to grow demonstrating the commitment and loyalty of our team members.

Safety

We are committed to safety in all areas of our business and it remains a key performance measure. We maintained a manual handling focus, with training available for team members as well as implementing specific interventions aimed at reducing manual handling risks. *Safe Work Australia Week* was recognised with a week of activities in our stores and Support Office in October 2010. We have improved our safety hazard identification process in stores and distribution centres. We have a structured safety audit program in place to monitor the performance of our overall safety system.

As a result of this focus, we were pleased to deliver ongoing improvements in our safety performance across the business in 2011, with all our safety measures delivering improved results on last year. Lost Time Injury Frequency Rate declined to 11.5, a 20 percent reduction on last year. The hours lost associated with injury also declined by 8 percent.

"We are committed to making a difference to our local communities and supporting their charities and initiatives."

Community

Our engagement with the local community and continued support of charities and initiatives is a key part of our Sustainability Strategy.

Committed to our communities

Our team members make a difference to their communities through their active involvement in the Myer Stores Community Fund as well as many local activities. The fund contributes to children, youth and women's health charities and in 2011 raised over $1.5 million through initiatives and events including the Precious Metal Ball. The fund distributes to over 80 charities nationwide, including the Salvation Army, the Olivia Newton-John Cancer and Wellness Centre, Canteen and the Cancer Council.

Our stores enjoy engaging closely with their local communities. In financial year 2011, stores allocated over $1 million to local community initiatives and public events through sponsorship and grants.

We continued our partnership with Vision Australia's Carols by Candlelight, presented by Myer on Christmas Eve in Melbourne. We were delighted to receive the 2011 Vision Australia Award – Corporate, for our ongoing support of the organisation's important work. Community support of Christmas activities also included events in Melbourne, Hobart, Perth and Brisbane, continuing the tradition of Christmas as an important celebration for Myer and its customers.

Since 1993, the 'Myer Spirit of Christmas' CD has raised $5.5 million for the Salvation Army, and $650,000 for The Starlight Foundation. In 2010, profits from the CD supported The Salvation Army's Children and Youth programs.

During the year, we sponsored Mary Poppins the Musical and the Melbourne Symphony Orchestra, engaging communities, including Bendigo, Ballarat and Geelong.

Disaster relief and fundraising support

Myer team members demonstrated enormous commitment and determination in response to the natural disasters in Queensland, Victoria and Western Australia in 2011. Team members rallied to help those impacted, offering donations and their own time in support.

Myer stores collected funds at POS on behalf of the Premier's Disaster Relief Appeal in Queensland and the Red Cross Victorian Floods Appeal. Myer provided grants to team members directly impacted and the Myer Family and Friends Flood Relief Fund also provided support. Toowoomba was one of the hardest hit areas in Queensland, and when we reopened our store that had been inundated by floodwaters, we hosted an activity-filled day for the Toowoomba community including an in-store appearance by Jennifer Hawkins.

Community health

Since 2009, we have offered a free breast cancer screening service in select stores in New South Wales. The service is a result of a community partnership with Westmead Breast Cancer Institute (BCI), with funding from the BCI, the Cancer Institute NSW, Sydney West Area Health Service and the NSW Department of Health. Thousands of women have taken advantage of the BCI Sunflower Clinics with convenient locations and extended opening times.

01 Community Passion finalists from the 2010 Inspirational People Awards: Charmaine Goodwin, representing Myer Penrith; Karen Raufers, representing Myer Wagga Community Fund; and Di Keogh, the winner, from Myer Marion (left to right)

02 The Myer Stores Community Fund Precious Metal Ball is a highlight of the community calendar and a key annual fundraising event

03 Our buyer in training program helps develop talent within the business with the support of mentors and guidance from senior management

04 We are proud to have been the principal sponsor of the Vision Australia Carols by Candlelight since 2007, celebrated each year at the Sidney Myer Music Bowl in Melbourne

Sustainability *continued*


01

Business sustainability

In all our business decisions we aim to meet or exceed the expectations of key stakeholders including customers, investors, suppliers and the community.

Ethical sourcing

Our Ethical Sourcing Policy is based on internationally accepted labour standards, and clearly outlines the standards that all suppliers are required to comply with when producing and supplying merchandise for Myer. As we increase our level of direct sourcing through our Global Sourcing Offices a robust audit framework has been designed to manage supplier compliance with the Policy. Supplier compliance reviews and audits are prioritised based on the perceived level of risk, and may include supplier corrective action plans.

Fair trading

We are committed to meeting our fair trading compliance obligations, and ensuring team members deal with customers and suppliers in a responsible manner. We have developed a tailored Fair Trading Compliance Program in accordance with Australian Standard 3806, and maintain ongoing fair trading training for team members in stores and the Support Office, particularly in specialist areas such as Buying and Marketing.

Product responsibility

Product quality and safety is carefully managed and monitored by dedicated local and overseas Quality Assurance and Merchandise Compliance teams within our business. We are committed to building quality and safety compliance into all of the products that we source, develop and sell. Products are subject to ongoing safety reviews by a specialist compliance team having regard to all applicable safety standards.

Governance

We aim to maintain appropriate governance standards in our business dealings and to behave with integrity in all interactions with customers, stakeholders, government, team members and the community. All Myer team members, directors and contractors must comply with Myer's Code of Conduct. Our commitment to Corporate Governance is described in the Corporate Governance Statement on pages 28 to 34 of this report.

> **"*Committed to responsible business growth and development.*"**

02


> ***An ongoing commitment to energy efficiency and waste management.***

Environment

01 Our Support Office in Docklands, Victoria, has achieved 5 Green Star Office Design rating (V2) from the Green Building Council Australia and was registered for a 5 Green Star As Built (V2) rating

02 We are committed to ensuring the products we sell comply with safety and quality standards

03 Over the past five years we have collected on average 16 million hangers per year for reuse and recycling, reducing our impact on the environment

04 We are committed to ensuring our people, customers, contractors and suppliers are safe at all times through training and safe work practices


03

Environmental sustainability is an integral component of our Sustainability Strategy. We are committed to minimising the impact of our operations on the environment, and raising sustainability awareness amongst our team members and customers.

Energy efficiency initiatives

Energy efficiency and waste management continues to be a focus for our stores and Support Office. In May 2011, the business committed to a lamp upgrade program to replace current lamps in store to more energy efficient models. The program aims to reduce overall energy consumption and energy costs, improve the quality of lighting in store, and reduce the number of lamp changes and maintenance required. Key environmental and cost saving benefits include:

- Forecast annual savings of 13,400,000+ kWh of energy per annum;
- Substantial reduction in our carbon footprint by saving in excess of 198 million kWh of CO_2 emissions, and preventing the disposal of over 970,000 lamps into landfill.

Waste, recycling and reuse

We have a number of programs in store to address waste recycling and reuse programs for paper, cardboard, plastic, hangers, security hard tags, e-waste and textiles. Team members are required to report on the collection of plastic and paper-based recyclable materials. The Hanger Reuse and Recycle Program is monitored to ensure collection and re-use of hangers is occurring in our stores. The Merchandise Protection Hard Tag Reuse and Recycle Program allows tags to be removed at the POS and returned to the supplier for reuse, thereby reducing the number of tags in circulation.


04

The upgrade of our IT infrastructure across our stores delivered benefits to both the business and environment. The e-waste recycling of POS units resulted in over 103 tonnes of material being diverted from landfill. The equipment upgrade has also delivered energy savings. The 'floor ready' supply chain initiative has already resulted in a significant reduction in distribution packaging materials and there is potential to improve on these results.

In 2011, we supported the Berlei Bra Recycling Program, encouraging customers and team members to donate their unwanted bras. As well as incorporating a benefit to the environment and global community, this was a fundraising initiative for Breast Cancer Network Australia. We also partnered with the NSW Government in the Save Power Retail Program across all NSW stores, promoting the environmental and cost saving benefits of energy efficient appliances. Since 2008 we have been partnering with Sustainability Victoria, in the Resourcesmart Business Program, across all Victorian stores.

Commitment to Australian Packaging Covenant

In March 2011, we submitted our Five Year Action Plan under the Australian Packaging Covenant (APC), and reaffirmed our commitment to adopting the APC Sustainable Packaging Guidelines and principles of product stewardship. Our Packaging and Recycling Workgroup focuses on identifying and implementing sustainable packaging solutions, minimising waste and optimising reuse and recycling opportunities across the business.

Board of Directors


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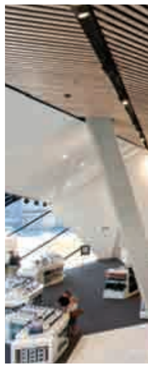


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01 Howard McDonald

Chairman

Independent Non-Executive Director
Member of the Board since 6 November 2006
Non-Executive Chairman since 4 August 2009
Member – Nomination and Remuneration Committee

Howard brings significant retail and fashion experience to the Myer business with 35 years of experience in consumer goods industries.

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

Prior to this, Howard held a number of roles within the Pacific Dunlop Group across Footwear, Clothing and Textiles, and Corporate, including heading up Corporate Affairs for Pacific Dunlop, where he sat on all the Management Boards of this diversified conglomerate. Howard's time at Pacific Dunlop culminated in the role of Managing Director of Pacific Brands Clothing, where he focused on offshore manufacturing, international marketing and textile manufacturing, managing brands such as Bonds, Holeproof, Berlei, Jockey and others.

Howard holds a Bachelor of Economics degree from Monash University and is a Fellow of the Australian Institute of Company Directors. Howard resides in Victoria and is 61 years of age.

Other current directorships

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

02 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. In his role, Bernie has been responsible for the transition of Myer following the separation from the Coles Group and rebuilding the Myer business under new ownership. Bernie has spent 35 years working within the retail industry in local and international roles in India and China. Prior to joining Myer, Bernie was a Management Director of Woolworths and was a chief architect of Woolworths' Project Refresh, which reduced costs by more than $5 billion over five years and reinvested the savings back into the business. His Woolworths experience also included a variety of general management positions in three states across the Buying, IT, Marketing and Operations departments.

Bernie has also held a number of roles as president and executive of various industry organisations including Retail Traders Association in Queensland and Victoria and President of the Queensland Grocery Association. He has assisted on a number of charitable and government ventures and committees.

Bernie is currently patron of the Australian Joe Berry Memorial Award and the Australian representative judge of the World Retail Awards.

Bernie holds a Bachelor of Arts degree and Diploma of Education from Macquarie University. Bernie resides in Victoria and New South Wales and is 51 years of age.

Other current directorships

Bernie is a Member of the Advisory Board of First Unity Financial Group.

Bernie is also a Director of the Advisory Board of the Salvation Army.

03
Anne Brennan
Independent Non-Executive Director

Member of the Board since 16 September 2009
Chair – Audit, Finance and Risk Committee
Member – Nomination and Remuneration 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. She has extensive experience in mergers and acquisitions, financial management, treasury, audit, risk management, tax, investor relations and ASX and statutory reporting.

During Anne's executive career, she was the CFO at CSR and the Finance Director at the Coates Group. Prior to her executive roles, Anne was a partner in three professional services firms: KPMG, Arthur Andersen and Ernst & Young. She has more than 20 years experience in audit, corporate finance and transaction services. Anne was also a member of the national executive team and a board member of Ernst & Young.

Anne holds a Bachelor of Commerce (Honours) degree from University College Galway. She is a Fellow of the Institute of Chartered Accountants in Australia and a Fellow of the Australian Institute of Company Directors. Anne resides in New South Wales and is 51 years of age.

Other current directorships

Anne is currently a Director of Argo Investments Limited, Charter Hall Group, Nufarm Limited and Cuscal Limited. She is also a Director of the Australia Ireland Fund and a Councillor of the Australian Institute of Company Directors (NSW).

04
Tom Flood
Independent Non-Executive Director

Member of the Board since 17 March 2009
Member – Audit, Finance and Risk Committee

Tom has been a Director of Myer Pty Ltd since 26 July 2007 and a Director of Myer Holdings Limited since 17 March 2009.

Tom brings to Myer 39 years of experience in the retail sector, with the majority of his career spent in the supermarket industry.

Tom joined Woolworths upon his arrival in Australia. During his time there, Tom assumed the position of General Manager, Supermarkets for Western Australia and subsequently for Victoria (Safeway). In these roles, Tom oversaw all areas of the supermarket business, including buying, marketing, store operations, distribution, finance, security and insurance. Tom was subsequently appointed Chief General Manager Operations for all Woolworths stores in Australia. Following that, Tom was appointed to the role of Director of Supermarkets with overall responsibility for Woolworths' core supermarkets business.

Tom began his retail career in Ireland with the Superquinn Supermarket Group before moving to London for a role with the United States-owned Safeway Supermarket group. Tom resides in Victoria and is 63 years of age.

05
Chris Froggatt
Independent Non-Executive Director

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

Chris Froggatt 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 53 years of age.

Other current directorships

Chris currently serves on the Board of Goodman Fielder Limited. Chris is currently a Non-executive Director on the Board of the Australian Chamber Orchestra.

06
Peter Hay
Independent Non-Executive Director

Member of the Board since 3 February 2010

Peter has a strong background in company law and investment banking work, with particular expertise in relation to mergers and acquisitions. He has also had significant involvement in advising governments and government-owned enterprises.

Peter was the Chief Executive of law firm Freehills (2000 to 2005) where he had been partner since 1977.

Peter holds a Law Degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors. Peter resides in Victoria and is 61 years of age.

Other current directorships

Peter is currently Chairman of Lazard Pty Ltd's Advisory Board, and a Director of Alumina Limited (since 2002). He is a Director of Australia and New Zealand Banking Group Limited (since 2008), a Director of GUD Holdings Limited (since 2009) and a Director of NBN Co Limited (since 2009). Peter is also a part-time member of the Takeovers Panel (since 2009). Peter is also a Director of Epworth Foundation (since 2008) and Landcare Australia Ltd (since 2008).

07
Rupert Myer AM
Independent Non-Executive Director

Member of the Board since 12 July 2006
Member – Nomination and Remuneration Committee
Member – Audit, Finance and Risk Committee

Rupert is Chairman of the Myer Family Company Ltd, an actively managed investment, family office and wealth services group. He was formerly a director of MCS Property Limited. Rupert is a member of the University of Melbourne Faculty of Business and Economics Advisory Board.

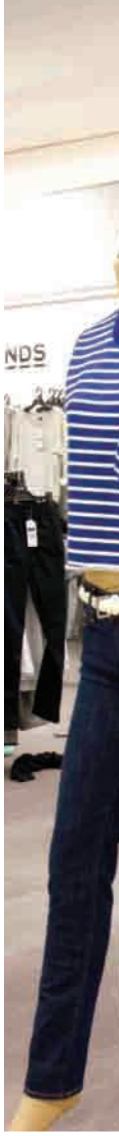
His previous community activities have been as Chairman of the NGV Foundation, International Social Service and Work Placement and as a board member of The Museum of Contemporary Art and a trustee of The National Gallery of Victoria. He chaired the Federal Government's Inquiry into the Contemporary Visual Arts and Craft Sector, which completed its report in 2002.

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 53 years of age.

Other current directorships

Rupert is Chairman of the Myer Family Company Ltd and a director of AMCIL Limited and Diversified United Investment Limited. He intends to retire as Chairman of the Myer Family Company Ltd in October 2011, but will remain on the board as a Director. He is Chairman of the National Gallery of Australia and a board member of the National Gallery of Australia Foundation. He also serves as Chairman of Kaldor Public Arts Projects, as a member of the Felton Bequests' Committee and as a board member of Jawun – Indigenous Corporate Partnerships and The Myer Foundation.

Management Team



01
Bernie Brookes
Chief Executive Officer and Managing Director

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

Bernie has spent 35 years working within the retail industry in local and international roles.

02
Mark Ashby
Chief Financial Officer

Mark was appointed Chief Financial Officer (CFO) of Myer in January 2008. As CFO, Mark's responsibilities cover all accounting, treasury management, taxation, compliance and internal audit aspects of the business. In addition Mark has responsibility for Procurement and the Financial Services division of Myer.

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

03
Nick Abboud
Executive General Manager Stores

Nick oversees the operations of the Myer network, including store operational budgeting, workforce planning, store projects and asset protection. Nick's portfolio also includes Store Development and Information Technology. Nick is responsible for all aspects of Myer's store operations from conceptualisation to delivery of operational strategies. Nick's current focus is on improving customer service in all Myer stores.

Nick joined Myer in 1993 as a department manager and over the past 17 years has progressed through various store management and regional management roles.

04
Greg Travers
Executive General Manager Business Services

Greg was appointed Myer's Director of Strategic Planning and Human Resources in June 2006 and then EGM Business Services in November 2010. In his role, Greg oversees all aspects of Myer's human resources including organisational development, recruitment and training, employee relations, as well as risk, safety and sustainability, corporate affairs, Myer's program office, various other service functions and the development of Myer's strategic planning framework.

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

05
Timothy Clark
Group General Manager Property, Store Development and Services

Tim has 28 years of retail experience and was appointed GGM Property, Store Development and Services in January 2011. He is responsible for overseeing the management of Myer's existing property network, including the sourcing of new locations that will allow Myer to meet its wider business objectives. He also oversees all in-store design developments, refurbishments and the ongoing facilities management of the current Myer stores assets. In addition, Tim has IT within his portfolio of accountability.

06
Judy Coomber
Group General Manager Merchandise

Judy has over 30 years of retail experience and was appointed to the role of Group Business Manager Fashion and Accessories in 2009 and GGM Merchandise in December 2010, with some adjustments to her portfolio in September 2011. Judy is responsible for overseeing all areas of Womenswear, Miss Shop, Childrens, Intimates, Shoes and Accessories businesses as well as Cosmetics, Global Sourcing Offices, Quality Assurance, Quality Control and Concessions. At Myer, Judy has held a number of roles within stores and in the buying office.

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

07
Megan Foster
Group General Manager Marketing and Brand Development

Megan was appointed GGM Marketing and Brand Development in November 2010. Megan is responsible for advertising and direct marketing, visual merchandising, public relations and events, the **MYER one** loyalty program, *Emporium* magazine, myer.com.au creative, customer insights and research as well as brand strategy.

Megan has 21 years of retail experience and joined Myer in June 2006 as a management consultant. In April 2008, Megan was appointed to the role of Director Store Concepts and Design and as part of this role oversaw the redevelopment of the flagship Myer Melbourne store.

08
Adam Stapleton
Group General Manager Merchandise

Adam has 16 years of industry experience. Adam was appointed to the role of GGM Merchandise in December 2010 with some adjustments to his portfolio in September 2011. Adam is responsible for Men's, Home, Furniture, Entertainment, General Merchandise and Toys businesses as well as International and Domestic Logistics, Merchandise Planning and Store and Business Support. Adam joined Myer in 2003, and has held a number of positions including National Manager of Advertising and Loyalty and General Manager Marketing.

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

09
Marion Rodwell
General Counsel and Company Secretary

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

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

Corporate Governance Statement

Introduction

The Board of Myer Holdings Limited (the Company) is committed to achieving the highest standards of corporate governance. In this statement, the Company and its controlled entities together are referred to as the Group.

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 (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.

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, through discussion of:

- the Board of Directors;
- the operation and responsibilities of the Board Committees;
- risk management; and
- the Group's key corporate governance policies.

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). 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 following table indicates where specific ASX Principles are discussed in this statement.

ASX Principle		Location in Corporate Governance Statement
Principle 1	Lay solid foundations for management and oversight	1.1, 1.4
Principle 2	Structure the board to add value	1.1, 1.2, 1.3, 1.4, 1.6, 1.8, 2.1, 2.2
Principle 3	Promote ethical and responsible decision-making	4.1, 4.3, 4.5
Principle 4	Safeguard integrity in financial reporting	1.6, 2.1, 2.3, 3.3
Principle 5	Make timely and balanced disclosure	4.2
Principle 6	Respect the rights of shareholders	4.4
Principle 7	Recognise and manage risk	3.1, 3.2, 3.4, 3.5
Principle 8	Remunerate fairly and responsibly	1.5, 1.6, 2.1, 2.2, 4.3

Part 1 — The Board of Directors

Relevant documents

- *Board Charter and relationship with management*
- *Nomination and Remuneration Committee Charter*

Available from the Investor Centre section of Myer's website: www.myer.com.au/investor

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 Board represents and serves the interests of the Company's shareholders by overseeing and appraising the Company's strategies, policies and performance.

The Board has adopted a 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, Directors, the Chair and the Chief Executive Officer (CEO);
- matters specifically reserved for the Board or its Committees;
- the relationship and interaction between the Board and management; and
- delegation by the Board to Board Committees and management.

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

- to monitor corporate performance and the implementation of strategy and policy;
- to select, appoint and evaluate the performance of, determine the remuneration of, and plan the succession of the CEO;
- on recommendation of the CEO, to select, appoint and review the performance of the Chief Financial Officer (CFO) and other senior executives;
- to contribute to and approve management development of corporate strategy, including setting performance objectives and approving operating budgets;
- to review, ratify and monitor systems of risk management and internal control and ethical and legal compliance;
- to approve major capital expenditure, acquisitions and divestments, and monitor capital management;
- to monitor and review management processes; and
- to develop and review corporate governance principles and policies.

The Board delegates the implementation of the strategic objectives, plans and budgets approved by the Board to the CEO and management. Management are acountable to the Board, and are 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.

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

The Chairman is responsible for:

- representing the Board to shareholders and communicating the Board's position;
- providing leadership to the Board to ensure that it operates efficiently and effectively;
- ensuring that the Board's decisions have been implemented;
- ensuring that the Board fulfils its obligations under the Board Charter and as required under relevant legislation; and
- promoting constructive and respectful relationships between the Board and management.

The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO. The CEO is responsible for:

- managing the Company as directed by the Board; and
- implementing strategic objectives, plans and budgets approved by the Board.

1.2 Composition of the Board

The Board comprises seven Directors. The majority of the Board, including the Chairman, are independent Non-Executive Directors.

Name	Position	Appointed
Howard McDonald	Chairman, Independent Non-Executive Director	6 November 2006[1]
Bernie Brookes	CEO and Managing Director	12 July 2006
Anne Brennan	Independent Non-Executive Director	16 September 2009
Tom Flood	Independent Non-Executive Director	17 March 2009[2]
Chris Froggatt	Independent Non-Executive Director	9 December 2010
Peter Hay	Independent Non-Executive Director	3 February 2010
Rupert Myer	Independent Non-Executive Director	12 July 2006

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

2 T Flood was appointed a Director of Myer Pty Ltd in 2007.

Ms Froggatt was appointed as Director with effect from 9 December 2010. All other Directors served as directors for the entire reporting period. Details of the qualifications, experience and special responsibilities of each current Director are set out on pages 24 to 25 of the Annual Report.

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. Directors may be appointed to the Board to fill casual vacancies and are elected at Annual General Meetings of the Company.

The Board, together with the Nomination and Remuneration Committee, reviews the composition of the Board and the skills and experience of the Directors. It is intended that the Board will comprise a majority of independent Non-Executive Directors and Directors from a diverse range of backgrounds, with complementary skills and experience. This will ensure that the composition of the Board reflects a range of independence, expertise and experience appropriate to the Group's business and strategy.

The Board is considering the appointment of a new Director in the future to further enhance the skills and experience of the Board.

1.3 Directors' independence

The Board considers the independence of its Non-Executive Directors each year.

Guidelines and materiality thresholds for determining independence

The Board Charter sets out guidelines and materiality thresholds that the Board has adopted to assist in determining the independence of Directors. The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of their unfettered and independent judgement.

As a guideline for determining the independence of Directors, the Board has adopted a definition of independence that is based on that 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 guidelines:

- The Board will determine the appropriate base to apply (e.g. revenue, equity or expenses) in the context of each situation.
- In general, the Board will consider an affiliation with a business that accounts for less than 5% 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.
- The Board will review any holding of 5% or more of the Company's shares, and will generally consider a holding of 10% or more of the Company's shares to be material.

At the same time, the Board will 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 is currently made up of seven Directors, six of whom are Non-Executive Directors. At the date of signing the Directors' Report, it is the Board's view that each of its Non-Executive Directors is independent.

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

Details of the relationships affecting Directors' independence and their independent status are set out below.

Howard McDonald

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

Prior to the public listing of the Company on 2 November 2009, the Company was owned by a private consortium. Mr McDonald provided certain consultancy services to that consortium from October 2006 to March 2009. The consultancy services were limited to women's fashion brand development. The Company was privately owned during the period that Mr McDonald provided these services.

Further, Mr McDonald has not had any relationship with the private consortium since the listing of the Company, and Mr McDonald's involvement with the Company has been entirely in his capacity as a Non-Executive Director and Chairman.

In light of the status of these arrangements, when considering Mr McDonald's independence, the Board considered that the prior arrangements did not impact on his independence.

Corporate Governance Statement *continued*

Mr McDonald is currently the Chairman and a shareholder of Rodd & Gunn Australia Limited, a Myer supplier. For the financial year ended 30 July 2011, the percentage of the Group's total sales value represented by Rodd & Gunn was less than 0.5%. The total sales are significantly below the relevant quantitative materiality threshold adopted by the Board as a guideline for director independence, as set out above. Consistent with the Board Charter, in addition to this quantitative assessment, the Board has also considered qualitative factors relevant to Mr McDonald's independence. Having considered these quantitative and qualitative principles, the Board considers that Mr McDonald's relationship with Rodd & Gunn is not material to his independence.

Mr McDonald was a director of the General Pants Group until 22 June 2011. The General Pants Group is a competitor of Myer. However, the Board has had regard to the quantitative and qualitative principles outlined in the Board Charter and considers that Mr McDonald's previous relationship with the General Pants Group is not material to his independence.

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

Having regard to all of the above, the Board has determined that Mr McDonald is an independent director.

Tom Flood

Mr Flood was appointed a director of Myer Pty Ltd in July 2007, and a Director of the Company on 17 March 2009.

Mr Flood provided consultancy services under an agreement with the Company's former owners one day per week during the period from July 2007 to March 2008. The services were provided during the period that the Company was privately owned, and pre-date the public listing of the Company. The consultancy services were limited to a specific function in overseeing the work performed by management on the 'Store of the Future' project. This project is now complete.

Since the public listing of the Company, Mr Flood's involvement with the Company has been entirely in his capacity as a Non-Executive Director. Since this time, Mr Flood has not had any relationship with the private consortium that previously owned the Myer business.

In light of the status of these arrangements, when considering Mr Flood's independence, the Board considered that the prior arrangements did not impact on his independence.

Having regard to the above and the quantitative and qualitative principles as set out in the Board Charter, the Board has determined that Mr Flood is an independent director.

1.4 Performance assessments

Review of the Board, Committees and individual Directors

The Board recognises that regular reviews of its effectiveness and performance are key to the improvement of the governance of the Company.

Accordingly, the Board, with the assistance of the Nomination and Remuneration Committee as required, undertakes an annual review and evaluation of the performance of the Board (including against the requirements of the Board Charter), its Committees and each individual Director. The Chairman and the Company Secretary are responsible for the annual review and evaluation.

The review and evaluation that has been undertaken by the Board is described below.

During the reporting period, the Board, together with the Nomination and Remuneration Committee, reviewed the skills represented by the Directors on the Board, and whether the composition and mix of those skills remain appropriate for the Company.

The Board also reviewed the composition of each Board Committee. During the financial year, the structure of the Nomination and Remuneration Committee was revised, and it was decided to retain four (previously three) Committee members.

Following the review described above, Ms Froggatt was appointed as an independent Non-Executive Director of the Company with effect from 9 December 2010. Ms Froggatt has extensive executive experience as a human resources specialist in leading international companies. Ms Froggatt was also appointed as Chair of the Nomination and Remuneration Committee.

In addition to evaluating structure and composition, the Board and each Board Committee reviewed their functions and responsibilities. Following this evaluation, the Board and each Board Committee adopted revised Charters in October 2010.

The Board and each Board Committee conducted a review of their effectiveness and performance in September 2011. In addition, the Board assessed the relationship and interaction between the Board and management.

During the reporting period, the Chairman conducted the annual review of individual Directors. Each Director completed a Board Review and Assessment Document and met privately with the Chairman to discuss the assessment. In addition to the annual review, the Chairman regularly provides informal feedback to individual Directors.

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

Review of senior executives

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

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

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

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

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

On 10 August 2011, the Company announced the renewal of Bernie Brookes' contract as the Company's CEO and Managing Director until 31 August 2014. An important component of this decision was the Board's assessment of Mr Brookes' performance as CEO. Further information about the renewal of Mr Brookes' contract is set out at page 44 of this Annual Report.

1.5 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 40 to 53.

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.

1.6 Board and Board Committee meetings

The number of meetings of the Board and of each Board Committee held during the period ended 30 July 2011, and the number of meetings attended by each Director and Committee member is set out in the Directors' Report, at page 36.

When reviewing a potential candidate for Board appointment, the Nomination and Remuneration Committee will consider the capability of the candidate to devote the necessary time and commitment to the role.

1.7 Company Secretary

The Company Secretary plays an important role in supporting the effectiveness of the Board by monitoring that Board policy and procedures are followed, and co-ordinating the completion and despatch of Board agendas and materials in a timely manner. The Company Secretary is also responsible for communication with regulatory bodies and the ASX, and all statutory and other filings. All Directors have direct access to the Company Secretary.

Marion Rodwell is the Company Secretary of the Company. Her experience and qualifications are set out on page 27 of the Annual Report.

1.8 Independent professional advice

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

Each of the Board Committees is entitled to seek independent professional advice on any matter pertaining to the powers, duties or responsibilities of the Committee.

1.9 Term of office

In accordance with the ASX Listing Rules and the Company's Constitution, all Non-Executive Directors must retire from office no later than the third Annual General Meeting following their last election. Where eligible, a Director may stand for re-election. The CEO is not required to retire by rotation.

1.10 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. The Directors' program specifically covers the operation of the Board and its Committees and financial, strategic, operations and risk management issues, which enables new Directors to actively participate in decision-making as soon as possible. In addition, the Company arranges continuing education and training for the Directors.

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

Part 2 — Operation and Responsibilities of Board Committees

Relevant documents

- *Board Charter and relationship with management*
- *Nomination and Remuneration Committee Charter*
- *Audit, Finance and Risk Committee Charter (including External Audit Policy)*

Available from the Investor Centre section of Myer's website: www.myer.com.au/investor

2.1 Introduction

The Board has established two Committees to assist in the execution of its duties and responsibilities, and to allow detailed consideration of complex issues. The current Board Committees are:

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

Board Committee membership is restricted to Non-Executive Directors. The current members of both Committees are all independent Non-Executive Directors.

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

Each Committee chair provides reports to the full Board. Minutes of Committee meetings are presented at the subsequent Board meeting. All Directors are permitted, within the Board meeting, to request information of the chair or members of the Committees.

All Directors are invited to attend Committee meetings.

2.2 Nomination and Remuneration Committee

Composition

Chair	Chris Froggatt (appointed Chair of the Committee on 16 March 2011)
Members	Anne Brennan Howard McDonald Rupert Myer (Chair of the Committee until 16 March 2011)

Details of Committee members' attendance at Nomination and Remuneration Committee meetings are set out in the Directors' Report, at page 36.

Role and responsibilities — nomination

The nomination responsibilities of the Committee include:

- to review and recommend to the Board the size and composition of the Board, including recommendations for the appointment and re-election of directors, and review of Board succession plans and the succession of the Chairman and CEO;
- to review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members;
- to assist the Board to assess the performance of the Board, its Committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing director competencies; and
- to review and make recommendations to the Board in relation to any corporate governance issues as requested by the Board from time to time.

Appointment of new directors

The Committee's Charter includes the Company's policy and procedure for selection and appointment of new directors. The Charter sets out factors to be considered when reviewing a potential candidate for Board appointment, including:

- 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.

All Directors are provided with detailed information about potential candidates, and an offer of a Board appointment may only be made after consultation with all Directors.

Corporate Governance Statement continued

Role and responsibilities — remuneration

The remuneration responsibilities of the Committee include:

- to review and recommend arrangements for the CEO, executives reporting to the CEO, and senior management;
- to review major changes and developments in the Company's remuneration, recruitment, retention and termination policies and procedures for senior management, remuneration policies, superannuation arrangements, human resource practices and employee relations strategies for the Group;
- to review the senior management performance assessment processes, and the annual results of those assessments;
- in respect of the Company's employee equity incentive plans, to :
  - review and recommend to the Board major changes or developments to the plans;
  - review and determine performance hurdles, eligibility criteria, and terms of offers; and
  - administer the operation of the plans;
- to review and recommend to the Board the remuneration arrangements for the Chairman and the Non-Executive Directors;
- to review and recommend to the Board the remuneration report; and
- to review and facilitate shareholder and other stakeholder engagement in relation to the Company's remuneration policies and practices.

Remuneration policies

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 any termination benefits are justified and appropriate.

2.3 Audit, Finance and Risk Committee

Composition

Chair	Anne Brennan
Members	Tom Flood Rupert Myer

All members of the Committee are financially literate and have an appropriate understanding of the industries in which the Group operates. Details of Committee members' attendance at Audit, Finance and Risk Committee meetings are set out in the Directors' Report, at page 36.

Role and responsibilities

The Committee's key responsibilities and functions are to:

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

Further information about the Company's risk management framework, external auditor, internal audit, and Board assurances on financial reporting risks is set out in Part 3.

Rights of access and authority

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

In addition, the Committee is entitled to seek independent professional advice (discussed at section 1.8 above).

Part 3 — Risk management

Relevant documents

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

Available from the Investor Centre section of Myer's website: www.myer.com.au/investor

3.1 Recognition and management of risk

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

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

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

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

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

3.2 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 the Australia/New Zealand Standard (AS/NZ 4360) for Risk Management and Committee of Sponsoring Organizations. 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, 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.

3.3 External auditor

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

The Committee reviews the appointment of the external auditor annually after completion of the year-end audit. 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 5 years. PricewaterhouseCoopers (PwC) was reappointed as the external auditor in 2009.

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

3.4 Internal audit

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

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

3.5 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* 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 CFO made declarations to the Board to the following effect:

- that the Group's financial statements and notes present a true and fair view of the financial condition and the performance of the Company and the Group and are in accordance with the *Corporations Act 2001* 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 they relate to financial reporting, are operating efficiently and effectively in all material respects.

Part 4 — Key corporate governance policies

Relevant documents

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

Available from the Investor Centre section of Myer's website: www.myer.com.au/investor

4.1 Code of Conduct

The Company aims to maintain the highest standards of ethical behaviour in conducting business and to behave with integrity in all dealings with customers, shareholders, government, employees and the community.

All Group employees, Directors and contractors must comply with the Company's Code of Conduct (Code). The objectives of the Code are to:

- provide benchmark for professional behaviour throughout the Group;
- support the Group's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the Code.

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

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

4.2 Continuous disclosure

The Company's policy is to strictly comply with its obligations under the *Corporations Act 2001* and the ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's shares.

The Company discharges these obligations by releasing information in ASX announcements and by disclosure of other relevant documents to shareholders (eg, annual reports).

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

The Company provides continuous disclosure training to all Directors and senior management.

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.

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.

The Company has established a Continuous Disclosure Committee, which is constituted by:

- 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 becomes aware;
- determine whether any of that information is required to be disclosed to the ASX; and
- coordinate the actual form of disclosure with the relevant members of management.

In addition, the Committee will review and respond to any infringement notice or written statement of reasons issued by ASIC. The Company has nominated the Company Secretary as the person with the primary responsibility for all communication with the ASX.

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

4.3 Securities trading

The Company had adopted Guidelines for dealing in securities (*Guidelines*) that 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 2001* 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'. 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 Annual General Meeting. Outside of trading windows, Relevant Persons may only deal in the Company's securities in exceptional circumstances subject to obtaining prior approval in accordance with the Guidelines.

Corporate Governance Statement continued

The Guidelines prohibit Directors and senior executives 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.

4.4 Shareholder communication

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

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

One of the Company's key communication tools is the Myer website (www.myer.com.au). Information available on the Investor Centre section of the Myer website (www.myer.com.au/investor) includes:

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

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

4.5 Diversity

The Board is committed to creating a fair and inclusive environment that embraces diversity and recognises its contribution to the Company's commercial success.

The Board acknowledges the inclusion of diversity recommendations in the ASX Principles.

The Company reports annually to the Federal Government Equal Opportunity for Women Agency (the Agency) in respect of gender and diversity in the Company. In our most recent report to the Agency, we focussed on diversity issues concerning the representation of women in management roles across the business, recruitment and development initiatives and workplace flexibility, particularly having regard to flexibility related to meeting parenting challenges as well as return to work arrangements for those employees who have taken parental leave. Myer has recently joined with other businesses to commit to the challenge of providing work opportunities for Indigenous Australians and are examining the development of our 'volunteering' policy. The Board believes that diversity will be reflected in a range of initiatives we undertake including those mentioned above.

The Company will draw from its existing reporting obligations as well as a range of these other initiatives in developing appropriate objectives in respect of diversity, and will provide a more detailed report on diversity in our 2012 Annual Report.

Directors' Report

Your Directors present their report on the consolidated entity consisting of Myer Holdings Limited (the Company) and the entities it controlled (collectively referred to as the Group) at the end of, or during, the period ended 30 July 2011.

1. Directors

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

Director	Position	Date appointed as Director
Howard McDonald	Chairman, Independent Non-Executive Director	6 November 2006[1]
Bernie Brookes	CEO and Managing Director	12 July 2006
Anne Brennan	Independent Non-Executive Director	16 September 2009
Tom Flood	Independent Non-Executive Director	17 March 2009[2]
Chris Froggatt	Independent Non-Executive Director	9 December 2010
Peter Hay	Independent Non-Executive Director	3 February 2010
Rupert Myer	Independent Non-Executive Director	12 July 2006

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

2 T Flood was appointed a director of Myer Pty Ltd in 2007.

Ms Froggatt was appointed as Director with effect from 9 December 2010. 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 the 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 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 2008, and the period for which each directorship has been held.

Director	Listed entity	Period directorship held
Howard McDonald	Nil	–
Bernie Brookes	Nil	–
Anne Brennan	Charter Hall Group Nufarm Limited Argo Investments Limited	October 2010 – present February 2011 – present September 2011 – present
Tom Flood	Nil	–
Chris Froggatt	Goodman Fielder Limited	August 2009 – present
Peter Hay	Alumina Limited Australia and New Zealand Banking Group Limited GUD Holdings Limited	December 2002 – present November 2008 – present May 2009 – present
Rupert Myer	AMCIL Limited Diversified United Investment Limited	January 2000 – present November 2002 – present

Directors' Report *continued*

3. Meetings of Directors and Board Committees

The number of meetings of the Board of Directors and of each Board Committee held during the period ended 30 July 2011, and the numbers of meetings attended by each Director and each Board Committee member is set out below.

	Full meetings of Directors		Audit, Finance and Risk Committee meetings		Nomination and Remuneration Committee meetings	
Director	**A**	**B**	**A**	**B**	**A**	**B**
Howard McDonald	14	14	–	–	7	7
Bernie Brookes	14	14	–	–	–	–
Anne Brennan	14	14	4	4	7	7
Tom Flood	13	14	4	4	–	–
Chris Froggatt[1]	8	8	–	–	2	2
Peter Hay	13	14	–	–	–	–
Rupert Myer	14	14	4	4	7	7

1 C Froggatt was appointed Director on 9 December 2010, and was appointed to the Nomination and Remuneration Committee on 16 March 2011.

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

4. Directors' relevant interests in shares

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

Director	Relevant interest in ordinary Shares	Options over ordinary shares
Howard McDonald	2,074,390	Nil
Bernie Brookes[1]	11,460,077	7,380,394
Anne Brennan	53,658	Nil
Tom Flood	400,000	Nil
Chris Froggatt	10,040	Nil
Peter Hay	12,195	Nil
Rupert Myer	725,710	Nil

1 The options held by B Brookes were granted under the Company's long term incentive plan. Please refer to the Remuneration Report for further information.

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.

6. Principal activities

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

7. Review of operations

The Group's financial and operational highlights are set out on pages 4 to 5.

A detailed review of the Group's operations for the financial year and the results of those operations is set out on pages 6 to 23 of this Annual Report.

8. Business strategies and future developments

The Group's strategic plan is set out on pages 2 to 3 of this Annual Report.

Discussion of the Group's business strategies and comments on likely developments in the Group's operations are included on pages 2 to 23.

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

9. Significant changes in the state of affairs

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

- a challenging retail environment;
- the establishment of Global Sourcing Offices in Hong Kong and Shanghai;
- the acquisition of a 65% shareholding in sass & bide;
- the renewal of Mr Brookes' contract as CEO; and
- the successful refinancing of debt facilities, with improved interest margins and strong support from lenders.

These matters are discussed on pages 2 to 23, and 44 of this Annual Report.

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

10. Matters subsequent to the end of financial year

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

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

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

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

11. Dividends

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

2010 Final Dividend	$m
Final dividend for the period ended 31 July 2010 of 11.5 cents per fully paid ordinary share, fully franked, paid on 4 November 2010	66,870
2011 Interim Dividend	
Interim dividend for the period ended 30 July 2011 of 11.0 cents per fully paid ordinary share, fully franked, paid on 12 May 2011	64,111

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 11.5 cents per fully paid share, to be paid on 16 November 2011.

Further information regarding dividends is set out in the Financial Report (at note 25).

Directors' Report continued

12. Options 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, eligible executives have been granted options over unissued shares of the Company, subject to certain vesting conditions. No options were granted under the MEIP in the financial year ended 30 July 2011.

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

Date options granted	Expiry date	Exercise price of options	Number under option
1 December 2006	15 October 2011	$0.01	35,204
1 August 2007	15 October 2011	$1.27	98,394
23 January 2008	21 December 2012	$3.00	7,168,580
17 December 2008	24 October 2013	$2.14	3,549,863
30 June 2009	24 October 2014	$2.34	3,870,900
6 November 2009	31 December 2013	$4.10	2,941,177
6 November 2009	31 December 2013	$5.74	2,227,723
6 November 2009	31 December 2012	$4.10	5,152,671
Closing balance			**25,044,512**

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.

Grant of 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. For the 2012 financial year, performance rights will be granted under the MEIP (instead of options). Further information about the proposed grant of performance rights under the MEIP is included in the Remuneration Report.

13. Shares issued on the exercise of options

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

During the period ended 30 July 2011, 1,150,000 fully paid ordinary shares of the Company were issued to the Myer Equity Plans 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 Myer Equity Plans Trust held 537,016 fully paid ordinary shares of the Company as at 1 August 2010.

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

During the period, 1,380,611 shares were transferred from the Myer Equity Plans Trust to participants on the exercise of options under the MEIP, as detailed below.

Date options granted	Exercise price of options	Number of shares provided on exercise of options
1 December 2006	$0.01	480,000
1 August 2007	$1.27	208,278
23 January 2008	$3.00	692,333
		1,380,611

In addition, the following fully paid ordinary shares of the Company were issued during the period ended 30 July 2011 on the exercise of options held by Mr Wavish, a former Director of the Company.

Date options granted	Exercise price of options	Number of shares issued on exercise of options
1 December 2006	$0.01	480,000

Post balance date events

Since 30 July 2011, 100,000 further shares have been issued to, or otherwise acquired by the Myer Equity Plans Trust.

Since 30 July 2011, 325,607 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 in the table below.

Date options granted	Exercise price of options	Number of shares provided on exercise of options
1 December 2006	$0.01	281,605
1 August 2007	$1.27	22,002
17 December 2008	$2.14	22,000
		325,607

In addition, since 30 July 2011, the following fully paid ordinary shares of the Company were issued on the exercise of options held by Mr McDonald and Mr Flood. These options were granted during their previous roles as both consultants and Directors prior to the public listing of the Company.

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

Refer to the Financial Report (at note 23) for further details.

14. Remuneration Report

The Remuneration Report, which comprises part of this Directors' Report, is presented separately on pages 40 to 53.

15. Indemnification and insurance of Directors and Officers

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

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

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

16. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* 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 leave of the Court under section 237 of the *Corporations Act 2001*.

17. Environmental regulation

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

The *Energy Efficiency Opportunities Act 2006* requires the Group to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including action the Group intends to take as a result of such assessments. As required under this Act, the Group registered with the Department of Resources, Energy and Tourism as a participant entity and is due to submit its fourth public report for financial year 2011 by 31 December 2011. The Group has published its EEO public reports on the Investor Centre section of its website, www.myer.com.au/investor (under Reporting – Sustainability).

The *National Greenhouse and Energy Reporting Act 2007* (NGER Act) requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required, and is due to submit its third report to the Greenhouse and Energy Data Officer by 31 October 2011, in compliance with the requirements of the NGER Act.

18. Non-audit services

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

Details of the amounts paid or payable to the auditor (PwC) for audit and non-audit services provided during the year are set out in the Financial Report (at note 27).

The Board of Directors 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 2001*. 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 2001* for the following reasons:

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

19. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 112 of this Annual Report.

20. 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 Directors' Report. Amounts in the Directors' Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Howard McDonald
Chairman

Melbourne, 5 October 2011

Remuneration Report

This Remuneration Report sets out the remuneration information for Myer Holdings Limited's Non-Executive Directors, Executive Directors, other Key Management Personnel (*KMP*) and the five highest remunerated executives of the Group and the Company.

Directors and executives disclosed in this report

Name	Position
Non-Executive Directors	
H McDonald	Chairman, Independent Non-Executive Director
A Brennan	Independent Non-Executive Director
T Flood	Independent Non-Executive Director
C Froggatt	Independent Non-Executive Director (appointed 9 Dec 2010)
P Hay	Independent Non-Executive Director
R Myer	Independent Non-Executive Director
Executive Directors	
B Brookes	Chief Executive Officer and Managing Director
Other Key Management Personnel	
N Abboud	Executive General Manager Stores
M Ashby	Chief Financial Officer
G Travers	Executive General Manager Business Services
P Winn[1]	Executive General Manager Merchandise & Logistics
Other persons who are among the 5 highest paid remunerated group and/or company executives	
N Merola[2]	Business Manager Corporate Services
J Hawker[3]	Group General Manager Business Development & Concessions

Changes since the end of the reporting period:

1 P Winn resigned from the Group and will leave on 8 December 2011.

2 N Merola – Business Manager Corporate Services was the 5th highest remunerated executive for financial year 2011. N Merola ceased employment with the Group on 31 July 2011.

3 J Hawker – Group General Manager Business Development & Concessions was the 5th highest remunerated executive for financial year 2010 but not the current year. J Hawker ceased employment with the Group on 31 July 2011.

Summary of report

This report provides details on the following matters:

- Role of the Nomination and Remuneration Committee
- Linking Remuneration and Company Performance
- New Contract of Employment – Mr Bernie Brookes
- The Remuneration of Executives and Non Executive Directors, KMP and other Company Executives
- Details of Remuneration: Bonuses and Share Based Compensation Benefits
- ASX Corporate Governance Principles and Recommendations.

Role of the Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee (Committee), which 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 CEO, other senior executives and Non-Executive Directors, including the Chairman; and
- the over-arching remuneration framework including the policy, strategy and practices for both short and long term incentive plans.

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

The objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term strategic interests of the Group and the creation of shareholder value. In doing this, the Nomination and Remuneration Committee seeks advice from independent remuneration consultants.

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.

Responsibility for 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.

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

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

Principles used to determine the nature and amount of remuneration

Executive Remuneration Policy

Since the listing of the Company in November 2009, the Board has taken independent advice with regard to the Group's remuneration structure and market comparators for the executive group. After consultation with external remuneration consultants Mercer (Australia) Pty Ltd, the Board has introduced an executive remuneration framework that is market competitive and complementary to the Company's overall reward and recognition strategy. As a general guide, the Company targets a median fixed remuneration position as compared to our comparator group and a higher position towards the 75th percentile for incentive reward against the same group. The remuneration structure seeks to ensure that executive rewards deliver an appropriate balance between shareholders' and executives' interests.

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

In order to align shareholders' and executives' interests and attract and retain talent, the remuneration structure is designed to:

- encourage a performance-based workplace culture and recognition for contribution to meeting business objectives;
- have profit as a core component of reward design;

- through long term incentive, focus on sustained growth in shareholder returns, consisting of dividends and growth in earnings per share and share price;
- delivering consistent 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.

Nomination of Directors

With respect to nominations of Directors, the responsibilities of the Committee are as follows:

- review and recommend to the Board the size and composition of the Board, including review of Board succession plans and the succession of the Chairman and CEO;
- review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members;
- assist the Board as required to identify individuals who are qualified to become Board members (including in respect of any Executive Directors), in accordance with the following factors:
  - the skills, experience, expertise and personal qualities that will best complement Board effectiveness; and
  - the capability of the candidate to devote the necessary time and commitment to the role. This involves a consideration of matters such as other Board or executive appointments, potential conflicts of interest, and independence;
- review and recommend to the Board membership of the Board, including recommendations for the appointment and re-election of Directors, and where necessary propose candidates for consideration by the Board, subject to the principle that a Committee member must not be involved in making recommendations to the Board in respect of themselves;
- assist the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies;
- review and make recommendations in relation to any corporate governance issues as requested by the Board from time to time;
- review the Board Charter on a periodic basis, and recommend any amendments for Board consideration;
- review the time expected to be devoted by Non-Executive Directors in relation to the Company's affairs; and
- ensure that an effective induction process is in place for any newly appointed Directors and regularly review its effectiveness.

Non-Executive Directors' Remuneration Policy

With respect to remuneration practices for Non-Executive Directors, the responsibilities of the Committee are set out in the Nomination and Remuneration Committee Charter, a copy of which is on the Group website.

Members of the Committee

The current members of the Nomination and Remuneration Committee are:

- C Froggatt (Chair)
- R Myer
- A Brennan
- H McDonald

Fees for Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, those Directors. The Board, on recommendation of the Nomination and Remuneration 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 both the Chairman's fees and payments and separately the Non-Executive Directors' fees and payments.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit as approved from time to time by Myer shareholders in general meeting. The maximum aggregate sum excludes special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board but includes superannuation as is required by the ASX Listing Rules as well as committee fees as indicated below. 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 current base fees for Non-Executive Directors were last reviewed in September 2011 and no changes were proposed to either Board or committee chair fees. The aggregate fee pool limit has not changed since the Group was listed. Non-Executive Directors who chair a committee also receive additional yearly fees for their role in serving that committee.

The following fees currently apply:

Base annual fees	
Chair	$500,000
Other Non-Executive Directors	$150,000
Additional annual fees	
Audit Finance and Risk Committee – Chair	$30,000
Audit Finance and Risk Committee – member	–
Nomination and Remuneration Committee – Chair	$15,000
Nomination and Remuneration Committee – member	–

Non-Executive Directors do not receive performance-based pay. However, they are able to purchase shares in the Company, which can be acquired on market during approved 'windows' for share trading consistent with the Company's Guidelines for Dealing in Securities. During the year, Mr McDonald and Mr Flood held unvested options they received when engaged by the Company as consultants and Directors prior to the listing of the Company in 2009. These options vested on 31 July 2011 and have since been exercised. Mr McDonald and Mr Flood do not hold any other options and are not eligible to participate in the Company's current employee equity plans.

Retirement allowances for Non-Executive Directors

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.

Linking remuneration and Company performance

The Company's remuneration principles and polices have been applied during the year to ensure remuneration outcomes for executives reflect the prevailing market conditions and Company performance.

Adjustments to the fixed component of executives' remuneration have been modest reflecting individual performance and market competitiveness for similar roles at peer organisations.

The Company uses both Short and Long Term incentives to link individual performance to the performance of the Company. Given the Company's profit result for the year, no short term incentive has been paid to senior managers, including the KMP group.

The Company is required to reflect the value of long term incentive rewards to KMP reported each year, in accordance with the relevant accounting standard. In complying with this standard, the value of the long term incentive amount reflecting share based reward has been adjusted downward, based on the expectation of the number of options considered likely to ultimately vest. As a consequence the value of the long term incentive to senior executives as reflected in the table on page 45 was also less than the previous year.

Remuneration Report continued

The following table shows the Company's annual performance since listing in November 2009. 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
Basic earnings per share (cents/share)[1]	29.0	**27.9**
Net profit after tax (millions)[2]	$168.70	**$162.70**
Dividends cents per share	22.0	**22.5**
Share price at beginning of year[3]	$4.10	**$3.45**
Share price at end of year	$3.45	**$2.31**

1 2010 Basic earnings per share is calculated using proforma Net profit after tax and divided by the closing shares on issue. 2011 Basic earnings per share is calculated using normalised Net profit after tax and divided by the weighted average shares.

2 For details of 2010 and 2011 Net profit after tax refer to page 11.

3 2010 share price at the beginning of the year is the share price at listing.

Executives' pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short term incentives (STI) through participation in the Myer Annual Incentive Plan (MAIP); and
- long term incentives (LTI) through participation in the Myer Equity Incentive Plan (MEIP).

The combination of these three components comprises an executive's total remuneration. A further long term incentive in the form of retention incentive was introduced for selected executives at the time of the listing of Myer. These incentives were targeted at retaining those executives for an extended period after the listing and expire on 1 November 2011. The Board has completed a review of executive pay (including base pay as well as the structure and application of short and long term incentive plans) and considers this combination best meets the objectives established by the Board for executive pay and reward.

Executive reward across base pay, short and long term incentives has regard to the performance of the Company on a range of objectives including generating sustained growth and shareholder returns. In considering the quantum of executive remuneration, the Board has had regard to:

- the profit generated and sales achieved in the prevailing trading environment;
- the dividend paid by the Company;
- the continuation of good cost control; and
- the continued progress of the business reflected in the re-launching of our flagship Myer Melbourne store, opening two new stores in Top Ryde and Robina, the development of the new Mackay and Townsville stores and the establishment of the Global Sourcing Offices in Shanghai and Hong Kong.

Given the prevailing economic conditions and their impact on the retail sector generally, the Board has been satisfied with the performance of the Myer management team in relation to each of these areas of focus. While the returns generated from the business were solid for the year, the Board has determined that they do not warrant the payment of the MAIP for the year.

Cash payments and benefits

These are structured as a base payment, which may be delivered as a combination of cash, superannuation and other approved salary packaged benefits.

Executives are offered a competitive base pay that comprises a fixed component of pay and benefits. In determining the base pay for executives, including the CEO, the Board has regard to the market rate for a comparable role in a peer level organisation as well as the experience, skill and proven performance of the executive. Base pay for executives is also reviewed annually having regard to performance against set objectives. An executive's pay is also reviewed on promotion.

Superannuation

Myer makes superannuation contributions on behalf of employees consistent with its obligations under relevant legislation.

Short Term Incentives

Myer's short term incentive plan (MAIP) operates on an annual basis subject to Board review and approval. The MAIP applies to all eligible management team members including the KMP, subject to certain conditions and performance criteria being met which are reviewed and approved annually by the Board. The performance criteria for the year are outlined below. While the performance criteria may vary (in part) on an annual basis, they are primarily focused on the achievement of operating plans and budgets with a significant weighting to profit and sales objectives.

The current quantum of an executive's MAIP reward varies depending on the specific role, with a potential reward of 100% of base pay at the CEO level for 'at target' performance, 75% for KMP, through to a set $1,000 reward for 'at target' performance for entry level management roles. If the Group achieves the pre-determined performance targets set by the Board, a short term incentive will be paid.

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

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

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

For the period ended 30 July 2011, the key performance indicators that were used to determine if any reward was to be provided under the MAIP, were drawn from the following measures, which were the key focus areas for the Group in FY11. The Board reviews these metrics on an annual basis:

- Financial Measures, including EBITDA, Store Controllable Profit, Merchandise Business Controllable Profit – all key drivers of financial returns enabling shareholder returns;
- Company Sales, Store/Regional Sales and Merchandise Business Sales – our sales results combined with other business initiatives feed into the financial results;
- Customer Service Measures – as measured by an external third party company focusing on 7 aspects of Customer Service delivered in the Stores – service being a key element of our merchandise offer to customers; and
- Stockturn Measures – at Company and Business unit levels reflecting the performance of our integrated logistics and merchandise arrangements.

Executives were assessed against a combination of Group and/or Area performance measures based on various scorecards that reflect 'financial', 'key operational' and 'service' measures appropriate to the executive's role.

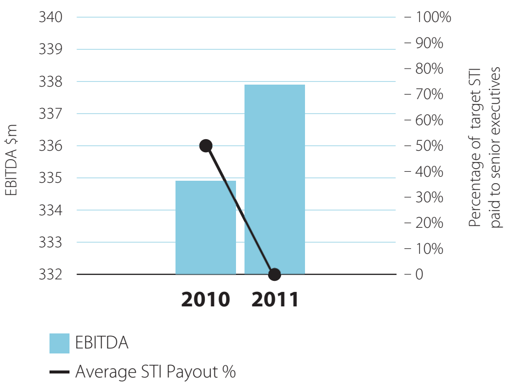
Consistent with the categories of key performance indicators outlined above, for the CEO and other KMPs, the provision of MAIP rewards was weighted against four Company measures:

1. Company Sales (40% of target);
2. EBITDA (50% of target);
3. Overall Customer Service Score (5% of Target); and
4. Company Stockturn performance (5% of Target).

In light of these measures, the Board determined that no MAIP payments would be provided for the 2011 financial year, as a result of the FY11 EBITDA, while higher than in the previous year, failing to achieve the required minimum threshold. The EBITDA objective is the threshold requirement, regardless of performance against any other measure and must be met before any other reward can occur. Overall rewards for the KMP group and certain other executives are set out on page 45 of this report.

The Committee is responsible for assessing whether the performance criteria are met. To help make this assessment, the Committee receives reports on performance from management. All proposed MAIP payments are verified by internal audit review prior to any payment being made. The Committee has the discretion to recommend to the Board an adjustment to short term incentives in light of unexpected or unintended circumstances. As the EBITDA objective set for 2011 was not achieved, no MAIP was paid for the year regardless of performance against the other key performance indicators.

The following graph shows the average individual total MAIP payment (as a % of each individual's target MAIP, where 100% is the target) for the KMP group and its relationship to group EBITDA over the two years from the listing of the Company.



Long Term Incentives

Myer Equity Incentive Plan

Myer's long term incentive plan (Myer Equity Incentive Plan – MEIP) 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 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 introduced a new long term incentive plan involving the grant of 'performance rights' under the MEIP. No long term incentive was awarded during the 2011 financial year, however the new plan will form the basis of the revised long term incentive program. A performance right is similar to an option in that it provides the executive with a right to acquire a share in the Company if certain performance conditions are satisfied. However, unlike an option, an executive does not need to pay any exercise price to exercise a performance right, meaning fewer performance rights need to be granted which reduces dilution of shareholders' interests. The performance conditions are designed to create and deliver sustained shareholder returns and to reward executives when shareholders benefit. The key terms of the new plan are described on page 49 to 50. The first grant under this new plan will occur in October 2011.

As announced on 10 August 2011, the CEO will participate in the new long term incentive plan subject to approval of the grant of performance rights to him by shareholders at the November 2011 Annual General Meeting.

Retention arrangements

In November 2009, the Board approved retention incentives for a select number of executives other than the CEO to ensure, to the extent possible, that the executive team in place prior to the listing of Myer in 2009 remained in place and continued to deliver on the business objectives established by the Board. The retention arrangements are in the form of deferred cash incentives and are conditional on continued employment with the Group and meeting certain performance conditions as established by the Company. The retention arrangements involve payments over a staggered period and the first payment was made on the first anniversary of the listing of Myer. This payment represented approximately one third the total amount of the retention incentive. Payment of the balance of the retention incentive is due on 1 November 2011 to further encourage retention and stability within the executive team. Generally, the amount paid to an individual over the 2 year retention period represents approximately one year of base pay as at the date the retention incentives were granted. Of the 45 executives who were eligible for retention incentives, 89% remained with the Company as at 30 July 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 short term incentive reward under the MAIP, other benefits including salary sacrificing for vehicle leasing and, when eligible, long term incentive reward through participation in the MEIP. Other key provisions of the agreements relating to remuneration are summarised below.

For certain senior executives including all KMP other than the CEO, the retention incentives discussed above have been incorporated into their employment agreements.

Remuneration Report *continued*

The termination provisions for the executive KMP are described below:

Name	Contract type	Base salary including superannuation[1]	Termination notice period initiated by KMP	Termination notice period initiated by Company	Termination payment where initiated by the Company
B Brookes	Fixed term – ending on 31 Aug 2014	$1,709,400	6 months	12 months	12 months[2]
N Abboud	Rolling Contract	$470,000	3 months	6 months	6 months
M Ashby	Rolling Contract	$530,000	3 months	6 months	6 months
G Travers	Rolling Contract	$570,000	3 months	6 months	6 months
P Winn	Rolling Contract	$570,000	3 months	6 months	6 months

1 Base salaries (TFC) quoted as at 30 July 2011.

2 B Brookes' revised 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 3 years may be made. B Brookes LTI offer contained in his new contract of employment provides for entitlements on termination in certain circumstances. These provisions are subject to shareholder approval at the November 2011 Annual General Meeting (see a detailed explanation of the contract terms below).

Mr Bernie Brookes – New Contract of Employment

On 10 August 2011, the Board and Mr Brookes agreed to new terms for an extension of Mr Brookes' employment contract to 31 August 2014. The contract terms included the following changes from his previous contract terms:

- Total Fixed Compensation has been adjusted by 5.3% to $1.8 million (inclusive of superannuation)
- Short Term Incentive at target remains at 100% of TFC, with the Board's discretion to reward for any above target performance
- An entitlement to performance rights valued at $2,700,000, subject to shareholder approval to be provided under the MEIP. The rights will vest subject to meeting total shareholder return and earnings per share hurdles described on page 50 along with Mr Brookes establishing and delivering a succession and transition plan for the role of CEO and complying with his contract.
- **Termination Conditions –**
  - Myer can terminate Mr Brookes' employment with 12 months written notice or payment in lieu of notice (or a combination of these).
  - Mr Brookes may terminate on 6 months written notice.
  - If Mr Brookes' employment ceases in August 2014 as a result of the fixed term of the new contract ending, he will be entitled to a payment equal to the 12 months average TFC paid to him over the preceding 3 years.
  - In certain circumstances pursuant to his contract, Mr Brookes may be entitled to retain a pro-rata number of his performance rights if his employment is terminated early by the Board with notice. The pro-rata number retained would take into account his period of service during the three year performance period for the performance rights. If the pro-rata rights vest, the rights, other than for limited access to meet any tax liability arising from the vesting of the rights with Board approval may not be exercised till the expiry of the original performance period of three years.
  - Mr Brookes will not be entitled to any payments upon termination where that payment would lead to a contravention of the Corporations Act or the ASX Listing Rules.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the Directors and the Key Management Personnel (as defined in AASB 124 *Related Party Disclosures*) of the Company are set out in the following tables.

The Key Management Personnel of the Company include each of the Directors and each of the following executives, who report directly to the CEO:

- N Abboud – *Executive General Manager Stores*
- M Ashby – *Chief Financial Officer*
- G Travers – *Executive General Manager Business Services*
- P Winn – *Executive General Manager Merchandise & Logistics*

In addition, details for the following executives are also disclosed in accordance with the *Corporations Act 2001* as they are among the five highest remunerated Group and/or Company executives in 2010 or 2011.

- N Merola – *Business Manager Corporate Services relevant for financial year 2011*
- J Hawker – *Group General Manager Business Development & Concessions ceased employment with the Group on 31 July 2011 and is relevant for financial year 2010.*

The Remuneration of Executive and Non-executive Directors, KMPs and other Company executives

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

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

	Short term benefits				Post employment benefits	Long term benefits					
Name	Cash salary & fees[1] $	Bonus/ incentive STI[2] $	Other[3] $	Non-monetary benefits $	Super-annuation[4] $	Long service leave $	Incentives[5] $	Termin-ation and other payments $	Total remuner-ation expenses excluding Share-based payments $	Share-based payments[6] $	Total remuner-ation expenses[7] $
Non-Executive Directors											
H McDonald											
2011	484,753	–	–	–	15,247	–	–	–	500,000	3,187	503,187
2010	486,565	–	1,900,000	–	14,763	–	–	–	2,401,328	35,453	2,436,781
A Brennan											
2011	164,801	–	–	–	15,199	–	–	–	180,000	–	180,000
2010	116,108	–	–	–	41,392	–	–	–	157,500	–	157,500
T Flood											
2011	136,500	–	–	–	13,500	–	–	–	150,000	1,195	151,195
2010	138,973	–	–	–	13,745	–	–	–	152,718	13,295	166,013
C Froggatt[11]											
2011	93,176	–	–	–	9,215	–	–	–	102,391	–	102,391
2010	–	–	–	–	–	–	–	–	–	–	–
P Hay											
2011	136,500	–	–	–	13,500	–	–	–	150,000	–	150,000
2010	67,113	–	–	–	6,638	–	–	–	73,751	–	73,751
R Myer											
2011	145,056	–	–	–	14,346	–	–	–	159,402	–	159,402
2010	149,243	–	–	–	14,725	–	–	–	163,968	–	163,968
G Kusin[11]											
2011	–	–	–	–	–	–	–	–	–	–	–
2010	61,338	–	–	–	–	–	–	–	61,338	–	61,338
Executive Directors											
B Brookes									–		–
2011	1,629,652	–	133,357	–	50,048	47,772	–	–	1,860,829	(947,404)	913,425
2010	1,600,362	835,177	376,256	–	50,906	17,863	–	–	2,880,564	2,568,922	5,449,486
W Wavish[8]											
2011	–	–	–	–	–	–	–	–	–	–	–
2010	26,608	–	1,165	–	3,982	(26,709)	–	3,212,616	3,217,662	245,286	3,462,948
Key Management Personnel											
N Abboud											
2011	444,753	–	33,567	–	15,247	11,412	207,500	–	712,479	(85,233)	627,246
2010	409,386	165,810	(31,074)	–	24,636	13,032	251,250	–	833,040	194,750	1,027,790
M Ashby											
2011	466,273	–	1,856	–	48,727	8,401	207,500	–	732,757	(74,290)	658,467
2010	434,507	195,097	2,292	–	47,739	2,784	251,250	–	933,669	248,571	1,182,240
G Travers											
2011	544,753	–	1,856	–	15,247	15,806	207,500	–	785,162	(133,824)	651,338
2010	525,070	218,415	2,292	–	14,785	6,121	251,250	–	1,017,933	166,343	1,184,276
P Winn											
2011	536,553	–	1,856	–	23,447	8,510	207,500	–	777,866	(68,960)	708,906
2010	486,866	210,252	2,292	–	32,880	3,271	251,250	–	986,811	228,834	1,215,645
Other Company Executives											
N Merola[9]											
2011	248,673	–	8,559	–	25,786	4,261	66,250	258,500	612,029	3,614	615,643
2010	–	–	–	–	–	–	–	–	–	–	–
J Hawker[10]											
2011	–	–	–	–	–	–	–	–	–	–	–
2010	407,857	185,382	2,292	–	50,295	6,421	–	–	652,247	29,979	682,226
Totals 2011	**5,031,443**	**–**	**181,051**	**–**	**259,509**	**96,162**	**896,250**	**258,500**	**6,722,915**	**(1,301,715)**	**5,421,200**
Totals 2010	**4,909,996**	**1,810,133**	**2,255,515**	**–**	**316,486**	**22,783**	**1,005,000**	**3,212,616**	**13,532,529**	**3,731,433**	**17,263,962**

Remuneration Report *continued*

1 Cash salary for KMPs and other Company executives includes fixed remuneration, short term compensated absences, consideration for vehicle salary sacrifice and in the case of Non–Executive Directors, fees including allowances for committee 'chair' responsibilities for A Brennan, C Froggatt and R Myer.

2 Short Term Incentive (STI) payments are made under the Myer Annual Incentive Plan (MAIP) and relate to program performance and conditions for the year they were earned, not the subsequent year in which the payment is made. Based on the performance criteria established by the Board in relation to MAIP, no short term incentive payments have been earned in relation to financial year 2011.

3 Other payments were made to B Brookes of $133,357 as provided for under his contract of employment for rental subsidy, certain services in relation to the provision of his accommodation and spousal travel. H McDonald did not receive any other payment in 2011 and payments made to him in 2010 related to payments made at the time of the listing of Myer. Other payments in 2011 to N Abboud, M Ashby, G Travers, P Winn, N Merola and J Hawker reflect FBT paid in respect of car park benefits, relevant spousal travel for business related travel undertaken at the request of the Company and where relevant, payments made by the Company to assist victims of recent natural disasters.

4 Other than for W Wavish (refer footnote 8 below) there were no post employment benefits paid other than superannuation in relation to 2010 or 2011.

5 Retention incentives were provided to KMP (other than the CEO) and certain selected other Company executives, subject to certain conditions being satisfied as part of revised employment contracts entered into in November 2009. The amount disclosed in both 2010 and 2011 represent the amount expensed in each year in accordance with the relevant accounting standard relating to such payments. The amounts disclosed do not represent the amounts actually paid to the individual in the years reported. N Abboud, M Ashby, G Travers and P Winn each received $170,000 cash payment on 1 November 2010. Should these KMP continue to meet the requirements of the retention incentive, they will each receive a further payment on 1 November 2011 of $330,000. This is the final payment under the retention incentive.

6 Share based payments are grants of options under the MEIP. They are valued based on the amount expensed for the period under the relevant accounting standard. There were no other equity settled share based payments and there were no cash settled share based payments during the year. No grants of shares or units were made during the financial year. In relation to H McDonald and T Flood, amounts disclosed under share based payments reflect the accounting expense of options issued in 2009 and do not represent any remuneration provided to them in the current year.

7 Total Remuneration Expense represents the total amount expensed by the Company across all aspects of reward for Non-Executive Directors and other executives in accordance with the relevant accounting standard. The amount does not reflect the amount actually paid to the individual during the year.

8 W Wavish was previously Executive Chairman of Myer. He ceased employment with Myer at 4 August 2009. He was paid a cash salary between 25 July 2009 and 4 August 2009. As part of the terms agreed on his separation, he was paid amounts including: payment in lieu of notice, payment for termination and in relation to the provision of consultancy services to Myer, and in relation to other obligations under the settlement and release agreement. The amounts disclosed cover a 24 month period from 4 August 2009 to 31 July 2011. The consultancy period concluded on 31 July 2010. The terms of his settlement and release agreement continued to operate until 31 July 2011.

9 Denotes one of the five highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001. N Merola was one of the top 5 remunerated executives in financial year ended 30 July 2011. N Merola ceased employment with the Group on 31 July 2011 when his role was made redundant. N Merola's total remuneration expense includes payments in relation to his redundancy and the payment of entitlements such as annual leave and long service leave.

10 Denotes one of the five highest paid executives of the Company, as required to be disclosed under the Corporations Act 2001. J Hawker was one of the top 5 executives remunerated in financial year 2010 but was not in the current year. J Hawker ceased employment with Myer on 31 July 2011.

11 C Froggatt was appointed a Director of Myer on 9 December 2010. Payments are for the part year from her appointment. G Kusin resigned as a Director on 27 September 2009. He received no payments in the current year.

STI and LTI remuneration

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

	Total remuneration expense[1]	Total fixed remuneration		At risk — STI		At risk — LTI[2]			
						Share options		Retention incentives	
Name	$	$	%	$	%	$	%	$	%
Executive Directors									
B Brookes[3]									
2011	913,425	1,860,829	204%	–	0%	(947,404)	(104%)	–	0%
2010	5,449,486	1,798,387	35%	835,177	16%	2,568,922	49%	–	0%
W Wavish[4]									
2011	–	–	–	–	–	–	–	–	–
2010	3,462,948	5,046	2%	–	0%	245,286	98%	–	0%
Key Management Personnel									
N Abboud									
2011	627,246	504,979	81%	–	0%	(85,233)	(14%)	207,500	33%
2010	1,027,790	415,980	41%	165,810	16%	194,750	19%	251,250	24%
M Ashby									
2011	658,467	525,257	80%	–	0%	(74,290)	(11%)	207,500	31%
2010	1,182,240	487,322	41%	195,097	17%	248,571	21%	251,250	21%
G Travers									
2011	651,338	577,662	89%	–	0%	(133,824)	(21%)	207,500	32%
2010	1,184,276	548,268	46%	218,415	18%	166,343	14%	251,250	22%
P Winn									
2011	708,906	570,366	81%	–	0%	(68,960)	(10%)	207,500	29%
2010	1,215,645	525,309	43%	210,252	17%	228,834	19%	251,250	21%
Other Company Executives									
N Merola[5]									
2011	615,643	287,279	80%	–	0%	3,614	1%	66,250	19%
2010	–	–	–	–	–	–	–	–	–
J Hawker[6]									
2011	–	–	–	–	–	–	–	–	–
2010	682,226	466,865	68%	185,382	27%	29,979	5%	–	0%
Totals 2011	**4,175,025**	**4,326,372**	**111%**	**–**	**0%**	**(1,306,097)**	**(33%)**	**896,250**	**22%**
Totals 2010	**14,204,611**	**4,247,177**	**40%**	**1,810,133**	**17%**	**3,682,685**	**34%**	**1,005,000**	**9%**

1 Total remuneration expense represents the total amount expensed by the Company across all aspects of reward for Non-Executive Directors and other executives in accordance with the relevant accounting standard. The amount does not reflect the amount actually paid to the individual during the year.

2 At Risk LTI was provided through the provision of retention incentives for selected executives and the grant of options to individual executives under the MEIP however no grants were made in the current year. The options reflected in this table were granted in previous years and 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 the relevant accounting standard as a proportion of total remuneration expense for the period. The amount disclosed for N Abboud, M Ashby, G Travers, and P Winn also includes the current expense in relation to retention incentives. As described on page 43, a new LTI plan involving the grant of performance rights under the MEIP has been introduced for the 2012 financial year.

3 The reduction in B Brookes total remuneration expense for 2011 reflects the reduction in the value of the amount expensed for share based payments in accordance with the relevant accounting standard. Payments made to B Brookes reported in 2010 exclude his discretionary bonus payment of $247,000 made during that year. These payments are included in the total remuneration expense, but do not form part of his total fixed remuneration, STI or LTI.

4 The relative percentage proportions of remuneration for the reporting period 2010 for W Wavish excluded his termination and other payments. This payment was included in his total remuneration expense, but did not form part of this total fixed remuneration, STI or LTI. W Wavish ceased employment with Myer at 4 August 2009 and accordingly is not included in this reporting year.

5 N Merola is included in the table as one of the five highest remunerated executives for the reporting period for total remuneration expense. Payments made on termination are included in his total remuneration expense, but do not form part of this total fixed remuneration, STI or LTI.

6 J Hawker is included in the table as one of the five highest remunerated executives in the previous reporting year, but not this reporting year.

Long Term Incentives – Historical options granted under the MEIP

As noted on page 43, the Company's LTI plan previously involved the grant of options under the MEIP. Under the terms of those options, senior executives can only exercise their options 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. Option 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 have been made to selected executives under the MEIP. Details of options granted under the MEIP that remain unvested as at 30 July 2011 are set out in the table below.

Financial year of offer	Grant date	Number of unvested options	Exercise price	Value per option at grant date	Vesting date (if option holder remains employed by a Group company)	Expiry date
2007	1 Dec 2006	316,809	$0.01	$0.21	31 Jul 2011	15 Oct 2011
2008	1 Aug 2007	90,338	$1.27	$0.50	31 Jul 2011	15 Oct 2011
2008	23 Jan 2008	2,660,971	$3.00	$0.37	31 Jul 2011	21 Dec 2012
2008	23 Jan 2008	2,660,971	$3.00	$0.37	31 Jul 2012	21 Dec 2012
2009	17 Dec 2008	514,600	$2.14	$0.43	31 Jul 2011	24 Oct 2013
2009	17 Dec 2008	514,600	$2.14	$0.43	31 Jul 2012	24 Oct 2013
2009	17 Dec 2008	2,676,663	$2.14	$0.43	31 Jul 2013	24 Oct 2013
2009	30 Jun 2009	234,800	$2.34	$0.49	31 Jul 2012	24 Oct 2014
2009	30 Jun 2009	234,800	$2.34	$0.49	31 Jul 2013	24 Oct 2014
2009	30 Jun 2009	3,684,300	$2.34	$0.49	31 Jul 2014	24 Oct 2014
2010 (CEO only)	6 Nov 2009	5,152,671	$4.10	$1.31	End of Perf. Periods	31 Dec 2013
2010 (CEO only)	6 Nov 2009	2,227,723	$5.74	$1.01	End of Perf. Periods	31 Dec 2013
2010 (Snr Execs)	6 Nov 2009	3,193,278	$4.10	$1.19	End of Perf. Period	31 Dec 2012
Total		24,162,524				

Refer to Financial Report page 106 for 2007, 2008, 2009 plans.

2011 grants

No grants were made in financial year 2011.

Remuneration Report *continued*

2010 grants Tranche A to D (CEO only)

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

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

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

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

1 For both 2010 Tranche A and B options, performance against the EPS hurdle will be measured at the end of the First Performance Period. If the EPS hurdle is not met at the end of the First Performance Period, the Tranche A and B options will be re-tested at the end of the Second Performance Period, measuring the Company's annual compound growth in EPS over the Second Performance Period applying the vesting schedule.

2 For 2010 Tranche C options, performance against the Share Price Hurdle will be measured at the end of the First Performance Period. If the Share Price hurdle is not met at the end of the First Performance Period, the 2010 Tranche C options will be re-tested at the end of the Second Performance Period.

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

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

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

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

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

The base EPS used for the purpose of determining the compound annual growth rate is 23.5 cents, representing FY09 fully diluted EPS, adjusted to a proforma basis consistent with the capital structure of the Group post IPO.

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

Assessment

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

2010 Tranche E – Offered to Senior Executives (other than the CEO) in November 2009

In November 2009, the Board approved an additional grant of options under MEIP to selected individuals to the value of $4,100,000 (valued as at the grant date of 6 November 2009). These options were independently valued at $1.19 each as at the date of grant, resulting in a grant of 3,445,379 options in total.

These options are subject to satisfaction of an EPS performance hurdle based on a compound annual growth rate in EPS of 10% over the performance period ending in July 2012. These options will lapse to the extent the EPS performance hurdle is not satisfied. The EPS hurdle was selected for senior executive options as the most appropriate measure relative to other possible measures. Unlike the CEO's options, there is no share price trigger for any of these options, the Board having taken the view that a more specific focus on earnings rather than the share price was preferable for this group of executives.

As with other options granted under the MEIP, each option entitles the holder to acquire one fully paid ordinary share in the Company, subject to the satisfaction of the relevant performance conditions and the payment of the exercise price. For the 2010 Tranche E Options the exercise price is $4.10 which is the same as the IPO listing price in November 2009.

Set out below is a summary of the performance hurdle and the performance period for options granted to senior executives other than the CEO.

Financial year of grant	Value of options at grant date	Valuation of each option at grant date	Number of options granted	Exercise price	Applicable hurdles	Potential time of vesting
2010 Tranche E	$4,100,000	$1.19	3,445,379	$4.10	EPS Hurdle	End of Perf. Period – July 2012

The following table summarises the 2010 Tranche E grants made to KMP and other Company executives in November 2009.

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

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

The calculation of the compound annual growth rate in EPS is based on growth from the proforma FY09 fully diluted EPS of 23.5 cents, consistent with 2010 Tranche A and 2010 Tranche B grants to the CEO described above.

Details of options over ordinary shares in the Company currently provided as remuneration and granted during the current year to each Director of Myer Holdings Limited and each of the KMP of the Company are set out on page 51. Further information on the MEIP is set out in note 38 to the financial statements.

Long Term Incentives – New FY12 MEIP

As discussed on page 43, the Board has approved a new long term incentive plan, which is designed to encourage Myer's senior executives to create and deliver sustained shareholder returns and to reward executives.

The plan involves the grant of performance rights under the MEIP, which provide the executive with the right to acquire a share in the Company if certain performance conditions are satisfied.

The Board has selected around 400 senior executives to participate in the plan, based on role, accountability and ability of the individual to contribute to the medium and longer-term success of the Group. As announced on 10 August 2011, this offer includes the proposed grant of performance rights to the value of $2,700,000 to the CEO which comprises the long term incentive component of his remuneration for the duration of his revised employment contract. The grant of these performance rights to the CEO is subject to shareholder approval at the November 2011 Annual General Meeting. No further award of performance rights is envisaged for the CEO for the duration of his renewed contract.

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 3-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% 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).

Remuneration Report *continued*

FY12 MEIP performance conditions

Other than for the CEO, there are two performance conditions that apply to the FY12 performance rights based on EPS and TSR performance. The performance rights are allocated on an equal weighting of 50% to each of the EPS Hurdle and the TSR Hurdle which are described below and these will be assessed separately, meaning that both hurdles do not need to be satisfied for any of an executive's performance rights to vest. This means that it is possible for some or all of the performance rights with an EPS Hurdle to vest, while none of the performance rights with a TSR Hurdle vest (and vice versa).

The EPS Hurdle

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

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

EPS Hurdle rate (compound annual growth over the performance period)	% of EPS performance rights that will vest[1]
Less than 5.0%	Nil
At 5.0%	50% of the number of EPS performance rights
From 5% to 10% pro-rata vesting of rights	Pro-rata with a linear progression between 50% and up to 100% of the number of EPS performance rights e.g. at 7% compound annual growth rate, 70% of EPS performance rights vest
10% 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.

The TSR Hurdle

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

TSR was chosen as a performance measure after the Board sought independent remuneration advice from Mercer (Australia) Pty Ltd. TSR was considered a relevant market based performance measure used by many ASX listed companies.

The TSR peer group

The table below sets out the peer group for the FY12 MEIP offer. If any of these organisations cease to exist as entities at any time during the performance period, the size of the peer group may be maintained by additions determined by the Board.

In selecting the TSR Peer group, the Board sought independent advice from remuneration consultants Mercer (Australia) Pty Ltd. 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
Foster's Group 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

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	% 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%

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

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

If the succession plan is delivered before the expiry of the performance period and the Board elects to terminate the CEO's new contract early, the CEO may retain a prorated 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. The only exception to this requirement would be, subject to Board approval, a request by the CEO to exercise a proportion of his rights to meet any tax liability from the vesting of the rights.

Testing the TSR and EPS Hurdles

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

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

Name	Number of options granted during the period	Value of options at grant date	Number of options vested during the period[1]	Number of options lapsed during the period	Value at lapsed date
Directors of Myer Holdings Limited					
H McDonald	–	–	–	–	–
B Brookes	–		480,000	–	–
A Brennan	–	–	–	–	–
T Flood	–	–	–	–	–
C Froggatt	–	–	–	–	–
P Hay	–	–	–	–	–
R Myer	–	–	–	–	–
Other Key Management Personnel of the Company					
N Abboud	–	–	–	–	–
M Ashby	–	–	–	–	–
G Travers	–	–	–	–	–
P Winn	–	–	–	–	–
Other Company Executives					
N Merola	–	–	–	–	–

1 B Brookes held options which vested during the year which were granted to him in FY2007. N Abboud, M Ashby, G Travers and P Winn held options granted in FY2007 and FY2008, which vested on 31 July 2011 (outside the reporting period). As a consequence, no options held by these executives vested during the reporting period.

Remuneration Report *continued*

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

Shares provided on exercise of options

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

Name	Number of ordinary shares provided on exercise of options during the period[1]	Value at exercise date[2]
Directors of Myer Holdings Limited		
H McDonald	–	–
B Brookes	480,000	$1,550,400
A Brennan	–	–
T Flood	–	–
C Froggatt	–	–
P Hay	–	–
R Myer	–	–
Other Key Management Personnel of the Company		
N Abboud	30,000	$25,800
M Ashby	80,000	$40,000
G Travers	–	–
P Winn	–	–
Other Company Executives		
N Merola	–	–

1 The number of shares provided on exercise of options are on a one-for-one basis.

2 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.

The amounts paid per ordinary share by Directors, other Key Management Personnel and other Company executives on the exercise of options at the date of exercise were as follows:

Financial year of grant	Number of ordinary shares provided on exercise of options during the period	Amount paid per share on exercise of options
2007 Grant	480,000	$0.01
2009 (23 Jan) Grant	110,000	$3.00

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 and grant of options 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 vest provided the vesting conditions are met (see pages 47 to 49). No options will vest if the conditions (either service or performance) are not satisfied, therefore the minimum value of the options yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Name	STI/Bonus[1]				Share-based compensation benefits (options)				
	Achieved 2011 %	Forfeited 2011 %	Target value 2011 $	Forfeited Value 2011 $	Year granted	Vested %	Forfeited %	The remaining financial years in which options may vest	Maximum total value of grant yet to vest[3] $
H McDonald	–	–	–	–	2008	93%	–	2012	–
B Brookes	0%	100%	1,709,400	1,709,400	2010	0%	–	2013–2014	894,546
					2007	100%	–	2011	–
T Flood	–	–	–	–	2008	93%	–	2012	–
N Abboud	0%	100%	352,500	352,500	2010	0%	–	2013	–
					2009	0%	–	2014–2015	118,022
					2008	33%	–	2012–2013	2,407
					2007	95%	–	2012	–
M Ashby	0%	100%	397,500	397,500	2010	0%	–	2013	–
					2008	33%	–	2012–2013	26,741
G Travers	0%	100%	427,500	427,500	2010	0%	–	2013	–
					2007	95%	–	2012	–
P Winn	0%	100%	427,500	427,500	2010	0%	–	2013	–
					2009	0%	–	2014–2015	100,175
					2008	33%	–	2012–2013	13,370
N Merola	0%	100%	107,160	107,160	2009	0%	–	2014–2015	9,058
					2007	92%	–	2012	–

1 The % of STIs achieved and forfeited for 2010 are based on performance against 'at target' performance as explained on pages 42 to 43.

2 N Merola ceased employment with the Group on 31 July 2011.

3 The maximum total value of grant yet to vest represents the amount to be expensed under the relevant accounting standard based on expectations of how many options are expected to vest.

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 26(c) to the financial statements.

Dealing in securities

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

Escrow arrangements for the Chairman and management

Each of the Chairman, the CEO and certain specified executives who report directly to the CEO (Reporting Managers) agreed to a voluntary escrow arrangement with the Company under which they were restricted from dealing in a specified number of shares held by them, following the listing of the Company.

The Reporting Managers were restricted from dealing in their shares from the date of listing of the Company until the commencement of the first Board approved trading window following the release to the ASX of the Company's audited results for the financial year ending 31 July 2010. The Chairman and CEO had the same arrangement, save that they agreed to an extended escrow period of 18 months from the listing of the Company. All escrow restrictions agreed at the time of listing of the Company have now lapsed.

ASX Corporate Governance Principles and Recommendations

The Board is committed to creating a fair and inclusive environment that embraces diversity and recognises its contribution to the Company's commercial success.

The Board acknowledges the inclusion of diversity recommendations in the ASX Corporate Governance Principles.

The Company reports annually to the Federal Government Equal Opportunity for Women Agency (the Agency) with respect to gender and diversity in the company. In our most recent report to the Agency we have focussed on diversity issues concerning the representation of women in management roles across the business, recruitment and development initiatives and workplace flexibility, particularly having regard to flexibility related to meeting parenting challenges as well as return to work arrangements for those employees who have taken parental leave. We have recently joined with other businesses to commit to the challenge of providing work opportunities for Indigenous Australians and are examining the development of our 'volunteering' policy. We believe diversity will be reflected in a range of initiatives we undertake including these mentioned.

The Company will draw from its existing reporting obligations as well as a range of these other initiatives in developing appropriate objectives in respect of diversity, and will provide a more detailed report on diversity in our FY12 Annual Report.

Financial Report

Myer Holdings Limited

ABN 14 119 085 602

Annual financial report for the period ended 30 July 2011

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

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

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

A description of the nature of the consolidated entity's operations and its principal activities is included in the Directors' Report on pages 35 to 39, which is not part of these financial statements.

The financial statements were authorised for issue by the Directors on 5 October 2011. The Directors have the power to amend and reissue the financial statements.

Income statement

For the period ended 30 July 2011

	Notes	Consolidated 2011 52 weeks $'000	Consolidated 2010 53 weeks $'000
Total sales value (excluding GST)	5	**3,158,774**	3,324,240
Concession Sales		**(451,867)**	(449,950)
Sale of goods (excluding GST)	5	**2,706,907**	2,874,290
Sales revenue deferred under customer loyalty program		**(40,104)**	(49,256)
Revenue from sale of goods (excluding GST)	5	**2,666,803**	2,825,034
Other operating revenue (excluding finance revenue)	5	**109,529**	103,822
Cost of goods sold		**(1,551,112)**	(1,672,073)
Other income	5	**46,410**	60,927
Operating gross profit		**1,271,630**	1,317,710
Selling expenses		**(717,063)**	(729,956)
Administration expenses		**(295,633)**	(317,449)
Store closure and restructuring costs	6	**(10,476)**	–
Profit on sale of financial asset	5	**11,680**	–
Earnings before interest and tax before non-recurring Initial Public Offering (IPO) transaction costs and related charges		**260,138**	270,305
Finance revenue	5	**2,169**	2,725
Finance costs	6	**(37,650)**	(44,570)
Net finance costs		**(35,481)**	(41,845)
Profit before income tax before non-recurring IPO transaction costs and related charges		**224,657**	228,460
Income tax expense	7	**(61,470)**	(64,926)
Profit for the period before non-recurring IPO transaction costs and related charges		**163,187**	163,534
IPO transaction costs and other non-recurring IPO related charges (after tax)	6	**(3,522)**	(96,352)
Profit for the period		**159,665**	67,182
Profit is attributable to:			
Owners of Myer Holdings Limited		**159,724**	67,182
Non-controlling interests		**(59)**	–
		159,665	67,182

	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company		
Basic earnings per share	**27.4**	12.3
Diluted earnings per share	**27.3**	12.1

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

Statement of comprehensive income

For the period ended 30 July 2011

	Notes	Consolidated 2011 52 weeks $'000	2010 53 weeks $'000
Profit for the period		**159,665**	67,182
Other comprehensive income			
Cash flow hedges	24(b)	**(2,893)**	8,478
Non-recurring IPO related transfers to profit and loss	24(b)	**–**	29,019
Actuarial gains/(losses) on retirement benefit obligation	22(f)	**183**	(127)
Exchange differences on translation of foreign operations	24(b)	**(85)**	–
Income tax relating to components of other comprehensive income	7(d)	**106**	(11,249)
Other comprehensive income for the period, net of tax		**(2,689)**	26,121
Total comprehensive income for the period		**156,976**	93,303
Total comprehensive income for the period is attributable to:			
Owners of Myer Holdings Limited		**157,121**	93,303
Non-controlling interests		**(145)**	–
		156,976	93,303

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

Balance sheet

As at 30 July 2011

		Consolidated	
	Notes	2011 $'000	2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**37,274**	105,834
Trade and other receivables	9	**28,216**	24,045
Inventories	10	**381,261**	352,813
Total current assets		**446,751**	482,692
Non-current assets			
Other financial assets	12	**–**	6,004
Derivative financial instruments	11	**258**	549
Property, plant and equipment	13	**535,139**	468,050
Deferred tax assets	14	**47,380**	70,837
Intangible assets	15	**943,880**	921,020
Other		**4,554**	4,762
Total non-current assets		**1,531,211**	1,471,222
Total assets		**1,977,962**	1,953,914
LIABILITIES			
Current liabilities			
Trade and other payables	16	**416,032**	437,568
Derivative financial instruments	11	**7,476**	1,208
Current tax liabilities		**33,897**	9,446
Provisions	17	**90,586**	104,451
Other		**4,199**	4,741
Total current liabilities		**552,190**	557,414
Non-current liabilities			
Borrowings	18	**419,591**	419,919
Provisions	20	**49,391**	60,494
Deferred income		**62,448**	57,792
Other	21	**33,012**	855
Total non-current liabilities		**564,442**	539,060
Total liabilities		**1,116,632**	1,096,474
Net assets		**861,330**	857,440
EQUITY			
Contributed equity	23	**519,479**	517,128
Retained profits/(losses)	24	**349,396**	320,470
Reserves	24	**(15,120)**	19,842
Capital and reserves attributable to owners of Myer Holdings Limited		**853,755**	857,440
Non-controlling interests		**7,575**	–
Total equity		**861,330**	857,440

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

Statement of changes in equity

For the period ended 30 July 2011

		Consolidated				
	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Non-controlling interests $'000	Total $'000
Balance as at 25 July 2009		84,946	(19,270)	314,446	–	380,122
Total comprehensive income for the period		–	26,248	67,055	–	93,303
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	23	432,182	–	–	–	432,182
Dividends provided for or paid	25	–	–	(61,031)	–	(61,031)
Employee share options	24	–	12,864	–	–	12,864
		432,182	12,864	(61,031)	–	384,015
Balance as at 31 July 2010		517,128	19,842	320,470	–	857,440
Total comprehensive income for the period		–	(2,872)	159,907	(59)	156,976
Transactions with owners in their capacity as owners						
Contributions of equity, net of transaction costs	23	2,351	–	–	–	2,351
Put option to acquire non-controlling interest	24	–	(31,650)	–	–	(31,650)
Non-controlling interest on acquisition of subsidiary	31	–	–	–	7,634	7,634
Dividends provided for or paid	25	–	–	(130,981)	–	(130,981)
Employee share options	24	–	(440)	–	–	(440)
		2,351	(32,090)	(130,981)	7,634	(153,086)
Balance as at 30 July 2011		519,479	(15,120)	349,396	7,575	861,330

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

Statement of cash flows

For the period ended 30 July 2011

		Consolidated	
	Notes	2011 52 weeks $'000	2010 53 weeks $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**3,095,328**	3,260,846
Payments to suppliers and employees (inclusive of GST)		**(2,865,443)**	(3,027,872)
		229,885	232,974
Other income		**54,200**	70,739
Interest paid		**(38,190)**	(59,257)
Tax paid		**(18,844)**	(3,405)
Net cash (outflow) inflow from operating activities	35	**227,051**	241,051
Cash flows from investing activities			
Proceeds from sale of financial asset		**13,280**	–
Payments for property, plant and equipment		**(136,542)**	(104,582)
Acquisition of sass & bide	31	**(40,374)**	–
Payments for intangible assets		**(9,703)**	(29,955)
Lease incentives received		**6,109**	23,700
Return of capital received from investment		**4,404**	1,196
Interest received		**2,176**	2,979
Net cash (outflow) inflow from investing activities		**(160,650)**	(106,662)
Cash flows from financing activities			
Proceeds from borrowings net of transaction costs		**(2,500)**	418,225
Repayment of borrowings		**–**	(645,000)
Repayment of Myer Notes		**–**	(139,052)
Repayments of employee share loans		**115**	1,905
Payment for shares acquired by the Myer Employee Share Plan Trust		**–**	(823)
Proceeds from the issue of shares		**2,351**	314,632
Non-recurring finance costs associated with IPO		**–**	(22,526)
Payment of costs of IPO		**(3,946)**	(79,658)
Dividend paid	25	**(130,981)**	(61,031)
Net cash (outflow) from financing activities		**(134,961)**	(213,328)
Net increase (decrease) in cash and cash equivalents		**(68,560)**	(78,939)
Cash and cash equivalents at the beginning of the financial period		**105,834**	184,773
Cash and cash equivalents at end of period	8	**37,274**	105,834

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

Notes to the financial statements

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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 Ltd and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Financial periods

The 2011 financial period represents 52 weeks ended 30 July 2011, the comparative financial period represents 53 weeks ended 31 July 2010.

Compliance with IFRSs

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

Historical cost convention

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Myer Holdings Limited ('Company' or 'parent entity') as at 30 July 2011 and the results of all subsidiaries for the period then ended. Myer Holdings Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

(ii) Employee Share Trust

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

Notes to the financial statements continued

1 Summary of significant accounting policies *continued*

(e) Revenue recognition

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

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

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

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

Customer loyalty program

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

(f) Income tax

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

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

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

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

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

(g) Leases

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 29). Lease incentives received on entering into operating leases are recognised as deferred income and are amortised over the lease term. Payments made under operating leases (net of any amortised deferred income) are charged to the income statement on a straight line basis over the period of the lease.

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. There were no finance leases in place during the reporting period.

(h) Business combinations

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

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

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

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade receivables

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

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

(l) Inventories

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

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

(m) Investments and other financial assets

Classification

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

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

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

(ii) Loans and receivables

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

(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.

Notes to the financial statements *continued*

1 Summary of significant accounting policies *continued*

(n) Derivatives and hedging activities

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

(o) Property, plant and equipment

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

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

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

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

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

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

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

Non-current assets held for sale

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

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

(p) Intangible assets

(i) Goodwill

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

(ii) Brand names and trade marks

Certain Group brands are considered to have indefinite lives. These brands are not considered to have foreseeable brand maturity dates, and have accordingly been assessed as having indefinite useful lives and are therefore not amortised. Instead, the brand names are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

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

(iii) Computer software

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

(iv) Lease Rights

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

(q) Trade and other payables

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

(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.

(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.

Notes to the financial statements continued

1 Summary of significant accounting policies *continued*

(u) Employee benefits continued

(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 38.

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.

(vii) Employee Share Acquisition Plan – Gift shares

At the time of the Initial Public Offer of shares in the Company and as disclosed in the associated prospectus, eligible employees were entitled to participate in the Employee Gift Offer. Eligible employees were offered the opportunity to acquire, at no cost, the nearest number of shares up to the value of $725. The cost of the shares issued was expensed to the Income Statement.

(v) Contributed equity

Ordinary shares are classified as equity.

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

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

(w) Dividends

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

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares (note 23).

(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 (ASIC), relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(aa) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 July 2011 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations, that were considered relevant for the consolidated entity, is set out below.

(i) AASB 9 *Financial Instruments 2009-11 Amendments to Australian Accounting Standards arising from* AASB 9 *and* AASB 2010-7 *Amendments to Australian Accounting Standards arising from* AASB 9 *(December 2010) (effective from 1 January 2013)*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available for sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for sale debt investments, for example will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii) AASB 2009-14 *Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)*

In December 2009, the AASB made an amendment to Interpretation 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements. The Group intends to apply the amendment from 31 July 2011.

(iii) AASB 1053 *Application of Tiers of Australian Accounting Standards and* AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)*

On 30 June 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Myer Holdings Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

(ab) Parent entity financial information

The financial information for the parent entity, Myer Holdings Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

(ac) Comparative amounts

Where current period balances have been classified differently within current period disclosures when compared to the prior period, comparative disclosures have been restated to ensure consistency of presentation between periods.

Notes to the financial statements continued

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 it is Group policy 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 was as follows:

	30 July 2011			31 July 2010		
	USD $'000	EURO $'000	HKD $'000	USD $'000	EURO $'000	HKD $'000
Trade payables	**13,208**	**264**	**82**	9,946	235	25
Forward exchange contracts	**76,350**	**–**	**–**	82,300	1,490	–

The parent entity's financial assets and liabilities are denominated in Australian dollars.

Group sensitivity

Based on the financial instruments held at 30 July 2011, had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax profit for the period would have been $0.7 million higher/$0.9 million lower (2010: $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 $3.6 million higher/$3.4 million lower (2010: $5.3 million higher/$6.5 million lower) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising from foreign exchange contracts designated as cash flow hedges. The Group's exposure to other foreign exchange movements is not material.

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

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. The risks are managed by the use of floating to fixed interest rate swap contracts. During the period, the Group policy was to fix the rates between 0 to 30% of its Term Debt Facility. This policy had been complied with at the period end.

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

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

	30 July 2011		31 July 2010	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Borrowings – Variable	**6.7%**	**419,591**	7.0%	419,919
Interest rate swaps (notional principal amount)	**6.2%**	**(80,000)**	6.6%	(50,000)
Net exposure to cash flow interest rate risk		**339,591**		369,919

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 30 July 2011, 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 $1.2 million higher/$1.2 million lower (2010: change of +/- 10%: $1.2 million higher/$1.2 million lower), mainly as a result of higher/lower interest expense on borrowings.

Other components of equity would have been $0.3 million lower/$0.3 million higher (2010: $0.5 million lower/$0.5 million higher) mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

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

(b) Credit risk

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

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as disclosed in notes 8, 9, 11 and 12.

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

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

	Consolidated	
	2011 $'000	**2010 $'000**
Trade receivables		
0 – 30 days	**14,126**	13,704
30 – 60 days	**573**	1,474
60 – 90 days	**223**	217
90+ days	**1,450**	1,162
Total trade receivables	**16,372**	**16,557**
Cash at bank and short term bank deposits		
AAA	**–**	–
AA	**37,274**	105,834
A	**–**	–
	37,274	105,834
Derivative financial assets		
AAA	**–**	–
AA	**258**	549
A	**–**	–
	258	549

Notes to the financial statements *continued*

2 Financial risk management *continued*

(c) Liquidity risk

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

Financing arrangements

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

	Consolidated	
	2011 $'000	2010 $'000
Floating rate		
Expiring within one year (revolving cash advance facility)	**50,000**	–
Expiring beyond one year (revolving cash advance facility)	**200,000**	200,000
	250,000	200,000

The long term revolving cash advance facility has two tranches each comprising $100 million and are set to expire 2 June 2014 and 2 June 2015 respectively. The long term revolving cash advance facilities may be drawn at any time and are subject to the Group continuing to meet its covenants. At balance date, these facilities remain undrawn.

In addition to the above, the Group entered into a 1 year $50 million revolving credit facility on 13 April 2011 for the purpose of funding the acquisition of the sass & bide business.

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 30 July 2011	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
Non-derivatives							
Non-interest bearing	**446,585**	**–**	**–**	**31,650**	**–**	**478,235**	**446,585**
Variable rate	**5,742**	**20,462**	**24,396**	**471,799**	**–**	**522,399**	**419,591**
Fixed rate	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total non-derivatives	**452,327**	**20,462**	**24,396**	**503,449**	**–**	**1,000,634**	**866,176**
Derivatives							
Net settled (interest rate swaps)	**(135)**	**148**	**–**	**–**	**–**	**13**	**(258)**
Gross settled							
– (inflow)	**(54,518)**	**(15,570)**	**–**	**–**	**–**	**(70,088)**	**–**
– outflow	**61,463**	**16,726**	**–**	**–**	**–**	**78,189**	**7,476**
Total derivatives	**6,810**	**1,304**	**–**	**–**	**–**	**8,114**	**7,218**

Contractual maturities of financial liabilities 30 July 2010	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
Non-derivatives							
Non-interest bearing	437,568	–	–	–	–	437,568	437,568
Variable rate	15,094	15,784	33,084	439,753	–	503,715	419,919
Fixed rate	–	–	–	–	–	–	–
Total non-derivatives	452,662	15,784	33,084	439,753	–	941,283	857,487
Derivatives							
Net settled (interest rate swaps)	(91)	(125)	(275)	–	–	(491)	(549)
Gross settled							
– (inflow)	(66,825)	(28,378)	–	–	–	(95,203)	–
– outflow	67,893	28,518	–	–	–	96,411	1,208
Total derivatives	977	15	(275)	–	–	717	659

(d) Fair value measurements

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liabilities either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 July 2011 and 31 July 2010.

Group – at 30 July 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	**–**	**258**	**–**	**258**
Total assets	**–**	**258**	**–**	**258**
Liabilities				
Derivatives used for hedging	**–**	**7,476**	**–**	**7,476**
Total liabilities	**–**	**7,476**	**–**	**7,476**

Group – at 30 July 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivatives used for hedging	–	549	–	549
Total assets	–	549	–	549
Liabilities				
Derivatives used for hedging	–	1,208	–	1,208
Total liabilities	–	1,208	–	1,208

Notes to the financial statements *continued*

2 Financial risk management *continued*

(d) Fair value measurements continued

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses quoted market prices or dealer quotes of similar instruments in order to estimate fair value for long term debt instruments held. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise derivative financial instruments.

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

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

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

(i) Income taxes

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

(ii) Impairment

The Group tests annually whether goodwill and indefinite lived intangibles have suffered any impairment, in accordance with the accounting policy stated in note 1(i). The recoverable amount of cash generating units have been determined based on value in use calculations at a store level. Goodwill and certain intangibles can only be tested for impairment at the level of the Myer Group as a whole. These calculations require the use of assumptions. Refer to note 15 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 have assessed the value of inventory that is likely to be sold below cost using past experience and judgement on the likely sell through rates of various items of inventory, and booked a provision for this amount. To the extent that these judgements and assumptions prove incorrect, the Company may be exposed to potential additional inventory write-downs in future periods.

4 Segment information

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

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

As a result of the acquisition of sass & bide during the year, the Group also undertakes activities outside the department store retail business. On the basis that this aspect of the business represents less than 10% of the total Group's operations, it has not been disclosed as a separate operating segment.

5 Revenue and Other Income

	Consolidated	
	2011 52 weeks $'000	2010 53 weeks $'000
Revenue from continuing operations		
Sales revenue		
Total sales value (excluding GST)	**3,158,774**	3,324,240
Concession Sales	**(451,867)**	(449,950)
Sale of goods (excluding GST)	**2,706,907**	2,874,290
Sales revenue deferred under customer loyalty program	**(40,104)**	(49,256)
Revenue from sale of goods (excluding GST)	**2,666,803**	2,825,034
Other revenue		
Concessions revenue	**109,329**	103,712
Rental revenue	**200**	110
	109,529	103,822
Finance revenue	**2,169**	2,725
Total revenue	**2,778,501**	2,931,581
Other Income from continuing operations		
Other	**46,410**	60,927
	46,410	60,927

Other income from continuing operations includes revenue in relation to the financial services business, forfeited lay-by deposits, customer delivery fees, commission on EFT transactions, gift card non-redemption income and profit underpinning received in relation to the Myer Melbourne store redevelopment.

Profit on sale of financial asset		
Net profit on sale of financial asset (refer note 12)	**11,680**	–

Notes to the financial statements *continued*

6 Expenses

	Consolidated	
	2011 52 weeks $'000	2010 53 weeks $'000
Profit before income tax includes the following specific expenses:		
Total Depreciation, Amortisation, Write off expense	**78,981**	65,465
Finance costs		
Interest and finance charges paid/payable	**37,961**	44,297
Fair value (gains)/losses on interest rate swap cash flow hedges – transfer from equity	**(311)**	273
Finance costs expensed	**37,650**	44,570
Rental expense relating to operating leases		
Minimum lease payments	**187,311**	167,443
Contingent rentals	**8,287**	8,537
Total rental expense relating to operating leases	**195,598**	175,980
Foreign exchange (gains)/losses		
Net foreign exchange (gains)/losses	**(3,984)**	(9,449)
Net loss/(gain) on foreign currency derivatives not qualifying as hedges	**–**	–
	(3,984)	(9,449)
Defined contribution superannuation expense	**32,653**	33,944
Impairment of assets – Inventory	**17,479**	16,211
Employee benefits expense including defined contribution superannuation expense	**413,618**	456,116
Store closure and restructuring costs	**10,476**	–
Store closure and restructuring costs represents the write-down of assets and inventory associated with the decision to exit a store and certain business categories, as well as redundancy costs.		
Profit for the period includes the following items that are unusual because of their nature, size or incidence		
Expenses incurred in relation to the Initial Public Offering of shares in the Company, classified as:		
– Administration expenses	**5,031**	78,094
– Net Finance Costs	**–**	56,785
Total expenses incurred in relation to the Initial Public Offering of shares in the Company	**5,031**	134,879
Less: Applicable income tax benefit	**(1,509)**	(38,527)
	3,522	96,352

In the prior year the Company listed on the Australian Securities Exchange (ASX). The Initial Public Offer of shares in the Company resulted in the Company incurring significant one-off expenses during the current and prior period that do not form part of the ongoing operations of the business. Costs categorised as Administration expenses in the current period represent the continued charge to the income statement of the retention bonuses payable to key staff as a result of the listing of the Company. Amounts classified as Administration expenses in the prior period represent costs incurred in executing the float process ($65.8m, comprising advisors fees, registry fees, prospectus costs, offer advertising costs, etc), as well as internal costs including an expense on the issue of gift shares to employees at listing ($6.3m) and the charge to the income statement in relation to retention bonuses payable to key staff ($6.0m).

IPO transaction costs were capitalised against share capital to the extent that they relate to the raising of new equity. Costs categorised as net finance costs represent the expense recognised on cancellation of interest rate swaps at refinancing, the write-off of capitalised borrowing costs related to refinanced debt, and the recognition of the discount/premium on exchange/redemption of Myer Notes.

7 Income tax expense

	Consolidated	
	2011 52 weeks $'000	2010 53 weeks $'000
(a) Income tax expense		
Current tax	**42,616**	13,013
Deferred tax	**17,346**	13,386
	59,962	26,399
Income tax expense is attributable to:		
Profit from continuing operations	**59,962**	26,399
Aggregate income tax expense	**59,962**	26,399
Income tax expense from operations before IPO costs	**61,470**	64,926
Income tax benefit on IPO costs	**(1,508)**	(38,527)
	59,962	26,399
Deferred income tax (revenue) expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (note 14)	**12,739**	9,067
(Decrease) increase in deferred tax liabilities (note 19)	**4,607**	4,319
	17,346	13,386
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense including IPO transaction costs and other non-recurring IPO related charges and before income tax expense	**219,626**	93,581
Tax at the Australian tax rate of 30% (2010: 30%)	**65,888**	28,074
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible acquisition costs	**228**	–
Non deductible entertainment	**26**	87
Sundry items	**(531)**	24
	65,611	28,185
Adjustments for current tax of prior periods	**(5,649)**	(1,786)
Income tax expense	**59,962**	26,399
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity (note 24(b))	**969**	11,387
	969	11,387
(d) Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges	**106**	(11,249)
	106	(11,249)

During a prior financial period, the Group was advised by the Australian Tax Office that they were undertaking an Audit of the Group's income tax affairs in relation to the 2006 and 2007 income tax years. This Audit has now been finalised without material impact to the Group. The Group continues to be subject to the Australian Tax Office's normal ongoing compliance activities.

Notes to the financial statements continued

8 Current assets – Cash and cash equivalents

	Consolidated	
	2011 $'000	2010 $'000
Cash on hand	**3,046**	3,165
Cash at bank	**34,228**	102,669
	37,274	105,834

(a) Risk exposure

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

9 Current assets – Trade and other receivables

	Consolidated	
	2011 $'000	2010 $'000
Trade receivables	**17,074**	16,847
Provision for impairment of receivables (note(a))	**(702)**	(290)
	16,372	16,557
Employee share loans	**7**	285
Other receivables	**4,627**	3,072
Prepayments	**7,210**	4,131
	11,844	7,488
	28,216	24,045

Further information relating to loans to Key Management Personnel is set out in note 26.

(a) Impaired trade receivables

As at 30 July 2011, current trade receivables of the Group with a nominal value of $702 thousands (2010: $279 thousands) were impaired. The amount of the provision was $702 thousands (2010: $290 thousands). The individually impaired receivables mainly relate to wholesalers.

The ageing of these receivables is as follows:

	Consolidated	
	2011 $'000	2010 $'000
0 – 30 days	**–**	–
30 – 60 days	**3**	–
60 – 90 days	**42**	–
90+ days	**657**	279
	702	279

(a) Impaired trade receivables continued

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2011 $'000	**2010 $'000**
At 31 July 2010	**290**	553
Provision for impairment recognised during the period	**456**	79
Receivables written off during the period as uncollectible	**(16)**	(342)
Unused amount reversed	**(28)**	–
	702	290

The creation and release of the provision for impaired receivables has been included in 'administration expenses' in profit or loss. 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 30 July 2011, trade receivables of $4,551 thousands (2010: $5,241 thousands) were past due but not impaired. These relate to a number of independent debtors for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2011 $'000	**2010 $'000**
Up to 3 months	**2,594**	3,787
3 to 6 months	**1,957**	1,454
	4,551	5,241

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 risk management policy of the Group and the credit quality of the entities trade receivables.

10 Current assets – Inventories

	Consolidated	
	2011 $'000	**2010 $'000**
Retail inventories	**381,261**	352,813

Notes to the financial statements continued

11 Derivative financial instruments

	Consolidated	
	2011 $'000	**2010 $'000**
Non current assets		
Interest rate swap contracts	**258**	549
Total non current derivative financial instrument assets	**258**	549
Current liabilities		
Forward foreign exchange contracts	**7,476**	1,208
Total current derivative financial instrument liabilities	**7,476**	1,208

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

(i) Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 6.66% (2010: 6.97%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 19% (2010: 12%) of the Group's debt facility (refer to note 18 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 4.35% and 4.75% (2010: 4.35% and 4.75%) and the variable rates under the swap agreements are the Bank Bill Swap Rate bid (BBSY Bid).

The contracts require settlement of net interest receivable or payable each 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 profit and loss when the hedged interest expense is recognised. In the period ended 30 July 2011, nil was reclassified in profit and loss (2010: $29.3 million) and included in finance cost. There was no hedge ineffectiveness in the current period.

(ii) Forward exchange contracts – cash flow hedges

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

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

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

During the period ended 30 July 2011, a gain of $1.8 million (2010: gain of $1.6 million) was reclassified from equity and included in the cost of inventory. There was no hedge ineffectiveness in the current or prior period.

(b) Risk exposures

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

12 Non current assets – Other financial assets

	Consolidated	
	2011 $'000	**2010 $'000**
Available for sale financial assets	**–**	6,004
	–	6,004

In a prior period, available for sale financial assets represented the consolidated entity's interest in equity securities of Harsyn Pty Ltd (holding company of Harris Scarfe Australia Pty Ltd) and Australian Geographic Retail Pty Ltd. These equity securities do not have a quoted market price or active market, and therefore their fair value could not be reliably measured. As a result they were historically carried at cost. During the period, the interests in both companies were disposed of.

13 Non-current assets – Property, plant and equipment

Consolidated	Freehold land $'000	Freehold buildings $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
At 25 July 2009						
Cost	–	–	241,454	192,868	74,069	508,391
Accumulated depreciation	–	–	(90,822)	(45,870)	–	(136,692)
Net book amount	–	–	150,632	146,998	74,069	371,699
Period ended 31 July 2010						
Opening net book amount	–	–	150,632	146,998	74,069	371,699
Assets reclassified from held for sale – cost	10,100	19,500	–	–	–	29,600
Assets reclassified from held for sale – accumulated depreciation	–	(1,056)	–	–	–	(1,056)
Additions	–	–	871	6,431	106,751	114,053
Transfer between classes	–	–	104,149	2,462	(106,997)	(386)
Assets written off – cost	–	–	(3,439)	(8,636)	–	(12,075)
Assets written off – accumulated depreciation	–	–	2,840	5,263	–	8,103
Depreciation charge	–	(975)	(26,224)	(14,689)	–	(41,888)
Closing net book amount	10,100	17,469	228,829	137,829	73,823	468,050
At 31 July 2010						
Cost	10,100	19,500	343,035	193,125	73,823	639,583
Accumulated depreciation	–	(2,031)	(114,206)	(55,296)	–	(171,533)
Net book amount	10,100	17,469	228,829	137,829	73,823	468,050
Period ended 30 July 2011						
Opening net book amount	10,100	17,469	228,829	137,829	73,823	468,050
Acquisition of subsidiary (refer note 31)	–	–	235	3,974	10	4,219
Additions	–	–	12,254	11,942	80,909	105,105
Transfer between classes	–	–	99,566	53,026	(135,241)	17,351
Assets written off – cost	–	–	(2)	797	–	795
Assets written off – accumulated depreciation	–	–	2	(797)	–	(795)
Depreciation charge	–	(488)	(39,320)	(19,778)	–	(59,586)
Closing net book amount	10,100	16,981	301,564	186,993	19,501	535,139
At 30 July 2011						
Cost	10,100	19,500	455,088	262,864	19,501	767,053
Accumulated depreciation	–	(2,519)	(153,524)	(75,871)	–	(231,914)
Net book amount	10,100	16,981	301,564	186,993	19,501	535,139

Notes to the financial statements continued

14 Non current assets – Deferred tax assets

	Consolidated	
	2011 $'000	**2010 $'000**
The balance comprises temporary differences attributable to:		
Property, plant, equipment and software	**–**	–
Employee benefits	**17,770**	18,544
Non-employee provisions	**19,347**	26,708
Deferred income	**2,204**	3,636
Amortising deductions	**14,520**	19,404
Other	**14,241**	11,822
	68,082	80,114
Set off of deferred tax liabilities pursuant to set off provisions (note 19)	**(20,702)**	(9,277)
Net deferred tax assets	**47,380**	70,837
Movements:		
Opening balance at 31 July 2010	**80,114**	96,158
Credited/(charged) to profit or loss (note 7)	**(12,739)**	(9,067)
Credited/(charged) directly to equity	**–**	4,272
Credited/(charged) to other comprehensive income	**(126)**	(11,249)
Acquisition of subsidiary (note 31)	**832**	–
Closing balance at 30 July 2011	**68,082**	80,114

15 Non-current assets – Intangible assets

Consolidated	Goodwill $'000	Brand names and trade marks[1] $'000	Software $'000	Lease Rights $'000	Total $'000
At 25 July 2009					
Cost	349,534	391,900	151,413	48,540	941,387
Accumulated amortisation	–	(1,150)	(23,032)	(8,343)	(32,525)
Net book amount	349,534	390,750	128,381	40,197	908,862
Period ended 31 July 2010					
Opening net book amount	349,534	390,750	128,381	40,197	908,862
Acquisition of business	–	–	–	–	–
Other additions	–	120	29,449	–	29,569
Transfer between classes	–	–	386	–	386
Assets written off	–	–	–	–	–
Amortisation charge[2]	–	(345)	(12,525)	(4,927)	(17,797)
Closing net book amount	349,534	390,525	145,691	35,270	921,020
At 31 July 2010					
Cost	349,534	392,020	181,248	48,540	971,342
Accumulated amortisation	–	(1,495)	(35,557)	(13,270)	(50,322)
Net book amount	349,534	390,525	145,691	35,270	921,020
Period ended 30 July 2011					
Opening net book amount	349,534	390,525	145,691	35,270	921,020
Acquisition of subsidiary (refer note 31)	27,097	23,569	234	–	50,900
Other additions	–	4,613	7,961	–	12,574
Transfer between classes	–	–	(17,351)	–	(17,351)
Assets written off	–	–	–	–	–
Amortisation charge[2]	–	(351)	(16,941)	(5,971)	(23,263)
Closing net book amount	376,631	418,356	119,594	29,299	943,880
At 30 July 2011					
Cost	376,631	420,202	172,092	48,540	1,017,465
Accumulated amortisation	–	(1,846)	(52,498)	(19,241)	(73,585)
Net book amount	376,631	418,356	119,594	29,299	943,880

1 Brand names and trade marks include certain brand names which have indefinite useful lives. The carrying amount at 30 July 2011 of the indefinite lived brands was $413 million (2010: $385 million).

2 Amortisation of $23.3 million (2010: $17.8 million) is included in administration and selling expenses in profit or loss.

Notes to the financial statements continued

15 Non-current assets – Intangible assets *continued*

(a) Impairment tests for goodwill and intangibles with an indefinite useful life

The goodwill arising on the acquisition of the Myer business cannot be allocated to the Group's individual cash generating units (the Group's stores), and hence has been allocated to the business as a whole. Similarly, the Myer brand name, which has an indefinite useful life, has been allocated to the business as a whole.

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

AASB 136 *Impairment of Assets* requires goodwill and intangible assets with an indefinite useful life to be tested annually for impairment. In testing these assets for impairment, the recoverable amount of the 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 5 year period. Cash flows beyond 5 periods are extrapolated using an estimated growth rate of 3%. Key assumptions used in the calculation were as follows:

› discount rate (pre tax) 16.0%
› terminal growth rate 3%
› operating gross profit margin 40%

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.

16 Current liabilities – Trade and other payables

	Consolidated	
	2011 $'000	**2010 $'000**
Trade payables	**210,975**	216,588
Other payables	**205,057**	220,980
	416,032	437,568

Trade and other payables are non-interest bearing.

17 Current liabilities – Provisions

	Consolidated	
	2011 $'000	**2010 $'000**
Employee benefits	**63,850**	77,542
Workers' compensation (a)	**19,228**	17,324
Sales returns (b)	**3,503**	3,446
Other	**4,005**	6,139
	90,586	104,451

(a) Workers' compensation

The amount represents a provision for potential workers' compensation claims in certain states.

(b) Sales returns

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

(c) Movements in provisions

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

	Workers' compensation $'000	Sales returns $'000	Other $'000	Total $'000
2011 consolidated				
Current				
Carrying amount at start of period	**17,324**	**3,446**	**6,139**	**26,909**
Additional provisions recognised during the period	**6,645**	**3,503**	**7,248**	**17,396**
Amounts utilised during the period	**(4,741)**	**(3,446)**	**(9,382)**	**(17,569)**
Carrying amount at end of period	**19,228**	**3,503**	**4,005**	**26,736**

	Workers' compensation $'000	Sales returns $'000	Other $'000	Total $'000
2010 consolidated				
Current				
Carrying amount at start of period	15,153	3,285	5,912	24,350
Additional provisions recognised during the period	5,983	3,446	3,233	12,662
Amounts utilised during the period	(3,812)	(3,285)	(3,006)	(10,103)
Carrying amount at end of period	17,324	3,446	6,139	26,909

18 Borrowings

	Consolidated	
	2011 $'000	2010 $'000
Non-current borrowings		
Bank loans	**419,591**	419,919
Total borrowings	**419,591**	419,919

Notes to the financial statements *continued*

18 Borrowings *continued*

(a) Structure of debt

The debt funding of the Group at 30 July 2011 comprised bank loan facilities. The loan facilities comprise the following:

- Term cash advance facility: $425 million; and
- Revolving cash advance facility: $200 million.

These facilities were established on 29 October 2009, drawn down on the 6 November 2009 and have been amended and restated in the current year on 3 June 2011. In addition to the above, the Group entered into a 1 year $50m revolving credit facility on 13 April 2011 for the purpose of funding the acquisition of the sass & bide business. At balance date, the following amounts remain drawn down:

	2011 $'000	2010 $'000
Term cash advance facility	**425,000**	425,000
Revolving cash advance facility	**–**	–
	425,000	425,000
Less borrowing costs	**(5,409)**	(5,081)
Net borrowings per balance sheet	**419,591**	419,919

(i) Bank loan facilities

The terms and conditions of the Group's bank loan facilities are as follows:

Loan Facilities	Description	Amount	Term
Syndicated facility			
Term cash advance facility – Tranche A	Term loan facility	$225 million	3 years from 3 June 2011
Term cash advance facility – Tranche B	Term loan facility	$200 million	4 years from 3 June 2011
Revolving cash advance facility – Tranche C	Revolving facility	$100 million	3 years from 3 June 2011
Revolving cash advance facility – Tranche D	Revolving facility	$100 million	4 years from 3 June 2011
Bilateral cash advance facility			
Revolving cash advance facilities	Revolving facility	$50 million	1 year from 13 April 2011

The Term cash advance facilities (Tranche A and B) are term loan facilities repayable at maturity on 2 June 2014 and 2 June 2015 respectively. Any amounts repaid on these facilities during the term may not be redrawn. The revolving cash advance facilities (Tranche C, D and bilateral) are revolving, so that amounts repaid may be redrawn during their terms.

(b) Security

The loan facilities in place at 30 July 2011 are unsecured, subject to various representations, undertakings, events of default and review events which are usual for facilities of this nature.

(c) Fair value

The carrying amounts and fair values of borrowings at balance date are:

	2011		2010	
Group	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Bank loans	**419,591**	**419,591**	419,919	419,919
	419,591	**419,591**	419,919	419,919

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

(d) Risk exposures

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

19 Non-current liabilities – Deferred tax liabilities

	Consolidated	
	2011 $'000	**2010 $'000**
The balance comprises temporary differences attributable to:		
Amounts recognised in profit or loss		
Property, plant, equipment and software	**10,772**	5,091
Deferred stamp duty	**1,309**	1,424
Brand name	**8,568**	1,622
Derivative financial instruments	**16**	165
Sundry items	**37**	975
	20,702	9,277
Set off of deferred tax liabilities pursuant to set off provisions (note 14)	**(20,702)**	(9,277)
Net deferred tax liabilities	**–**	–
Movements:		
Balance at beginning of period	**9,277**	4,958
Charged/(credited) to profit or loss (note 7)	**4,607**	4,319
Charged/(credited) to other comprehensive income	**(232)**	–
Acquisition of subsidiary (note 31)	**7,050**	–
Balance at end of period	**20,702**	9,277

20 Non-current liabilities – Provisions

	Consolidated	
	2011 $'000	**2010 $'000**
Employee benefits	**4,374**	4,331
Fixed lease rental increases	**41,935**	45,841
Unfavourable lease contracts	**3,082**	5,322
Other	**–**	5,000
	49,391	60,494

(a) Fixed lease rental increases

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

(b) Unfavourable lease contracts

At the date the Myer business was acquired, the business was party to a number of unfavourable lease contracts compared to market rentals payable at the time. As part of the acquisition accounting, a provision was raised for the difference between the rentals committed under these leases and the market value of these leases.

Notes to the financial statements continued

20 Non-current liabilities – Provisions *continued*

(c) Movements in provisions

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

	Fixed lease rental increases $'000	Unfavourable lease contracts $'000	Other $'000	Total $'000
2011 consolidated				
Carrying amount at start of period	**45,841**	**5,322**	**5,000**	**56,163**
Additional amounts recognised	**2,391**	**–**	**–**	**2,391**
Amounts unused and reversed during the period	**–**	**–**	**(5,000)**	**(5,000)**
Amounts utilised during the period	**(6,297)**	**(2,240)**	**–**	**(8,537)**
Carrying amount at end of period	**41,935**	**3,082**	**–**	**45,017**
2010 consolidated				
Carrying amount at start of period	51,257	7,775	5,000	64,032
Additional amounts recognised	856	–	–	856
Amounts utilised during the period	(6,272)	(2,453)	–	(8,725)
Carrying amount at end of period	45,841	5,322	5,000	56,163

21 Non-current liabilities – Other

		Consolidated	
	Notes	2011 $'000	2010 $'000
Financial liability	24(b) (iii)	**30,553**	–
Long term payable		**2,000**	–
Retirement benefit obligations	22	**459**	855
		33,012	855

22 Non-current liabilities – Retirement benefit obligations

(a) Superannuation Plan

The Group currently contributes to a number of superannuation funds, most of which are defined contribution funds, with one defined benefit fund. The Myer Super Plan is a defined benefit plan in the Mercer Super Trust, whose trustee is Mercer Investment Nominees Limited and is currently administered by Mercer (Australia) Pty Ltd. Myer employees who were members of the Coles Myer Super Plan on 2 June 2006 were transferred to the Myer Super Plan effective 2 June 2006 (defined contribution members) and 1 January 2007 (defined benefit members) as a consequence of the acquisition of the Myer business. On transfer of Myer employees to the new fund, assets representing the employees' benefit entitlements at the date of transfer were also transferred.

The following sets out details in respect of the defined benefit section only. The expense recognised in relation to the defined contribution plans is disclosed in note 6.

(b) Balance sheet amounts

The amounts recognised in the balance sheet (within other non-current liabilities) are determined as follows:

	Consolidated	
	2011 $'000	2010 $'000
Present value of the defined benefit obligation	**5,979**	6,468
Fair value of defined benefit plan assets	**(5,520)**	(5,613)
	459	855
Unrecognised past service costs	**–**	–
Net liability in the balance sheet	**459**	855

The Group has no legal obligation to settle this liability with an immediate contribution or additional one off contributions.

(c) Categories of plan assets

The main categories of plan assets are as follows:

	Consolidated	
	2011 $'000	**2010 $'000**
Cash	**552**	337
Equity instruments	**3,422**	3,985
Fixed Income	**773**	730
Property	**773**	561
	5,520	5,613

(d) Reconciliations

	Consolidated	
	2011 $'000	**2010 $'000**
Reconciliation of the defined benefit obligation which is partly funded		
Opening balance	**6,468**	8,495
Current service cost	**153**	235
Interest cost	**238**	348
Contributions by plan participants	**60**	66
Actuarial (gains) and losses	**23**	285
Benefits paid	**(887)**	(2,572)
Taxes and premiums paid	**(76)**	(389)
Balance at end of the period	**5,979**	6,468
Reconciliation of the fair value of plan assets		
Opening balance	**5,613**	5,791
Expected return on plan assets	**353**	346
Actuarial gains and (losses)	**206**	158
Contributions by Group companies	**251**	2,213
Contributions by plan participants	**60**	66
Benefits paid	**(887)**	(2,572)
Taxes and premiums paid	**(76)**	(389)
Balance at end of the period	**5,520**	5,613

Notes to the financial statements *continued*

22 Non-current liabilities – Retirement benefit obligations *continued*

(e) Amounts recognised in profit or loss

The amounts recognised in profit or loss are as follows:

	Consolidated	
	2011 $'000	**2010 $'000**
Current service cost	**153**	235
Interest cost	**238**	348
Expected return on plan assets	**(353)**	(346)
Total included in employee benefits expense	**38**	237
Actual return on plan assets	**559**	504

(f) Amounts recognised in other comprehensive income

The amounts recognised in other comprehensive income were as follows:

	Consolidated	
	2011 $'000	**2010 $'000**
Actuarial (loss)/gain for the period	**183**	(127)
Cumulative actuarial (losses)/gains recognised in other comprehensive income	**(5,252)**	(5,435)

(g) Principal actuarial assumptions

The principal actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated	
	2011 $'000	**2010 $'000**
Discount rate	**4.10%**	4.20%
Expected return on plan assets	**7.00%**	7.00%
Future salary increases	**3.50%**	3.50%

The expected rate of return on plan assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories. This resulted in the selection of a 7.0% rate of return net of taxes and fees.

(h) Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than three yearly intervals. However, due to the state of financial markets during the period, the Company commissioned the actuary to provide more regular updates on the fund's financial position.

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the aggregate funding method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Total employer contributions expected to be paid by Group companies for the period ending 28 July 2012 are $404 thousand.

The economic assumptions used by the actuary to make the funding recommendations were a long term investment earning rate of 7.0% pa (net of fees and taxes), a salary increase rate of 3.5% pa and a discount rate of 4.1%.

(h) Employer contributions continued

(i) Historic summary

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Defined benefit plan obligation	**(5,979)**	(6,468)	(8,495)	(39,251)	(49,142)
Plan assets	**5,520**	5,613	5,791	38,525	48,908
Deficit	**(459)**	(855)	(2,704)	(726)	(234)
Experience adjustments (gain)/loss – plan assets	**(206)**	(158)	6,068	7,183	(2,632)
Experience adjustments (gain) – plan liabilities	**12**	256	(3,208)	(5,673)	3,408

23 Contributed equity

	2011 Number of shares	2010 Number of shares	2011 $'000	2010 $'000
Opening balance	**581,517,884**	457,769,439	**553,962**	84,946
Ordinary shares issued under IPO	**–**	76,387,581	**–**	313,189
Ordinary shares issued under Myer Notes exchange	**–**	29,852,728	**–**	122,396
Ordinary shares issued under employee gift offer	**–**	1,449,888	**–**	5,945
Options exercised at $0.01 per ordinary share during the period	**480,000**	5,211,113	**5**	52
Options exercised at $1.27 per ordinary share during the period	**–**	513,333	**–**	652
Shares issued to Employee Share Scheme Trust at market value during the period	**1,150,000**	10,333,802	**3,668**	36,750
	583,147,884	581,517,884	**557,635**	563,930
Less: Transaction costs arising on share issue net of tax	**–**	–	**–**	(9,968)
	583,147,884	581,517,884	**557,635**	553,962
Treasury shares				
Opening balance	**(537,016)**	–	**(36,834)**	–
Shares issued to Employee Share Scheme Trust	**(1,150,000)**	(10,333,802)	**(3,668)**	(36,750)
Shares allocated on exercise of options at $0.01 during the period	**480,000**	9,551,905	**5**	96
Shares allocated on exercise of options at $1.27 during the period	**208,278**	506,881	**264**	643
Shares allocated on exercise of options at $3.00 during the period	**692,333**	–	**2,077**	–
Shares acquired by Employee Share Scheme Trust	**–**	(262,000)	**–**	(823)
Closing balance of Treasury shares	**(306,405)**	(537,016)	**(38,156)**	(36,834)
Closing balance	**582,841,479**	580,980,868	**519,479**	517,128

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Treasury shares

Treasury shares are shares in Myer Holdings Limited that are held by the Myer Equity Plans Trust for the purposes of issuing shares under the Myer Equity Incentive Plan (see note 38 for further information).

Notes to the financial statements *continued*

23 Contributed equity *continued*

(c) Employee share and option schemes

Information relating to the employee share and option schemes, including details of shares issued under the scheme, is set out in note 38.

(d) Share issue and exercise of options

The Company issued a further 480,000 new ordinary shares during the reporting period at $0.01 per share.

In the prior period, the Company was listed on the Australian Securities Exchange (ASX). At this time, the Company held an Initial Public Offer of shares in the Company and 76,387,581 shares were issued. Furthermore, Myer Note holders were given the opportunity to exchange Myer Notes at a 2.5 % discount and as a result a further 29,852,728 shares were issued under the Myer Notes exchange. During the IPO process, eligible employees were offered the opportunity to acquire, at no cost, shares up to the value of $725. Under the gift offer 1,449,888 shares were issued.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

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

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

The gearing ratios at 30 July 2011 and 31 July 2010 were as follows:

		Consolidated	
	Notes	2011 $'000	2010 $'000
Total borrowings	18	**419,591**	419,919
Less: Cash and cash equivalents	8	**(37,274)**	(105,834)
Net debt		**382,317**	314,085
Total equity		**861,330**	857,440
Total capital		**1,243,647**	1,171,525
Gearing ratio		**31%**	27%

The increase in the gearing ratio during 2011 was primarily driven by the increase in net debt associated with the sass & bide acquisition.

24 Reserves and retained profits

(a) Retained profits

Movements in retained profits were as follows:

	Consolidated	
	2011 $'000	2010 $'000
Balance at beginning of period	**320,470**	314,446
Items of other comprehensive income recognised directly in retained earnings:		
Actuarial (losses)/gains on retirement benefit obligation, net of tax (note 22 (f))	**183**	(127)
Dividends	**(130,981)**	(61,031)
Net profit/(loss) for the period	**159,724**	67,182
Balance at end of period	**349,396**	320,470

(b) Reserves

	Consolidated	
	2011 $'000	**2010 $'000**
Share-based payments (i)	**19,314**	19,754
Cash flow hedges (ii)	**(2,699)**	88
Other reserve (iii)	**(31,650)**	–
Foreign currency translation reserve (iv)	**(85)**	–
	(15,120)	19,842
Movements:		
Share-based payments		
Balance at beginning of period	**19,754**	6,890
Share-based payments expense recognised	**(1,409)**	5,749
Income tax (notes 7, 14 and 19)	**969**	7,115
Balance at end of period	**19,314**	19,754
Cash flow hedges		
Balance at beginning of period	**88**	(26,160)
Revaluation – gross	**(6,009)**	9,753
Deferred tax (notes 14 and 19)	**1,041**	(2,925)
Transfer to net profit – gross	**1,289**	352
Deferred tax (notes 14 and 19)	**(387)**	(106)
Transfer to net profit IPO related – gross	**–**	29,019
Deferred tax (notes 14 and 19)	**–**	(8,706)
Transfer to inventory and other assets – gross	**1,827**	(1,627)
Deferred tax (notes 14 and 19)	**(548)**	488
Balance at end of period	**(2,699)**	88
Other reserve		
Balance at beginning of period	**–**	–
Other reserve recognised	**(31,650)**	–
Balance at end of period	**(31,650)**	–
Foreign currency translation		
Balance at beginning of period	**–**	–
Currency translation differences arising during the period	**(85)**	–
Balance at end of period	**(85)**	–

(i) Share-based payments

The share-based payments reserve is used to recognise the fair value of options issued to employees but not exercised.

(ii) Cash flow hedges

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

Notes to the financial statements *continued*

24 Reserves and retained profits *continued*

(b) Reserves continued

(iii) Other reserve

Under the shareholders' agreement entered into with the non-controlling shareholders at the time of acquisition, the Group holds a call option over the non-controlling shareholders' 35% interest in Boogie & Boogie Pty Ltd, the owner of sass & bide, and the non-controlling shareholders have a corresponding put option. These options are exercisable at any time after 2 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 will be re-assessed each reporting date for any change in the expected liability on exercise, with the impact recognised within 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 profit or loss when the net investment is disposed of.

25 Dividends

	Consolidated	
	2011 $'000	**2010 $'000**
(a) Ordinary shares		
Final dividend for the period ended 31 July 2010 of 11.5 cents (2009: nil) per fully paid share paid 4 November 2010 (2009: nil)		
Fully franked based on tax paid at 30%	**66,870**	–
Interim dividend for the period ended 30 July 2011 of 11.0 cents (2010: 10.5 cents) per fully paid share paid 12 May 2011 (2010: 6 May 2010)		
Fully franked based on tax paid at 30%	**64,111**	61,031
Total dividends provided for or paid	**130,981**	61,031
(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 11.5 cents per fully paid ordinary share (2010: 11.5 cents), fully franked based on tax paid at 30%.		
The aggregate amount of the proposed dividend expected to be paid on 16 November 2011, but not recognised as a liability at period end, is:	**67,027**	66,813
(c) Franked dividends		
The franked portions of the final dividends recommended after 30 July 2011 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 28 July 2012.		
Franking credits available for subsequent financial periods based on a tax rate of 30% (2010: 30%)	**33,954**	73,500

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 $29 million (2010: reduction of $29 million).

26 Key Management Personnel disclosures

(a) Key Management Personnel compensation

Key Management Personnel compensation for the period ended 30 July 2011 is set out below. The Key Management Personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly, including the Directors of Myer Holdings Limited.

	Consolidated	
	2011 $'000	**2010 $'000**
Short term employee benefits	**4,955,262**	8,380,113
Post employment benefits	**233,723**	266,191
Long term benefits	**921,901**	1,021,362
Termination and other benefits	**–**	3,212,616
Share-based payments	**(1,305,329)**	3,701,454
	4,805,557	16,581,736

Detailed remuneration disclosures are provided in the Remuneration Report on pages 40 to 53.

(b) Equity instrument disclosures relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report on pages 40 to 53.

(ii) Option holdings

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

2011 Name	Balance at start of the period	Granted as compensation	Exercised	Other changes	Balance at end of the period	Vested and exercisable	Unvested
Directors of Myer Holdings Limited							
Howard McDonald	26,667	–	–	–	26,667	–	26,667
Bernard Brookes	7,860,394	–	(480,000)	–	7,380,394	–	7,380,394
Tom Flood	10,000	–	–	–	10,000	–	10,000
Rupert Myer	–	–	–	–	–	–	–
Anne Brennan	–	–	–	–	–	–	–
Peter Hay	–	–	–	–	–	–	–
Chris Froggatt	–	–	–	–	–	–	–
Other Key Management Personnel of the Group							
Mark Ashby	1,420,168	–	(80,000)	–	1,340,168	253,333	1,086,835
Penny Winn	1,320,168	–	–	–	1,320,168	166,667	1,153,501
Greg Travers	478,836	–	–	–	478,836	–	478,836
Nick Abboud	1,016,036	–	(30,000)	–	986,036	–	986,036

All vested options are exercisable at the end of the period.

Notes to the financial statements continued

26 Key Management Personnel disclosures *continued*

(b) Equity instrument disclosures relating to Key Management Personnel continued

2010 Name	Balance at start of the period	Granted as compensation	Exercised	Other changes	Balance at end of the period	Vested and exercisable	Unvested
Directors of Myer Holdings Limited							
Howard McDonald	400,000	–	(373,333)	–	26,667	–	26,667
Bernard Brookes	5,600,000	7,380,394	(5,120,000)	–	7,860,394	–	7,860,394
Tom Flood	150,000	–	(140,000)	–	10,000	–	10,000
William Wavish	5,600,000	–	–	(5,600,000)	–	-	
Rupert Myer	–	–	–	–	–	–	-
Anne Brennan	–	–	–	–	–	–	-
Peter Hay	–	–	–	–	–	–	-
Other Key Management Personnel of the Group							
Mark Ashby	1,000,000	420,168	–	–	1,420,168	333,333	1,086,835
Penny Winn	900,000	420,168	–	–	1,320,168	166,667	1,153,501
Greg Travers	684,446	420,168	(625,778)	–	478,836	–	478,836
Nick Abboud	658,444	420,168	(62,576)	–	1,016,036	30,000	986,036

William Wavish has been included as a Director for the start of 2010 but due to his resignation as a Director on 4 August 2009 his option holdings have been removed in 'Other changes'.

(iii) 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.

2011 Name	Balance at the start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at the end of the period
Directors of Myer Holdings Limited				
Ordinary shares				
Howard McDonald	2,047,723	–	–	2,047,723
Bernard Brookes	11,066,630	480,000	–	11,546,630
Tom Flood	390,000	–	–	390,000
Rupert Myer	725,710	–	–	725,710
Anne Brennan	53,658	–	–	53,658
Peter Hay	12,195	–	–	12,195
Chris Froggatt	–	–	10,040	10,040
Other Key Management Personnel of the Group				
Ordinary shares				
Mark Ashby	185,257	80,000	(20,000)	245,257
Penny Winn	200,000	–	–	200,000
Greg Travers	2,017,140	–	(480,000)	1,537,140
Nick Abboud	288,132	30,000	(318,132)	–

(b) Equity instrument disclosures relating to Key Management Personnel continued

2010 Name	Balance at the start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at the end of the period
Directors of Myer Holdings Limited				
Ordinary shares				
Howard McDonald	1,650,000	373,333	24,390	2,047,723
Bernard Brookes	6,650,000	5,120,000	(703,370)	11,066,630
Tom Flood	250,000	140,000	–	390,000
William Wavish	6,650,000	–	(6,650,000)	–
Rupert Myer	–	–	725,710	725,710
Anne Brennan	–	–	53,658	53,658
Peter Hay	–	–	12,195	12,195
Other Key Management Personnel of the Group				
Ordinary shares				
Mark Ashby	220,000	–	(34,743)	185,257
Penny Winn	200,000	–	–	200,000
Greg Travers	1,615,554	625,778	(224,192)	2,017,140
Nick Abboud	391,556	62,576	(166,000)	288,132

William Wavish has been included as a Director for the start of 2010 but due to his resignation as a Director on 4 August 2009 his share holdings have been removed in 'Other changes during the period'.

(c) Loans to Key Management Personnel

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

(i) Aggregates for Key Management Personnel

Group	Balance at the start of the period $	Interest paid and payable for the period $	Interest not charged $	Balance at the end of the period $	Number in Group at the end of the period
2011	–	–	–	–	–
2010	46,197	406	–	–	1

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

In 2010 and 2011 there were no loans to individuals that exceeded $100,000 at any time.

(d) Other transactions with Key Management Personnel

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

Notes to the financial statements continued

27 Remuneration of auditors

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

	Consolidated	
	2011 52 weeks $	**2010 53 weeks $**
(a) PwC Australia		
(i) Assurance services		
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**334,460**	285,800
Other assurance services		
Audit of rent certificates	**34,100**	43,500
Other	**29,026**	105,570
Total remuneration for other assurance services	**63,126**	149,070
Total remuneration for assurance services	**397,586**	434,870
(ii) Taxation services		
Tax consulting and tax advice	**284,748**	248,516
(iii) Initial Public Offering services		
Initial Public Offering related services	**–**	1,966,156
(iv) Other services		
Other services	**51,729**	–
Total remuneration of PwC Australia	**734,063**	2,649,542
(b) Overseas practices of PwC		
(i) Other services		
Other services	**60,593**	–
Total remuneration for overseas practices of PwC	**60,593**	–
(c) Other firms		
(i) Assurance services		
Audit services		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**69,500**	–
Other assurance services		
Audit of rent certificates	**3,000**	–
Other	**4,231**	–
Total remuneration for other assurance services	**7,231**	–
Total remuneration for assurance services	**76,731**	–
(ii) Taxation services		
Tax consulting and tax advice	**19,000**	–
Total remuneration of other firms	**95,731**	–

28 Contingencies

Contingent liabilities

The Group had contingent liabilities at 30 July 2011 in respect of:

Guarantees

For information about guarantees given by entities within the Group, including the parent entity, please refer to notes 33 and 36.

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

29 Commitments

(a) Capital commitments

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

	Consolidated	
	2011 $'000	**2010 $'000**
Property, plant, equipment and software		
Payable:		
Within one year	**13,613**	28,223
Later than one year but not later than five years	**–**	–
Later than five years	**–**	–
	13,613	28,223

(b) Lease commitments: Group as lessee

Operating leases

The Group leases the majority of its stores and warehouses under non-cancellable operating leases expiring within 1 to 26 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Consolidated	
	2011 $'000	**2010 $'000**
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**195,403**	190,054
Later than one year but not later than five years	**668,759**	675,034
Later than five years	**1,586,957**	1,505,950
	2,451,119	2,371,038

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 percentage of sales revenue and the relevant thresholds vary from lease to lease.

30 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 32.

(c) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 26.

(d) Transactions with other related parties

During the prior period the Group incurred a management fee of $63,000 with Newbridge Capital LLC, an entity associated with the Group's previous ultimate parent entity for services provided to the Group. There were no transactions with other related parties during the current period.

Notes to the financial statements continued

31 Business combination

(a) Summary of acquisition

On 2 March 2011 the parent entity acquired 65% of the issued share capital of Boogie & Boogie Pty Ltd, the owner of sass & bide. sass & bide is one of Australia's most respected and successful women's fashion brands.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	41,274
Contingent consideration	–
Total purchase consideration	41,274

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair Value $'000
Cash	900
Trade receivables	1,382
Inventories	3,869
Property, plant and equipment	4,219
Deferred tax asset	832
Intangible assets	23,803
Other assets	267
Trade and other payables	(2,141)
Provisions	(483)
Deferred tax liability	(7,050)
Other liabilities	(3,787)
Net identifiable assets acquired	21,811
Less: non-controlling interests	(7,634)
Add: goodwill	27,097
Net assets acquired	41,274

The goodwill acquired is attributable to the workforce acquired and the potential to increase the profitability of the acquired business. It will not be deductible for tax purposes.

There were no acquisitions in the year ending 31 July 2010.

(i) Contingent consideration

In the event that certain pre-determined performance hurdles were achieved by the subsidiary, there was an allowance in the terms of the transaction for the vendors to be paid an earn-out on performance for the year ended 30 July 2011. However, based on the performance of the subsidiary there will be no amount payable under the earn-out and therefore we have not recorded a liability for this item.

(ii) Non-controlling interests

In accordance with the accounting policy set out in note 1(h), the Group elected to recognise the non-controlling interests in Boogie and Boogie Pty Ltd at its proportionate share of the acquired net identifiable assets.

(iii) Revenue and profit contribution

The acquired business contributed revenues of $14.1m and net loss of $0.2m to the Group for the period from 2 March 2011 to 30 July 2011.

If the acquisition had occurred on 1 August 2010, consolidated revenue and profit for the year ended 30 July 2011 would have been $38.0m and $3.2m respectively. These amounts have been calculated using the Group's accounting policies.

(b) Purchase consideration – cash outflow

	2011 $'000	2010 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**41,274**	–
Less balances acquired:		
Cash	**900**	–
Outflow of cash – investing activities	**40,374**	–

Acquisition related costs

Acquisition related costs of $0.7m are included in administration expenses in profit or loss and in operating cash flows in the statement of cash flows.

32 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	Country of incorporation	Class of shares	Equity holdings[4] 2011 %	Equity holdings[4] 2010 %
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**	0
Shanghai Myer Service Company Ltd	China	Ordinary	**100**	0
Boogie & Boogie Pty Ltd	Australia	Ordinary	**65**	0
sass & bide Pty Ltd[2]	Australia	Ordinary	**65**	0
sass & bide Retail Pty Ltd[2]	Australia	Ordinary	**65**	0
sass & bide Retail (NZ) Pty Ltd	Australia	Ordinary	**65**	0
sass & bide UK Limited	United Kingdom	Ordinary	**65**	0
sass & bide USA inc.	USA	Ordinary	**65**	0
sass & bide inc.	USA	Ordinary	**65**	0

Notes:

1 Each of these entities has been granted relief from the necessity to prepare financial statements in accordance with Class Order 98/1418 issued by 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 33.

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 2010 or 2011.

Notes to the financial statements *continued*

33 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 ASIC.

Each of the members of the extended 'closed group' are considered to be solvent at 30 July 2011.

(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 30 July 2011 of the closed group.

Income statement	2011 52 weeks $'000	2010 53 weeks $'000
Total sales value (excluding GST)	**3,145,346**	3,324,240
Concession Sales	**(452,000)**	(449,950)
Sale of goods (excluding GST)	**2,693,346**	2,874,290
Sales revenue deferred under customer loyalty program	**(40,104)**	(49,256)
Revenue from sale of goods (excluding GST)	**2,653,242**	2,825,034
Other operating revenue (excluding finance revenue)	**109,559**	103,822
Cost of goods sold	**(1,545,733)**	(1,672,073)
Other income	**45,904**	60,580
Operating gross profit	**1,262,972**	1,317,363
Selling expenses	**(713,060)**	(729,956)
Administration expenses	**(290,101)**	(317,518)
Store closure and Restructuring costs	**(10,476)**	–
Profit on sale of financial asset	**11,680**	–
Earnings before interest and tax before non-recurring Initial Public Offering (IPO) transaction costs and related charges	**261,015**	269,889
Finance revenue	**2,139**	2,709
Finance costs	**(37,646)**	(44,570)
Net finance costs	**(35,507)**	(41,861)
Profit before income tax before non-recurring IPO transaction costs and related charges	**225,508**	228,028
Income tax expense	**(61,465)**	(64,819)
Profit for the period before non-recurring IPO transaction costs and related charges	**164,043**	163,209
IPO transaction costs and other non-recurring IPO related charges (after tax)	**(3,522)**	(96,352)
Profit for the period	**160,521**	66,857

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

Statement of comprehensive income	2011 52 weeks $'000	2010 53 weeks $'000
Profit for the period	**160,521**	66,857
Other comprehensive income		
Cash flow hedges	**(2,665)**	8,478
Non-recurring IPO related transfers to profit and loss	**–**	29,019
Actuarial gains/(losses) on retirement benefit obligation	**183**	(127)
Exchange differences on translation of foreign operations	**–**	–
Income tax relating to components of other comprehensive income	**38**	(11,249)
Other comprehensive income for the period, net of tax	**(2,444)**	26,121
Total comprehensive income for the period	**158,077**	92,978

Summary of movements in consolidated retained earnings	2011 52 weeks $'000	2010 53 weeks $'000
Retained earnings at the beginning of the financial year	**320,167**	314,468
Profit for the period	**160,521**	66,857
Actuarial gains/(losses) on retirement benefit obligation	**183**	(127)
Dividends provided for or paid	**(130,981)**	(61,031)
Retained earnings at the end of the financial year	**349,890**	320,167

Notes to the financial statements *continued*

33 Deed of cross guarantee *continued*

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 30 July 2011 of the closed group.

	2011 $'000	2010 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**36,149**	105,214
Trade and other receivables	**26,455**	23,954
Inventories	**376,406**	352,813
Total current assets	**439,010**	481,981
Non-current assets		
Other financial assets	**41,368**	6,004
Derivative financial instruments	**258**	549
Property, plant and equipment	**530,476**	468,050
Deferred tax assets	**53,635**	70,837
Intangible assets	**891,972**	921,020
Other	**4,420**	4,763
Total non-current assets	**1,522,129**	1,471,223
Total assets	**1,961,139**	1,953,204
LIABILITIES		
Current liabilities		
Trade and other payables	**409,913**	437,260
Derivative financial instruments	**7,247**	1,208
Current tax liabilities	**32,899**	9,446
Provisions	**89,954**	104,451
Other	**3,078**	4,741
Total current liabilities	**543,091**	557,106
Non-current liabilities		
Borrowings	**419,591**	419,919
Provisions	**49,153**	60,494
Deferred income	**62,448**	57,792
Other	**33,012**	855
Total non-current liabilities	**564,204**	539,060
Total liabilities	**1,107,295**	1,096,166
Net assets	**853,844**	857,038
EQUITY		
Contributed equity	**519,379**	517,028
Retained profits/(losses)	**349,890**	320,167
Reserves	**(15,425)**	19,843
Total equity	**853,844**	857,038

34 Events occurring after the reporting period

Subsequent to 30 July 2011, the Directors have determined to pay a final dividend of 11.5 cents per share, franked to 100% at the 30% corporate income tax rate, payable on 16 November 2011. The record date for this dividend is 30 September 2011.

The financial effect of the final ordinary dividend for 2011 has not been recognised in the annual financial statements for the period ended 30 July 2011 and will be recognised in subsequent financial statements.

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

	Consolidated	
	2011 52 weeks $'000	**2010 53 weeks $'000**
Profit for the period	**159,665**	67,182
Depreciation and amortisation including lease inducements	**79,443**	62,705
Interest income	**(2,169)**	(2,725)
Fair value adjustment to derivatives	**2,628**	79
Interest expense – unwind of borrowing costs	**2,173**	1,694
IPO and related expenses	**5,031**	134,880
Share based payments expense	**(1,410)**	5,750
Profit on sale of financial asset	**(11,680)**	–
Defined benefits superannuation	**(319)**	(67)
Change in operating assets and liabilities		
Decrease (increase) in trade and other receivables	**1,582**	6,703
Decrease (increase) in inventories	**(24,008)**	1,131
Decrease (increase) in deferred tax asset	**18,314**	20,501
Increase (decrease) in trade and other payables	**6,497**	(38,943)
(Decrease) increase in current tax payable	**22,802**	2,493
(Decrease) increase in provisions	**(27,278)**	(18,310)
(Decrease) increase in other liabilities	**(4,220)**	(2,022)
Net cash (outflow) inflow from operating activities	**227,051**	241,051

Notes to the financial statements *continued*

36 Parent entity financial information

(a) Summary financial information

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

	2011 $'000	2010 $'000
Balance sheet		
Current assets	**45,621**	188,411
Total assets	**948,567**	1,054,934
Current liabilities	**56,912**	34,588
Total liabilities	**507,056**	454,507
Shareholders' equity		
Issued capital	**519,479**	517,128
Reserves		
Cash flow hedges	**258**	384
Other reserve	**(31,650)**	–
Share-based payments	**11,230**	12,640
Retained earnings	**(57,806)**	70,275
Profit for the period	**2,900**	128,078
Total comprehensive income	**2,774**	128,462

(b) Guarantees entered into by the parent entity

	2011 $'000	2010 $'000
Carrying amount included in current liabilities	**–**	–

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

The parent entity is also party to a deed of cross guarantee entered into on 10 May 2010. The details of the deed of cross guarantee are set out in Note 33. At balance date, no liability has been recognised in relation to these guarantees on the basis that the potential exposure is not considered material.

The parent entity has issued bank guarantees amounting to $31.4 million, of which $23.8 million represents guarantees supporting workers' compensation self insurance licences in various jurisdictions.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 July 2011 or 31 July 2010. 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 30 July 2011 or 31 July 2010.

(e) Event subsequent to balance date

Subsequent to the end of the financial year, on 14 September 2011 the Company received a dividend from a subsidiary company of $264.2 million, representing payment of undistributed profits of subsidiaries of the current and prior financial year.

37 Earnings per share

	Consolidated	
	2011 $'000	2010 $'000
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**27.4**	12.3
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**27.3**	12.1
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**159,724**	67,182
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	**159,724**	67,182

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2011 Number	2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**582,174,903**	548,286,696
Adjustments for calculation of diluted earnings per share:		
Options	**3,778,086**	7,644,061
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**585,952,989**	555,930,757

(e) Information concerning the classification of securities

(i) Options

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 38.

10,573,672 options outstanding at period end are not included in the calculation of diluted earnings per share because they are antidilutive for the period ended 30 July 2011. These options could potentially dilute basic earnings per share in the future.

Notes to the financial statements *continued*

38 Share-based payments

(a) Employee Option Plan

The Myer Equity Incentive Plan was 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. Under the plan, options have been issued in Myer Holdings Limited, the Group's ultimate Australian parent, under six tranches since November 2006 as follows:

Tranche 1	Issued November to December 2006. Options were granted with time-based and performance-based components. Two-thirds of the options granted were to vest evenly over a 5 year period provided the participant remained with the Group, with the other third vesting upon the achievement of certain EBITDA targets. Under the terms of the offer, as a result of the IPO, 80% of unvested options vested immediately on 6 November 2009, with the remainder vesting on the second anniversary of IPO with the exception of the CEO, whose remaining options under the tranche vested on the first anniversary of the IPO.
Tranche 2	Issued August 2007. Options were granted with time-based and performance-based components. Two-thirds of the options granted were to vest evenly over a 4 year period provided the participant remained with the Group, with the other third vesting upon the achievement of certain EBITDA targets. Under the terms of the offer, as a result of the IPO, 80% of unvested options vested immediately on 6 November 2009, with the remainder vesting on the second anniversary of IPO.
Tranche 3	Issued January to July 2008. Options vest on a time basis evenly over the three year period from 31 July 2010 to 31 July 2012.
Tranche 4	Issued 17 December 2008. Options vest on a time basis over the three year period from 31 July 2011 to 31 July 2013.
Tranche 5	Issued 30 June 2009. Options vest on a time basis over the three year period from 31 July 2012 to 31 July 2014.
Tranche 6: EPS Mgt Plan	Issued 6 November 2009. Options vest on an EPS performance basis over a three year period from November 2009 to 31 July 2012, subject to performance hurdles being met.
Tranche 6: EPS CEO Plan	Issued 6 November 2009. Options vest on an EPS performance basis over a four year period from November 2009 to 31 July 2013, subject to performance hurdles being met.
Tranche 6: Share price CEO Plan	Issued 6 November 2009. Options vest on a share price performance basis over the four year period from November 2009 to 31 July 2013, the timing of which is subject to performance hurdles being met.

Options are granted under the plan for no consideration, and carry no dividend or voting rights. When exercisable, each option 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 granted under the plan:

Grant date	Expiry date	Exercise price ($)	Balance at start of period (number)	Granted during the period (number)	Exercised during the period (number)	Lapsed during the period (number)	Balance at end of period (number)	Vested and exercisable at end of the period (number)
Consolidated – 2011								
Tranche 1:								
Nov to Dec 2006	**15 Oct 2011**	**$0.01**	**1,287,475**	**–**	**(960,000)**	**(10,666)**	**316,809**	**–**
Tranche 2:								
Aug to Nov 2007	**15 Oct 2011**	**$1.27**	**365,341**	**–**	**(208,278)**	**–**	**157,063**	**66,725**
Tranche 3:								
Jan to May 2008	**21 Dec 2012**	**$3.00**	**9,028,213**	**–**	**(692,333)**	**(895,300)**	**7,440,580**	**2,118,638**
Tranche 4:								
17 Dec 2008	**24 Oct 2013**	**$2.14**	**4,302,863**	**–**	**–**	**(597,000)**	**3,705,863**	**–**
Tranche 5:								
30 Jun 2009	**24 Oct 2014**	**$2.34**	**4,702,900**	**–**	**–**	**(549,000)**	**4,153,900**	**–**
Tranche 6: EPS Mgt Plan								
06 Nov 2009	**19 Dec 2012**	**$4.10**	**3,445,379**	**–**	**–**	**(252,101)**	**3,193,278**	**–**
Tranche 6: EPS CEO Plan								
06 Nov 2009	**19 Dec 2013**	**$4.10**	**5,152,671**	**–**	**–**	**–**	**5,152,671**	**–**
Tranche 6: Share Price CEO Plan								
06 Nov 2009	**19 Dec 2013**	**$5.74**	**2,227,723**	**–**	**–**	**–**	**2,227,723**	**–**
Total			**30,512,565**	**–**	**(1,860,611)**	**(2,304,067)**	**26,347,887**	**2,185,363**
Weighted average exercise price			**$3.14**	**–**	**$1.26**	**$2.73**	**$3.31**	**$2.95**

Notes to the financial statements continued

38 Share-based payments *continued*

(a) Employee Option Plan continued

Grant date	Expiry date	Exercise price ($)	Balance at start of period (number)	Granted during the period (number)	Exercised during the period (number)	Lapsed during the period (number)	Balance at end of period (number)	Vested and exercisable at end of the period (number)
Consolidated – 2010								
Tranche 1:								
Nov to Dec 2006	15 Oct 2011	$0.01	16,056,005	–	(14,703,018)	(65,512)	1,287,475	–
Tranche 2:								
Aug to Nov 2007	15 Oct 2011	$1.27	1,476,110	–	(1,080,214)	(30,555)	365,341	275,003
Tranche 3:								
Jan to May 2008	21 Dec 2012	$3.00	9,939,013	–	–	(910,800)	9,028,213	3,009,404
Tranche 4:								
17 Dec 2008	24 Oct 2013	$2.14	4,880,863	–	–	(578,000)	4,302,863	–
Tranche 5:								
30 Jun 2009	24 Oct 2014	$2.34	5,055,900	–	–	(353,000)	4,702,900	–
Tranche 6: EPS Mgt Plan								
06 Nov 2009	19 Dec 2012	$4.10	–	3,445,379	–	–	3,445,379	–
Tranche 6: EPS CEO Plan								
06 Nov 2009	19 Dec 2013	$4.10	–	5,152,671	–	–	5,152,671	–
Tranche 6: Share Price CEO Plan								
06 Nov 2009	19 Dec 2013	$5.74	–	2,227,723	–	–	2,227,723	–
Total			37,407,891	10,825,773	(15,783,232)	(1,937,867)	30,512,565	3,284,407
Weighted average exercise price			$1.45	$4.44	$0.10	$2.49	$3.14	$2.86

No options expired during the periods covered by the above table.

The weighted average share price at the date of exercise of options exercised during the period ended 30 July 2011 was $3.60 (2010: $3.47).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.1 years (2010: 3.0 years).

Fair value of options granted

There were no new options granted during the current period.

As shares in the Company were not listed, the fair value per share at grant date for Tranches 1 to 5 was based on an externally prepared share valuation, prepared as at the grant date. The fair value per share for Tranche 6 was based on market prices as at the grant date.

The expected price volatility is based on estimates of price volatility of comparable listed companies. Expected dividend yield is based on expectations of dividend yield of the Company during the term of the options based on expected returns and dividend policy this period, combined with analysis of dividend yields of comparable listed companies.

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

(b) Employee share acquisition plan – employee gift offer

The Employee Share Acquisition Plan (ESAP) is designed as a broadly based plan to permit employees of the Myer Group to participate, at the invitation of the Board, in the acquisition of shares on terms and conditions determined by the Board. The initial offer under the ESAP, being the Employee gift offer, issued shares on 6 November 2009 to eligible employees for no cash consideration. Eligible employees are permanent full-time and permanent part-time employees of the Myer Group who do not already participate in the Myer Employee Incentive Program (and are not eligible to participate in the MEIP) and were employed at 5.00pm on 2 October 2009 (and remained employed at 5 November 2009).

Under the scheme, eligible employees who accepted the offer were granted 176 shares at a value of $721.60, at no cost. Shares issued under the ESAP are subject to a disposal restriction such that the participant cannot deal (i.e. sell or transfer) in the shares for a minimum period of three years (or earlier if their employment ceases).

	Consolidated	
	2011	**2010**
Number of shares issued under the plan to participating employees on 6 November 2009	–	1,449,888

(c) Expenses arising from share-based payment transactions

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

	Consolidated	
	2011 $'000	**2010 $'000**
Options issued under employee option plan	**(1,409)**	5,749
Shares issued under employee share acquisition plan – employee gift offer	–	5,945
	(1,409)	11,694

The expenses arising from the shares issued under the employee share acquisition plan were recognised within IPO costs.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 54 to 109 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 July 2011 and of its performance for the financial period ended on that date; and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 33 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 33.

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

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

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

Howard McDonald
Chairman

Melbourne, 5 October 2011

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 balance sheet as at 30 July 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Myer Holdings Limited and the Myer Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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pwc

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 July 2011 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 July 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Myer Holdings Limited for the year ended 30 July 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew Mill
Partner

Melbourne
5 October 2011

Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the year ended 30 July 2011, 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
5 October 2011

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Shareholder Information

Shareholder information as at 5 October 2011

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

	Number
Issued capital	583,284,551
Number of shareholders	56,067
Minimum parcel price	$2.07 per unit
Holders with less than a marketable parcel (less than 242 shares)	8,433 holders (1,455,779 total shares)

Distribution of shareholders and shareholdings

Range	Total holders	Units	% of issued capital
1 - 1,000	28,255	13,681,521	2.35
1,001 - 5,000	21,317	48,299,930	8.28
5,001 - 10,000	3,561	26,705,586	4.58
10,001 - 100,000	2,775	64,301,100	11.02
100,001 and over	159	430,296,414	73.77
Total	**56,067**	**583,284,551**	**100.00**

Unmarketable Parcels

	Minimum parcel size	Holders	Units
Minimum $ 500.00 parcel at $ 2.07 per unit	242	8,433	1,455,779

Twenty largest shareholders

Rank	Name	Units	% issued capital
1	HSBC Custody Nominees (Australia) Limited	115,725,634	19.84
2	J P Morgan Nominees Australia Limited	98,932,150	16.96
3	National Nominees Limited	53,298,296	9.14
4	Citicorp Nominees Pty Limited	34,143,305	5.85
5	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	16,403,303	2.81
6	Cogent Nominees Pty Limited	15,811,308	2.71
7	M F Custodians Ltd	11,848,636	2.03
8	Bernard Joseph Brookes	8,300,000	1.42
9	JP Morgan Nominees Australia Limited <Cash Income A/C>	6,530,920	1.12
10	HSBC Custody Nominees (Australia) Limited – A/C 2	6,400,921	1.10
11	Queensland Investment Corporation	4,717,800	0.81
12	CS Fourth Nominees Pty Ltd	2,953,488	0.51
13	Australian Reward Investment Alliance	2,595,900	0.45
14	HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,255,294	0.39
15	UBS Nominees Pty Ltd	2,109,067	0.36
16	AMP Life Limited	2,101,704	0.36
17	UBS Wealth Management Australia Nominees Pty Ltd	1,689,300	0.29
18	Brookes Family Investments Pty Ltd <The Brookes Investment A/C>	1,500,000	0.26
19	Mr John Hawker	1,499,678	0.26
20	Bond Street Custodians Limited <Macquarie Alpha Opport A/C>	1,415,943	0.24
	Total Top 20 shareholders of fully paid ordinary shares	**390,232,647**	**66.90**
	Total Remaining holders balance	**193,051,904**	**33.10**

Substantial shareholder

As at 5 October 2011, there are two substantial shareholders that Myer is aware of:

Name	Date of most recent notice	Relevant interest
BT Investment Management	9 August 2011	50,741,617
Commonwealth Bank of Australia	5 October 2011	29,789,827

Voting Rights

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

Corporate Directory

Registered Office details
Myer Holdings Limited
Level 7
800 Collins Street
Docklands VIC 3008
Phone: +61 (0) 3 8667 6000

Myer Support Office
800 Collins Street
Docklands VIC 3008
Phone: +61 (0) 3 8667 6800

Myer Postal Address
Myer Holdings Limited
PO Box 869J
Melbourne VIC 3001

Company Secretary
Marion Rodwell
General Counsel and Company Secretary

Shareholder Enquiries:
Share Registry
Computershare Investor Services Pty Ltd
Postal address
GPO Box 2975EE
Melbourne VIC 3000

Myer Shareholder Information Line
1300 820 260 (within Australia)
+61 3 9415 4332 (outside Australia)

www.investorcentre.com

Investor Relations
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Investor Relations Manager
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General Manager Corporate Affairs
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Fax: +61 (0) 3 8667 6091

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

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

Website
www.myer.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 2011 Annual General Meeting of Myer Holdings Limited will be held at Mural Hall, Level 6, Myer Melbourne, Bourke St Mall, Melbourne, Victoria on Friday, 25 November 2011 at 11am.

CREATED BY DESIGNATE

MYER
Annual Report **2011**