MYER

ASX & MEDIA RELEASE

17 October 2016

Myer Holdings Limited 2016 Annual Report and Notice of Annual General Meeting

Myer Holdings Limited today released the following documents:

- Annual Report for the year ended 30 July 2016;
- Notice of Meeting (including Proxy Form) for the 2016 Annual General Meeting, which will be held at Mural Hall, located on Level 6 of the Myer Melbourne store, Bourke Street Mall, Melbourne, on Friday 18 November 2016 at 11.00am;
- Appendix 4G and Corporate Governance Statement.

The Annual Report and Notice of Meeting will be dispatched today to shareholders who have elected to receive hard copies.

The 2016 Annual Report is available for download from www.myer.com.au/investor

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ANNUAL REPORT 2016

MYER

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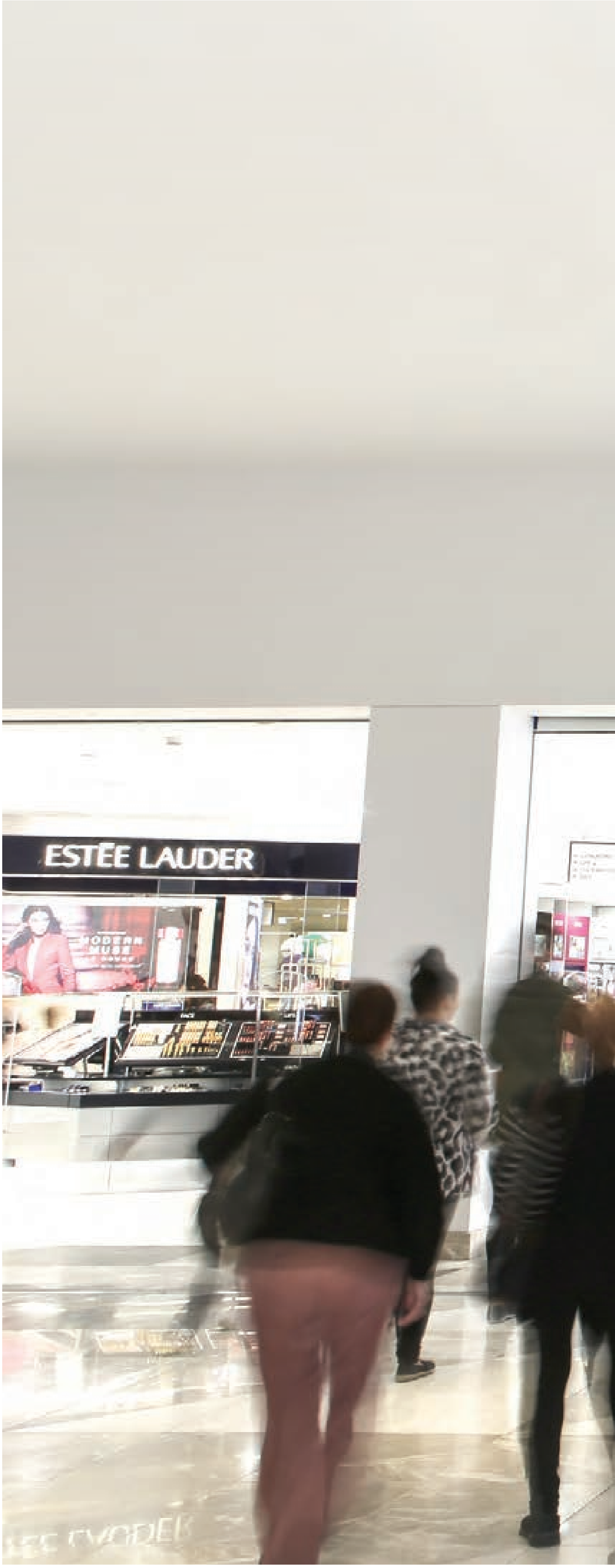
The 2016 Myer Annual Report reflects the company's financial and sustainability performance for the 53 week period between 26 July 2015 and 30 July 2016. This report covers Myer's retail and store support operations in Australia. This report is prepared for all Myer stakeholders including investors, analysts, customers, suppliers, team members, and the wider community.

Content is based on ASX financial and governance reporting guidelines, stakeholder feedback, the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines, and Myer's business strategy.

Further information is available from myer.com.au.

Myer Holdings Limited ABN 14 119 085 602



MYER IS A COMPANY WITH A PROUD HERITAGE AND A BRIGHT FUTURE.

AS THE RETAIL WORLD AND OUR CUSTOMERS CHANGE, WE ARE TRANSFORMING MYER TO DELIVER A REINVIGORATED OFFER AND WONDERFUL EXPERIENCES FOR OUR CUSTOMERS WHO LOVE US TODAY, AND FOR FUTURE GENERATIONS.

ANNUAL GENERAL MEETING

The seventh Annual General Meeting of Myer Holdings Limited will be held on Friday 18 November 2016 at 11.00am (Melbourne time).

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

CHAIRMAN AND CEO REPORT

FY2016 HAS BEEN A TRANSFORMATIVE YEAR FOR MYER AS WE ROLLED OUT SWEEPING INITIATIVES ACROSS EACH OF OUR STRATEGIC PRIORITIES.

Paul McClintock AO and Richard Umbers

Over the past 12 months we have reinvigorated our brand offer; refreshed our approach to customer service; and continued to strengthen Myer's position as an omni-channel retailer. There can be no doubt Myer is a stronger Company today than it was 12 months ago.

We are already seeing some of the initial positive results from these significant efforts in the first 12 months of our five year journey; but there is still a long way to go.

At the end of the first year of our New Myer strategy rollout, we invite our investors, our customers, suppliers and stakeholders alike to see Myer in a new light.

HOW HAS THE NEW MYER STRATEGY PROGRESSED DURING FY2016?

In FY2016 we've made significant progress across each of the key areas of the New Myer strategy. We have done a lot, but there is still much more to do.

New Myer is built on a foundation of wanted brands and in just 12 months we have installed over 850 new or upgraded brand destinations and achieved strong growth in concession sales.

We've continued to invest in new in-store and omni-channel experiences. We work hard to do this every day but there have been some landmark highlights in 2016. We delivered a bigger and better Christmas Giftorium which exceeded our expectations, and we also launched the world's first Virtual Reality store in partnership with eBay.

We are making exciting investments in store upgrades with the new Werribee store a highlight. Werribee is a good example of how New Myer is focusing attention on tailoring stores to local customers.

HOW ARE CUSTOMERS RESPONDING TO NEW MYER?

We are delighted with how our customers are responding to New Myer. A key focus has been additional investment in customer service and training, particularly in our Flagship and Premium stores. This has been rewarded with a 6 percent increase in our national Net Promoter Scores. We've rolled out 2,500 iPads to store teams across the network so every customer can be offered a more extensive product range and we have deployed our own technology like the Myer Shoe Finder App to help our team provide a more personalised service.

In the 12 Flagship and Premium stores in New South Wales and Victoria, comparable sales are up 5.6 percent. Net Promoter Scores in all Flagship and Premium stores have increased by 7.2 percent.

We've also seen growth in omni-channel sales of 74 percent on the prior year with the rate of profit growth in the omni-channel business surpassing sales growth.

HOW DO THESE INITIATIVES TRANSLATE TO THE FY2016 RESULT?

Against the backdrop of the transformation activities taking place across our business, we have delivered a Net Profit After Tax of $69.3 million, which is in line with our guidance to the market.

Sales grew by 2.9 percent[1] to $3,289.6 million, up 3 percent[2] on a comparable stores sales basis and we are seeing our wanted brands and enhanced service strategies gain traction with our customers.

Operating gross profit (OGP) was $1,274.3 million, with margin down 164 basis points to 38.74 percent. This result was driven by the strong customer response to our new wanted brands, which included a higher concession mix with higher sales productivity but lower gross profit margin. In the next 12 months we will roll out a new service and investment model for our Myer Exclusive Brands (MEBs) master brands to support sales and margin in this important category.

The OGP margin was also impacted by the Australian dollar depreciation but this was in part mitigated by our focus on product, price and markdown efficiencies.

In light of the progress made on the implementation of New Myer and the Company's financial performance, the Board has declared a final dividend of 3 cents per share taking the full year dividend to 5 cents per share.

HOW ARE YOU BUILDING THE CULTURE OF NEW MYER?

New Myer has been embraced by our 12,500 dedicated team members who are breathing new life and light into our stores. The effort of the entire Myer team to focus on our strategy has been a genuine highlight of the period.

To guide and inspire our team members during the New Myer transformation, we are focused on developing talented and capable people, who are supported by good systems and processes. The Myer Academy has been launched which provides training for specialised roles, including personal shoppers.

HOW DOES MYER GIVE BACK TO THE LOCAL COMMUNITY?

In FY2016, Myer aligned our community investment to the goal of 'empowering and supporting women; strengthening families'. We now work primarily with three charities – White Ribbon Australia, Global Sisters and The Salvation Army – to help reduce family violence and its impacts.

We are also proud to have launched the Myer Give Registry, a joint initiative between Myer and The Salvation Army. All product donations from The Give Registry go to women and children supported by The Salvation Army. As part of our commitment, Myer will match up to $475,000 (retail value) of customer donated product each year.

HOW WILL YOU MAINTAIN MYER'S EARLY MOMENTUM?

Our transformation to New Myer has been universally embraced by the team and our collective focus on execution can be seen across the Company.

We are continuing to make significant progress on the major refurbishment of the Warringah store which is scheduled to open in November 2016.

Warringah is an exciting milestone for New Myer as it represents the first true physical embodiment of our customer-led strategy. It will deliver a world-class contemporary shopping experience designed with the customer in mind, featuring leading international and local brands, modern fittings, and signature services.

We have much to look forward to, the team is very excited to be designing this year's Giftorium for Christmas 2016 and a range of other in-store experiences, all of which are expected to both delight customers and generate better outcomes for our shareholders.

HOW WILL SHAREHOLDERS BE ABLE TO MEASURE PROGRESS AGAINST THE STRATEGY?

Last year we established clear performance metrics against which we would measure the delivery of the New Myer strategy. These metrics reflect our commitment to timeframes for achieving a sustainable return to profitable growth.

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

As we reflect on our experience of the first year of our five year journey towards New Myer, we can be proud of the significant changes that have taken place. We are bringing the love of shopping to life in everything that we do and we are looking forward to what lies ahead.

There is still so much more to come and we look forward to sharing progress on our journey with you.

PAUL MCCLINTOCK AO

Chairman

RICHARD UMBERS

Chief Executive Officer
and Managing Director

1 On a 52-week basis, total sales were up 1.6 percent to $3,245.9 million.

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

AT A GLANCE

TOTAL SALES ($B)

2016	3.3
2015	3.2
2014	3.1
2013	3.1
2012	3.2

OPERATING GROSS PROFIT MARGIN (%)

2016	38.7
2015	40.4
2014	40.9
2013	41.5
2012	41.2

NET PROFIT AFTER TAX ($M)

2016	69.3*
2015	77.5*
2014	98.5
2013	127.2
2012	139.4

EARNINGS PER SHARE (CENTS)

2016	8.8*
2015	13.2*
2014	16.8
2013	21.8
2012	23.9

FINANCIAL SUMMARY ($M)

	FY2016	FY2015	Change
Total Sales	3,289.6	3,195.6	+2.9%
Operating Gross Profit	1,274.3	1,290.4	(1.2%)
Operating Gross Profit margin	38.7%	40.4%	(164bps)
Cost of doing business (CODB)	(1,068.1)	(1,067.2)	+0.1%
Earnings before interest, tax, depreciation, amortisation (EBITDA)*	206.2	223.2	(7.6%)
Earnings before interest and tax (EBIT)*	113.5	133.5	(15.0%)
Net Profit After Tax (NPAT)*	69.3	77.5	(10.6%)
Implementation costs associated with New Myer (post tax)	(8.8)	(47.7)	
Statutory NPAT	60.5	29.8	+103.0%

* Excludes implementation costs associated with New Myer.

SUSTAINABILITY

NEW SUPPLIERS AGREED TO ETHICAL SOURCING POLICY

100%

FEMALE EMPLOYEES

80%

LOST TIME INJURY FREQUENCY RATE (LTIFR)

6%

REDUCTION IN GREENHOUSE GAS EMISSIONS

6%

WASTE RECYCLING RATE

60%

TOTAL CASH EQUIVALENT CONTRIBUTION TO CHARITY PARTNERS

$3.1m

PERFORMANCE REVIEW

THE FIRST YEAR OF THE NEW MYER STRATEGY DEMONSTRATES THE COMPLEXITY OF OUR JOURNEY.

CUSTOMERS ARE SEEING MYER IN A NEW LIGHT BECAUSE OF OUR FOCUS ON REFRESHING OUR BRAND OFFER AND LIFTING OUR SERVICE.

SALES

Total sales grew by 2.9 percent to $3,289.6 million, up 3 percent on a comparable stores basis, driven by the rollout of wanted brands and improved customer service as well as continued growth in our online business. Our Flagship and Premium stores in New South Wales and Victoria outperformed, with comparable sales growth of 5.6 percent reflecting our continued focus on executing the New Myer strategy in these stores.

MARGIN AND CODB

Operating gross profit (OGP) margin declined by 164 basis points to 38.7 percent. This result was driven by the strong customer response to our new wanted brands, which included a higher concession mix with higher sales productivity but lower gross profit margin. The continued focus on a more powerful and reduced range of Myer Exclusive Brands negatively impacted margin. In addition, the OGP margin was impacted by the Australian dollar depreciation which was in part mitigated by the focus on product, price and markdown efficiencies.

COSTS

Cost efficiencies were achieved across the business as a result of steps taken to create a simplified business model supporting a narrower and more focused range of brands. However these cost savings were largely offset by higher project opex and capex spend to support the New Myer strategy. Savings in store salaries as a result of a voluntary redundancy program and an increase in concessions staffing were largely reinvested in additional customer-facing hours, particularly in our Flagship and Premium stores.

Net finance costs reduced by $8.1 million to $14.6 million as a result of lower net debt following the Entitlement Offer in September 2015. NPAT pre implementation costs associated with New Myer was $69.3 million in line with guidance, with post-tax implementation costs of $8.8 million, ($18.3 million pre-tax), broadly in line with expectations, leading to statutory NPAT of $60.5 million.

NEW MYER TARGET METRICS	FY2016
Target average sales growth greater than 3% between 2016 – 2020	FY2016 sales up 2.9% (53 weeks basis)
Target greater than 20% improvement in sales per square metre by 2020	Sales per square metre increased by 5.6% to $4,131
Target EBITDA growth ahead of sales growth by 2017	EBITDA down by 7.6% Sales up 2.9%
Target Return on funds employed (ROFE) greater than 15% by 2020	ROFE 9.1%

CASH FLOW AND BALANCE SHEET

Net operating cash flows improved by $36 million, supporting the Board's decision to determine a final dividend of 3 cents per share, taking the full year dividend to 5 cents per share.

Inventory was $14 million higher at $396 million compared to the end of FY2015, but represented a $12 million improvement compared to the end of the first half. Following the unseasonably warm start to Winter, there has been a successful reduction in seasonal Winter product, with the increase in stock levels occuring mainly in non-seasonal product categories from higher levels of replenishment.

Cash capital expenditure was lower at $59 million compared to $63 million in FY2015, reflecting relatively lower costs associated with the wanted brands rollout and store upgrades compared to store openings in FY2015. There is a strong pipeline of planned capital expenditure for initiatives during FY2017.

FY2017 OUTLOOK

In FY2017 we will be accelerating capital investment in our priority stores. Our new store at Warringah, set to open in November 2016, will be the first physical embodiment of our customer led New Myer strategy. We will also commence refurbishments and upgrades at a number of stores including Melbourne, Sydney, Maroochydore, Eastland, Doncaster, Chatswood and Pacific Fair. During FY2017 we will build on our wanted brands focus with the continued roll out of a number of brands. In addition, we will roll out the service and investment model for our key MEB master brands to 40 stores.

COMPANY SNAPSHOT

THE NEW MYER STRATEGY CASTS A NEW LIGHT ON AUSTRALIA'S FAVOURITE DEPARTMENT STORE.

Myer is Australia's largest full line department store group, with more than 60 stores across Australia. We also own Australian womenswear designer brand, **sass & bide**. Our stores are visited by customers more than 130 million times each year and our loyalty program, MYER one, has more than five million members.

Our strategy delivers a fresh interpretation of our brand, a re-energised and relevant range, improved service and in-store experiences complemented by a strong omni-channel offer.

The customer sits at the heart of the Myer strategy, which is supported by our dedicated team members and our strong relationships with suppliers of high quality, wanted brands, products, and services.

We are a significant Australian employer, with 12,500 Myer team members, and a strong history of philanthropy. The focus of Myer's community investment is on empowering women and strengthening families, with an emphasis on supporting women and children impacted by family violence. Since 2004, our annual Precious Metal Ball has raised more than $7 million.

Myer is committed to responsible business growth and integrating environmental, social, and ethical considerations into the way we operate. Our sustainability strategy aims to encourage positive outcomes and influences we can have on our stakeholders by integrating all aspects of sustainability into our 'every day' business operations. For more information, please see page 20.

To enable the business to make sound decisions and maximise opportunities, Myer has a comprehensive risk management plan to identify and manage risks and uncertainties. Further details are available in the Directors' Report on page 24.

OUR STRATEGY

OUR NEW MYER STRATEGY IS DELIVERING AN ENERGETIC REVITALISATION OF AUSTRALIA'S BEST-LOVED RETAILER.

Launched in September 2015, the New Myer strategy represents a plan to invest more than $600 million in capital and implementation costs over five years, to deliver a sharper and more focused offer for our best and most loyal customers. As we deliver the strategy, our stores will inspire and delight and become more relevant to our customers' daily lives.

Our strategy is being delivered through four strategic priorities, underpinned by our organisational capability.

1 CUSTOMER LED OFFER

- Cluster optimisation
- Category optimisation
- Brand optimisation
- Channel optimisation
- Localisation
- Supplier collaboration

2 WONDERFUL EXPERIENCES

- Elevated visual merchandise
- Dwell spaces
- Improved fitting rooms
- Enhanced Myer Hub
- Signature service
- Trained and capable staff
- Targeted customer engagement

3 OMNI-CHANNEL SHOPPING

- Strengthen online proposition
- Omni-channel experience
- Right infrastructure and operations

4 PRODUCTIVITY STEP-CHANGE

- Store network optimisation
- Flagship store emphasis
- Right-sizing support office
- Cost focus and efficiency focus

ORGANISATIONAL CAPABILITY

- Efficient operating model
- Execution focused culture
- Technology, processes, systems
- Strengthened balance sheet

OUR STRATEGY

FY2016 Highlights

CUSTOMER LED OFFER

- Rolled out more than 850 new or upgraded wanted brand destinations
- New and wanted brands for Myer include TOPSHOP TOPMAN, Seed, French Connection, Mimco, Veronika Maine, Jack & Jones and Industrie
- Exited 150 brands
- Exclusive Australian department store partnership with John Lewis homewares

WONDERFUL EXPERIENCES

- New customer service model in Flagship and Premium stores
- Improved Net Promoter Score by 6 percent nationally
- Awarded 'Department Store of the Year' in the Customer Satisfaction Awards by Roy Morgan Research
- Improved roster flexibility to match peak trading

OMNI CHANNEL SHOPPING

- Sales growth of greater than 74 percent through omni channels
- Team members equipped with 2,500 in-store iPads to enable them to assist customers in purchasing items from a more extensive range
- Launched eBay store with 20,000 products and world's first virtual reality store in partnership with eBay
- Click & Collect continues to grow and now represents 9 percent of the omni channel business

PRODUCTIVITY STEP-CHANGE

- Opened new Werribee store in Victoria
- Significant progress made on major refurbishment at the New Myer Warringah store
- Announced decision to exit stores at Brookside, Orange and Wollongong in FY2017, and Logan in FY2018
- Announced space hand back at stores in Cairns, Blacktown and Castle Hill in FY2017
- Announced decision not to proceed with stores at Tuggerah, Coomera and Darwin

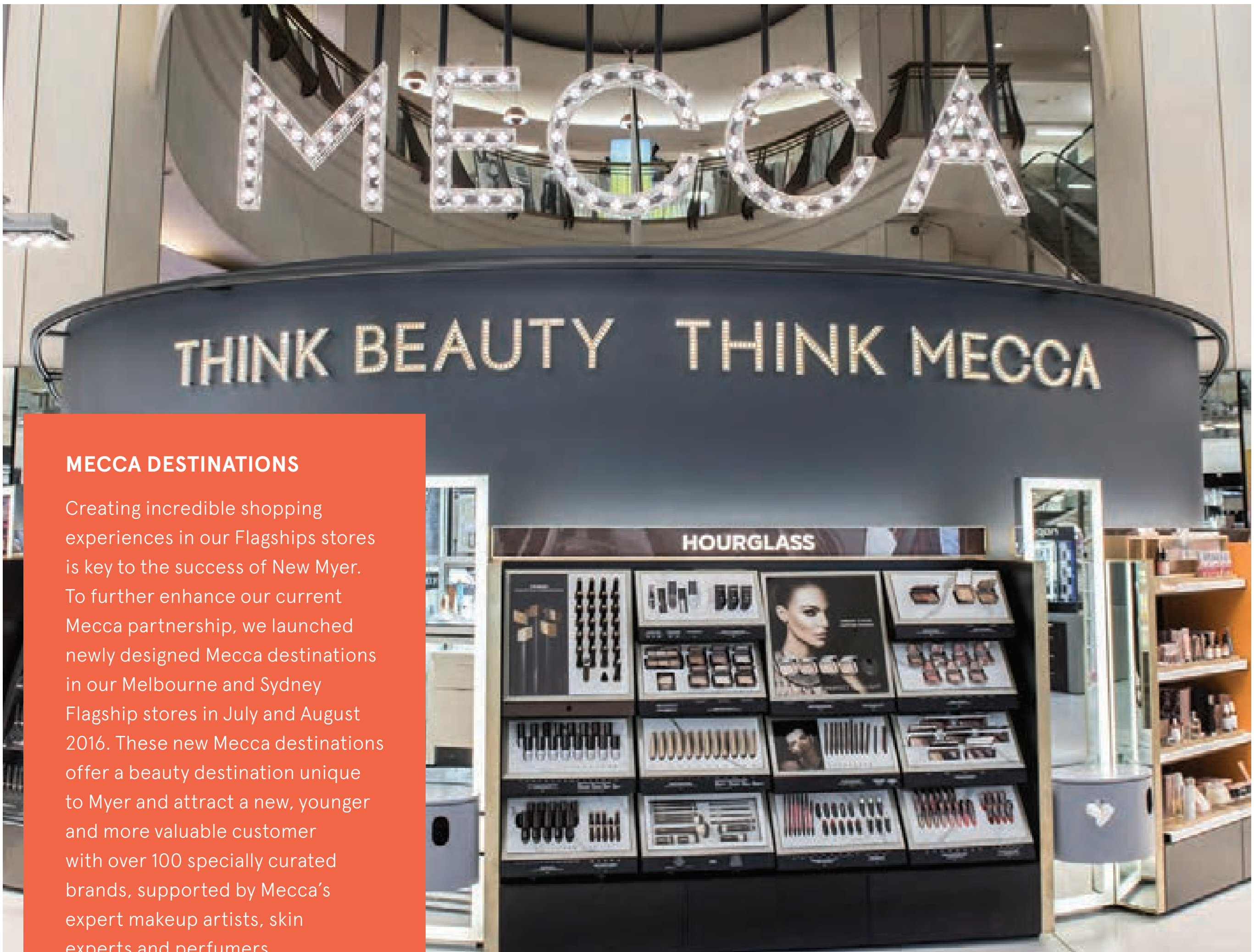
ORGANISATIONAL CAPABILITY

- Key executive appointments of Mark Cripsey as Chief Digital and Data Officer, and Michael Scott as Executive General Manager Brand and Marketing
- Increased store management accountabilities, including elevating Sydney and Melbourne flagship store manager roles to General Manager positions
- Launched new operating model to ensure we have talented and capable people, behaving in the right ways and supported by the right systems and processes

1 2 3 4

CUSTOMER LED OFFER

NEW MYER DELIVERS INSPIRING BRANDS THAT OUR CUSTOMERS LOVE, BOTH IN-STORE AND ONLINE.



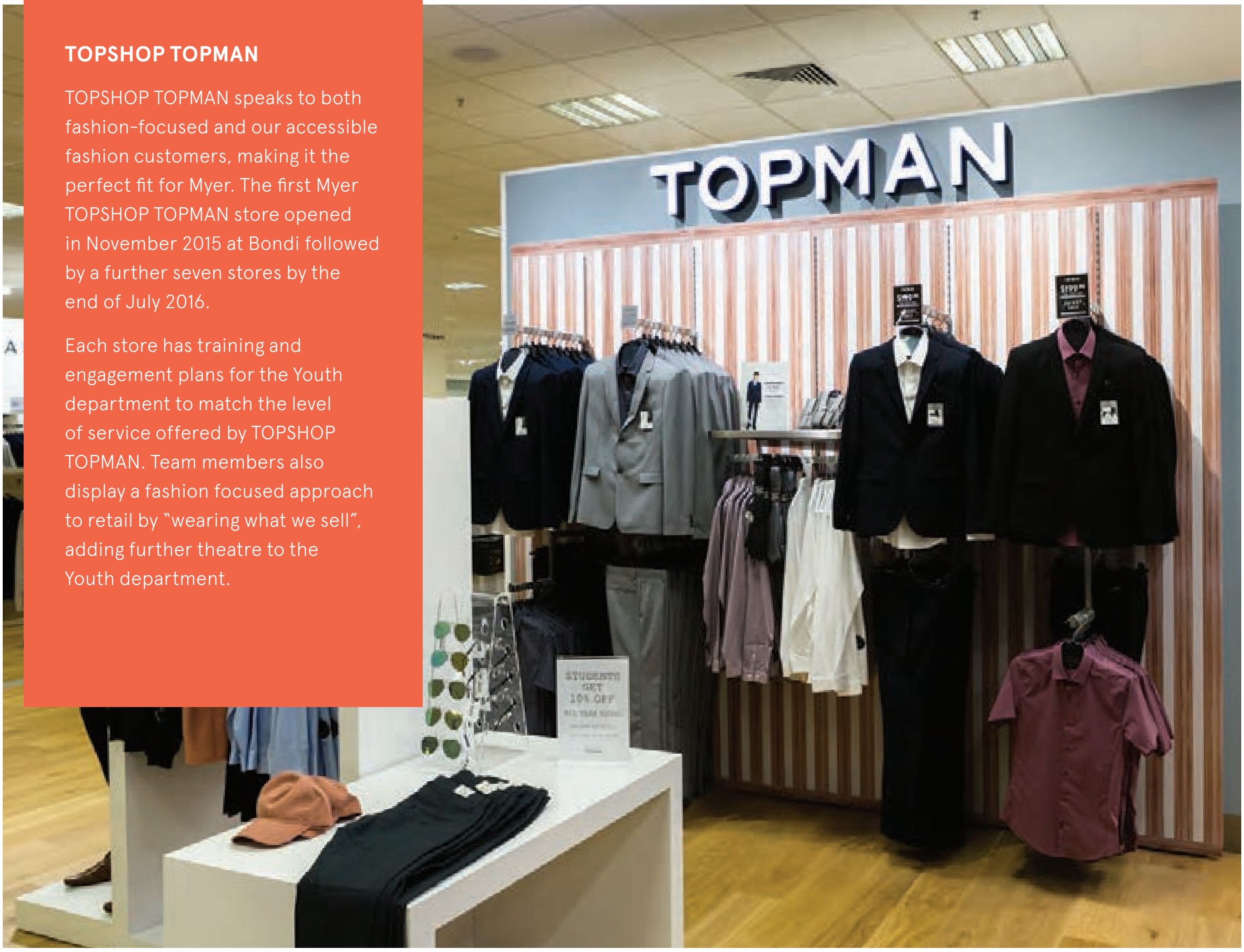
MECCA DESTINATIONS

Creating incredible shopping experiences in our Flagships stores is key to the success of New Myer. To further enhance our current Mecca partnership, we launched newly designed Mecca destinations in our Melbourne and Sydney Flagship stores in July and August 2016. These new Mecca destinations offer a beauty destination unique to Myer and attract a new, younger and more valuable customer with over 100 specially curated brands, supported by Mecca's expert makeup artists, skin experts and perfumers.

TOPSHOP TOPMAN

TOPSHOP TOPMAN speaks to both fashion-focused and our accessible fashion customers, making it the perfect fit for Myer. The first Myer TOPSHOP TOPMAN store opened in November 2015 at Bondi followed by a further seven stores by the end of July 2016.

Each store has training and engagement plans for the Youth department to match the level of service offered by TOPSHOP TOPMAN. Team members also display a fashion focused approach to retail by "wearing what we sell", adding further theatre to the Youth department.



Providing our customers with new and wanted brands is central to the New Myer strategy. During FY2016, we undertook a significant brand overhaul, exiting more than 150 brands in order to introduce more than 850 new or upgraded brand destinations to Myer including **Seed**, **French Connection**, **Mimco**, **TOPSHOP TOPMAN**, **Jack & Jones**, **Veronika Maine** and **Industrie**.

We continue to support and foster local Australian talent, with the additions of **Acler, Talulah** and **Aje** to our Australian designer offering. Already we are seeing a 'halo' effect from these new brand destinations, with core customers attracted to these brands, then continuing to shop throughout the store. Brand exits have enabled us to focus on our most powerful MEB master brands including **Basque**, **Piper**, and **Miss Shop**.

During the year we further strengthened our home offer with the announcement that John Lewis homewares will be available online and in selected stores, starting with the new Warringah store in November 2016.

Launched in Melbourne, Sydney, Bondi, Chadstone, Brisbane, Adelaide and Perth, our denim destinations bring together wanted brands that inspire our customers. Brands such as **AG Adriano Goldschmied**, **7 for all mankind**, **Wrangler**, **Current/Elliot**, **Nobody Denim**, **Blank NYC**, **Lee**, **Mavi**, **NYDJ** and **Calvin Klein Jeans** are supported in store by knowledgeable team members, and an appealing shopping environment that delivers a unique in-store shopping experience.

STORE CLUSTERS

Myer stores are organised into the following clusters.

Flagship The shopping destination for fashion forward customers with unique and personalised services to create the ultimate shopping experience.

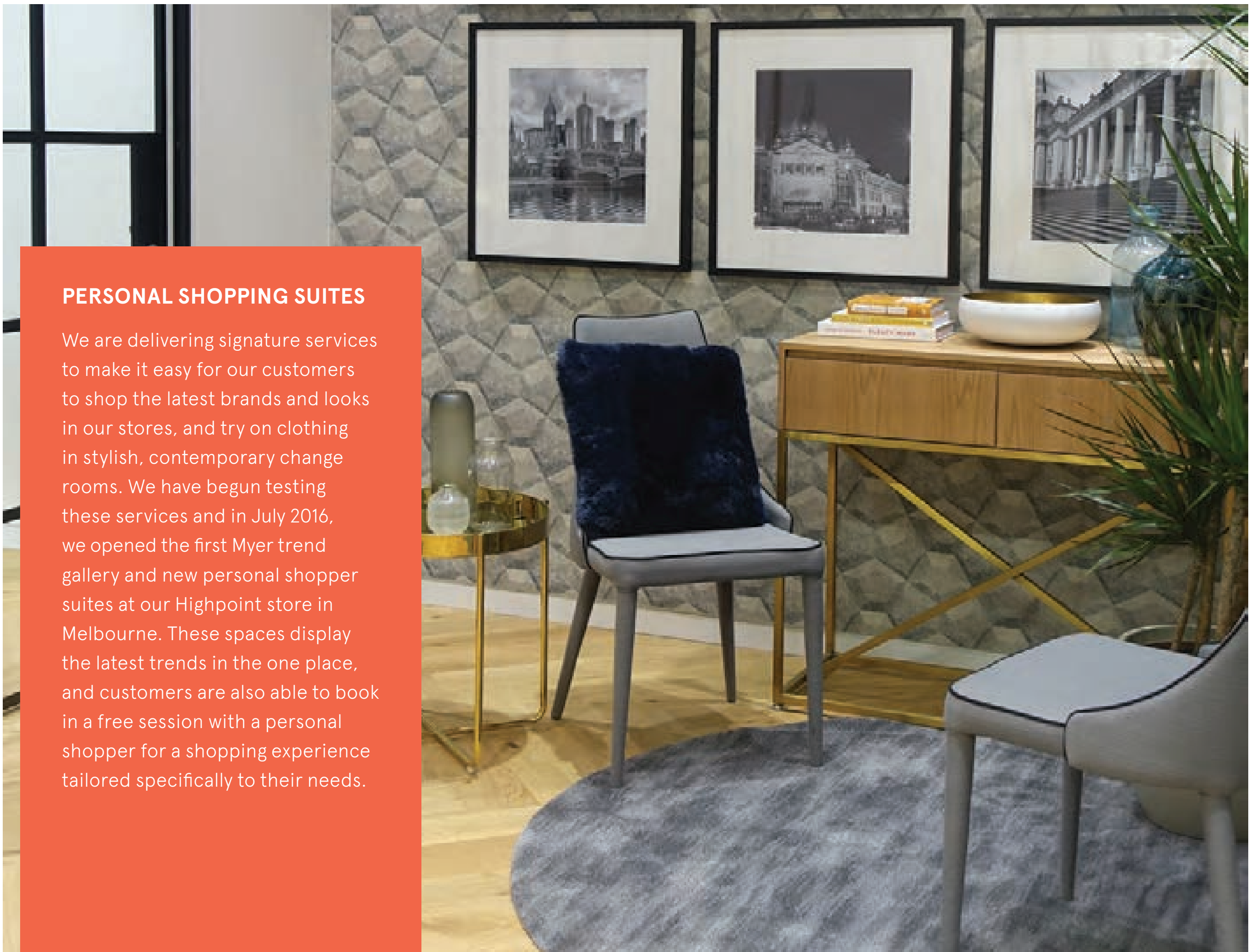
Premium Wanted international and national brands combined with services to make shopping enjoyable.

Mainstream Tailored brands and experiences that complement our customers' lifestyles.

Community Trusted brands and service tailored for the local customer.

WONDERFUL EXPERIENCES

WE ARE INVESTING IN OUR PRIORITY STORES TO CREATE SHOPPING EXPERIENCES THAT SURPRISE AND DELIGHT CUSTOMERS BY COMBINING WANTED BRANDS AND SERVICES WITH THE THEATRE OF SHOPPING.



PERSONAL SHOPPING SUITES

We are delivering signature services to make it easy for our customers to shop the latest brands and looks in our stores, and try on clothing in stylish, contemporary change rooms. We have begun testing these services and in July 2016, we opened the first Myer trend gallery and new personal shopper suites at our Highpoint store in Melbourne. These spaces display the latest trends in the one place, and customers are also able to book in a free session with a personal shopper for a shopping experience tailored specifically to their needs.

GIFTORIUM

Our Christmas Giftorium experience was even bigger and better in 2015. We increased floor space by 12 percent to 17,000m² across 65 stores which were supported by 3,400 specially trained Christmas 'Gifticians' and stocked with 2 million gifts. Personalisation was a very popular theme with customers, including the sale of 420,000 personalised jars of Nutella during the Christmas period.

Customer service is at the heart of creating exciting shopping experiences and during the year we prioritised investment in our Flagship and Premium stores to lift our service performance. Some of the new initiatives include a dedicated concierge desk, greeters on each floor, bespoke marketing, increased feedback opportunities, language badges for team members, personal shoppers, and enhanced change room service.

This improved service model in our Flagship and Premium stores in New South Wales and Victoria has supported above average sales growth of 5.6 percent. In addition, we have seen a 7.2 percent increase in our Net Promoter Scores across all Flagship and Premium stores reflecting the focus on rolling out the New Myer strategy in these stores.

Store management teams have led a program of low cost, high impact targeted upgrades to their stores including improved visual merchandising, lighting, and change rooms.

To further improve customer service, we have introduced more flexible store rosters to ensure team members are available to delight customers during our busiest trading periods, whilst ensuring the service level is maintained during quieter times.

We have also embarked on a dedicated training program for personal shoppers and change room consultants to equip them with the right knowledge and skills to provide unique, personalised shopping experiences for our customers. As part of this program, we changed our recruitment method to hire new team members who display enthusiasm, passion for Myer, and a love of fashion and style.

In recognition of our progress in creating great experiences, we are proud to have won 'Department Store of the Year 2015' in the Customer Satisfaction Awards presented by Roy Morgan Research.

Myer was also recognised as a finalist for 'Large Retailer of the Year', presented by the National Retail Association.

We are pleased with the customer response to New Myer initiatives and we will continue to focus on our customer service culture to generate improved results and experiences.

OMNI-CHANNEL SHOPPING

OUR OMNI-CHANNEL OFFER CONNECTS CUSTOMERS TO A SEAMLESS SHOPPING EXPERIENCE WHETHER IN-STORE OR VIA A DIGITAL CHANNEL.

THE MYER SHOE FINDER APP

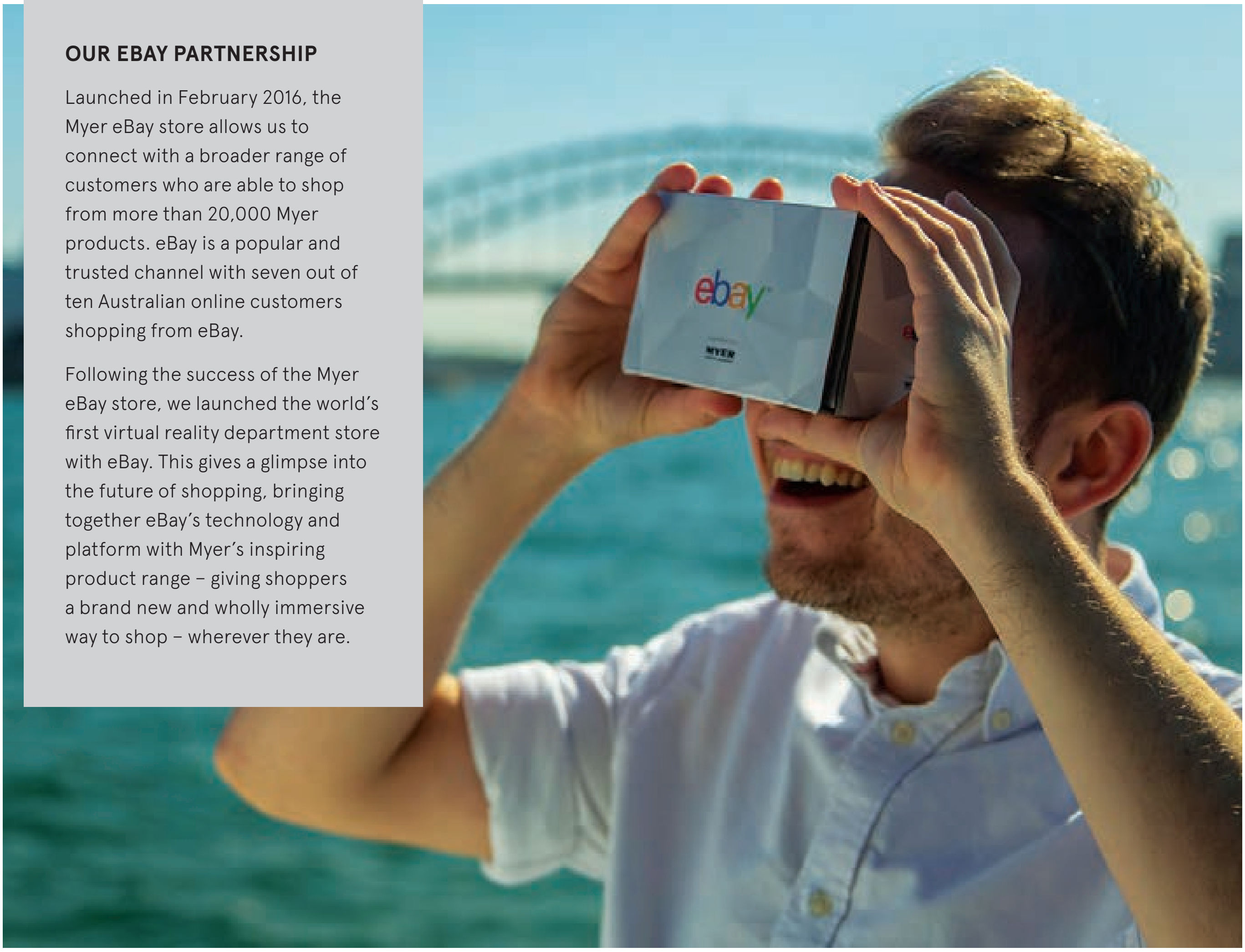
The Myer Shoe Finder App provides customers with a world-class customer service experience. Launched initially at the Southland and Chadstone stores in September 2015, the App makes it easy for customers to shop for footwear. Team members are able to use the App to check for the customer's preferred shoe style and size, while a second team member locates and delivers the requested shoes to the selling floor. This digital service minimises the amount of time customers need to wait for footwear and maximises the amount of time team members can spend with the customer. The Myer Shoe Finder App is currently being rolled out to Flagship and Premium stores.

The Myer Shoe Finder App was named winner of the In-store Technology Experience award at the inaugural Retail Customer Excellence Awards in May 2016.

OUR EBAY PARTNERSHIP

Launched in February 2016, the Myer eBay store allows us to connect with a broader range of customers who are able to shop from more than 20,000 Myer products. eBay is a popular and trusted channel with seven out of ten Australian online customers shopping from eBay.

Following the success of the Myer eBay store, we launched the world's first virtual reality department store with eBay. This gives a glimpse into the future of shopping, bringing together eBay's technology and platform with Myer's inspiring product range – giving shoppers a brand new and wholly immersive way to shop – wherever they are.



Online shopping is revolutionising retail, empowering customers, and providing new channels for them. Myer continues to investigate a range of new ways to accelerate this growth.

The online business has delivered strong sales growth of more than 74 percent on FY2015, with the growth in profitability exceeding sales growth. This impressive performance results from our focus on delivering an improved omni-channel experience including an expansion of the in-store iPad service, increase in sales via Click & Collect and enhancements to the myer.com.au website. In FY2016 we delivered a more profitable online business by reducing CODB by 25 percent, while at the same time accelerating our growth in a challenging retail environment.

During the year we continued to invest in technology to improve our in-store service. Our store teams now have 2,500 iPads at their disposal to assist customers in purchasing items from a broader range via our MyCustomer Orders App. The Myer Shoe Finder App also delivers productivity gains for our selling team and increases our ability to delight the customer through the use of smart technology.

Myer was named the 2015 Top Department Store Retailer for outstanding achievement in digital retail at Power Retail's All Star Bash in February 2016.

Power Retail
ALL STAR BASH
2016

PRODUCTIVITY STEP-CHANGE

WE ARE ALIGNING OUR STORE NETWORK WITH OUR CORE CUSTOMERS TO DELIVER A MORE PRODUCTIVE AND PROFITABLE BUSINESS OVER A SMALLER AND MORE EFFICIENT FOOTPRINT.

REFURBISHED WERRIBEE STORE, MELBOURNE

The new Werribee store opened in July 2016 and recognises our first significant investment in our Mainstream stores, tailored to the local customer.

The new store features more than 80 new brands as well as an expanded toys and travel goods range, a home decorator destination, in-store café, and contemporary floor finishes, fixtures and fittings to provide local customers with an enhanced shopping experience.

Our commitment to improving productivity has led to a reduction in operating costs. We remain focused on right-sizing our store footprint and investing in areas where we can attract our core customers.

We continue to invest in priority stores, and we have made significant progress on our major refurbishment at our Warringah store in New South Wales, scheduled to open in November 2016.

The Warringah store will deliver a global shopping experience and is the first full true physical embodiment of the New Myer strategy. The store is designed specifically with the local customer in mind and will feature modern fittings, local artwork, Click & Collect for online purchases, and signature services including an in-store barber and cafe.

During the year, we opened our new Weribee store which is tailored to our local customers.

Throughout the year, decisions were made to optimise our store network to align with our core customers and improve overall productivity.

We announced the decision to exit our stores at Brookside, Wollongong and Orange in FY2017, and Logan in FY2018.

These decisions are difficult but necessary for us to build a sustainable business and invest in the initiatives that will deliver New Myer. We are committed to working with our team members on future employment opportunities, with our first preference to redeploy team members within the Myer business, where possible.

In addition, we announced that we will not proceed with stores at Tuggerah, Coomera and Darwin.

We continue to hold active discussions with all of our major property partners, on a whole of portfolio basis. These discussions relate to total occupancy costs, space productivity, lease tenure, and capital investments.

We will actively manage our store portfolio to improve productivity and better align our footprint with our primary customers.

ORGANISATIONAL CAPABILITY

OUR PEOPLE AND ORGANISATIONAL CAPABILITY ARE THE BACKBONE OF OUR STRATEGY, AND THE DRIVERS OF OUR SUCCESS.

As Myer continues on our transformation journey, it is crucial that we have talented and capable people to lead our teams and successfully implement our New Myer customer-centric strategy.

Embedding a customer focused culture starts with leaders who role model, communicate and implement change that our team members understand and embrace.

During the year, we appointed a number of senior leaders to strengthen our capabilities and grow our retail and transformation expertise. Key appointments included Mark Cripsey as Chief Digital and Data Officer, and Michael Scott as Executive General Manager Brand and Marketing. In line with our dedicated customer focus, Daniel Bracken took on the new role of Chief Merchandise and Customer Officer, and Deputy CEO with responsibility for all aspects of the New Myer customer experience and ensuring the customer perspective is at the forefront of all of our decision-making and execution. We now have a senior leadership team with experience from across leading global retailers including House of Fraser, Selfridges, Marks & Spencer, Alexander McQueen, TOPSHOP TOPMAN, Coles, Virgin Australia, and Harvey Nichols.

We have been pleased with how quickly our entire team has embraced the New Myer strategy and we know this momentum needs to continue to drive the change needed for our business.

To guide our team during this transformation, we have implemented a new operating model which focuses on talented and capable people, behaving in the right ways and supported by good systems and processes.

The delivery of New Myer is also supported by our Transformation Office which coordinates the implementation of strategic priorities. This team has refined our business framework for approving strategic initiatives and prioritised around 50 key projects to help deliver our new strategy.

Diversity is a priority for New Myer. We strive to ensure all team members are empowered and feel able to progress careers equitably. Further information about diversity at Myer is available on page 20.

Further information about the Myer Board and Management team is available from Myer's Investor Centre website. Profiles of the directors of the Myer Board are also detailed on page 24.

INTRODUCING NEW EXECUTIVE APPOINTMENTS

Michael Scott, Executive General Manager Brand and Marketing

Michael Scott was appointed to the role of Executive General Manager Brand and Marketing in June 2016. In this role, Michael is responsible for all aspects of the Myer brand strategy, advertising, digital, marketing, MYER one and loyalty.

Michael brings significant customer facing and retail experience including more than 15 years in marketing and brand management across local and international brands including Virgin Australia, McDonalds, Coles and Nike.

Mark Cripsey, Chief Digital and Data Officer

Mark Cripsey was appointed Chief Digital and Data Officer in November 2015 and is responsible for all aspects of Myer's eCommerce, IT, supply chain and data analytics as well as execution of the Myer omni-channel strategy.

Mark has significant experience in driving technology driven transformation in retail environments and has specialist expertise in omni-channel retailing. Prior to joining Myer, Mark held senior roles at Coles including General Manager of Coles online. Mark has also held senior roles at Tesco in the USA, UK and India.

Pictured left: Michael Scott and Mark Cripsey

Embedding a customer focused culture starts with leaders who role model, communicate and implement change that our team members understand and embrace.

SUSTAINABILITY AT MYER

MYER IS COMMITTED TO BUILDING A SOCIALLY RESPONSIBLE BUSINESS AND INTEGRATING SUSTAINABILITY INTO OUR EVERYDAY BUSINESS PRACTICES.

MYER SUSTAINABILITY FRAMEWORK AND MATERIAL ISSUES

CUSTOMER	TEAM	COMMUNITY	ENVIRONMENT	BUSINESS
> Customer service and satisfaction	> Attraction and engagement > Reward and recognition > Workplace safety	> Myer Stores Community Fund > Giving our time > Strategic Community Partnerships	> Energy and Emissions > Packaging stewardship > Waste and recycling	> Ethical Sourcing > Code of Conduct > Shrinkage > Product Responsibility

Our sustainability strategy has five focus areas: Customer, Team, Community, Environment and Business. Each of these is supported by relevant metrics to measure our performance.

The following pages present our sustainability highlights for FY2016. For more information on our sustainability strategy and performance, and to view our FY2016 Global Reporting Initiative Index, please visit Myer's website.

TALENTED AND CAPABLE PEOPLE

Having talented and capable people is vital to the delivery of our New Myer strategy.

In FY2016, substantial investment has been made in developing foundational platforms that will enable ongoing improvements in our team capability. The Myer Academy is underpinned by a new eLearning platform, which will enable team members to access learning 'on the go and on demand', and provide a variety of learning opportunities for team members across the business.

A new approach to performance will focus people leaders on regular, meaningful performance discussions with their team members via a user-friendly online tool, and support leaders to provide ongoing feedback and coaching. Team members will be able to create and monitor individual development plans and access a range of activities to increase capability and drive their careers at Myer.

There is a strong correlation between culture, performance and team member engagement. This year we undertook an organisational culture survey, which revealed that Myer has a strong culture positioned well above the retail benchmark in almost all dimensions. Of particular note was the strength of our core values, our sense of purpose and team member collaboration.

DIVERSITY

At Myer, we understand the value of diversity. We support diversity of gender, age, language, disability and cultural background through our diversity policy. 80 percent of our workforce is female and 67 percent of team members in leadership roles are women. We support gender diversity by ensuring an equal proportion of women are identified in the talent pool, and participate in our management training program.

SAFETY AT WORK

Safety of our team members, customers and suppliers is very important to Myer and we are committed to continually improving our safety performance. We are pleased to have achieved a further reduction in Myer's Lost Time Injury Frequency Rate (LTIFR) in FY2016, with our LTIFR now reduced by more than two thirds since 2009. The importance of safety is embedded in our culture, and we are committed to reducing hazards, raising team member awareness through our induction and safety training programs, and maintaining active safety committees who participate in driving the safety culture at all of our sites. In FY2016 we rolled out training to our stores and distribution centre managers in how to conduct safe work practice observations, implemented our annual team member training program, and continued to support our team members with access to early intervention medical care.

ENERGY REDUCTION JOURNEY

Myer has been on a journey to reduce our energy use to light our stores. Over the past five years we have reduced the energy use per square metre for lighting in our stores from 24-30 W/m^2 for a typical store down to less than 11 W/m^2 for our new Premium store design, while enhancing the in-store experience for our customers.

PRODUCT ENERGY RATINGS

This year Myer further assisted customers making new appliance and equipment purchases by incorporating the energy rating icon into our online product information. Customers now have the information they need to determine operational energy use and total cost of ownership of these products when browsing or purchasing online.

SUPPLY CHAIN AND ETHICAL SOURCING

Myer is committed to sourcing merchandise that is produced in safe and fair working conditions, where the human rights of workers are respected. This commitment is supported by our Ethical Sourcing Policy, and a framework which measures supplier adherence, identifies breaches and continuously improves the ethical performance of our supply chain. All suppliers must adhere to our Ethical Sourcing Policy.

The majority of our MEB merchandise is sourced from China through our dedicated global sourcing offices, Myer Sourcing Asia Limited, located in Hong Kong and Shanghai. Our external logistics provider, Cargo Services, operates four hubs in Asia to deliver merchandise to Myer's distribution centres in Australia.

In FY2016, we completed audit reviews for 265 factories within our MEB network. Our review identified no zero tolerance issues and 49 high risk issues, of which 40 have been resolved and remediation plans are in place to address the remaining nine high risk issues.

Myer continues to work with our suppliers to improve their ethical sourcing procedures and ensure compliance with our Ethical Sourcing Policy.

Our ethical sourcing framework includes:

> monitoring the factory locations of all new MEB suppliers

> rating of suppliers against a supplier risk profile

> determining which suppliers are to be audited under the Ethical Sourcing Policy and audit cycle

> assessing the risk level of any issues identified during audits

> implementing remedial action plans or withdrawal of supply for non-compliant suppliers, depending on the severity of the breach.

PRODUCT RESPONSIBILITY

Myer takes pride in the quality of our merchandise. We have extensive quality and compliance processes in place to ensure our merchandise is safe, and compliant with labelling and safety requirements.

To further encourage the recycling of clothing in the Australian community, we continued our partnership with Salvos Stores to deliver the Myer and Salvos Fashion Rescue program. This program rewarded customers who donated clothing to Salvos Stores with a $10 Myer voucher. In addition to preventing clothing from going to landfill, the program benefited Salvos Stores by increasing the quality and quantity of donations, which assisted in raising funds for the work of the Salvation Army in the community. This campaign finished in February 2016 and in the coming year we are looking at ways to expand this program.

RECYCLING

In FY2016, Myer implemented an optimised recycling system in all stores, co-funded by the Australian Packing Covenant, following the initial roll out in Victoria in FY2015. The system supports our team members, brand partners and cleaning providers to work together to ensure a high proportion of our packaging waste is reused or recycled into new products.

We were again recognised as a High Performer for our progress in sustainable packaging management by the Australian Packaging Covenant. This initiative encourages businesses to design more sustainable packaging in order to reduce manufacturing impacts on the environment and increase recycling rates.

ENERGY AND EMISSIONS

Myer's total energy use for the year decreased by 3.7 percent to 681,010 GJ.

In FY2016, we further reduced the energy intensity of our business by 3.5 percent, and by a total of 11.5 percent since FY2013.

We are on track to reach our energy reduction target of 10-15 percent by FY2018.

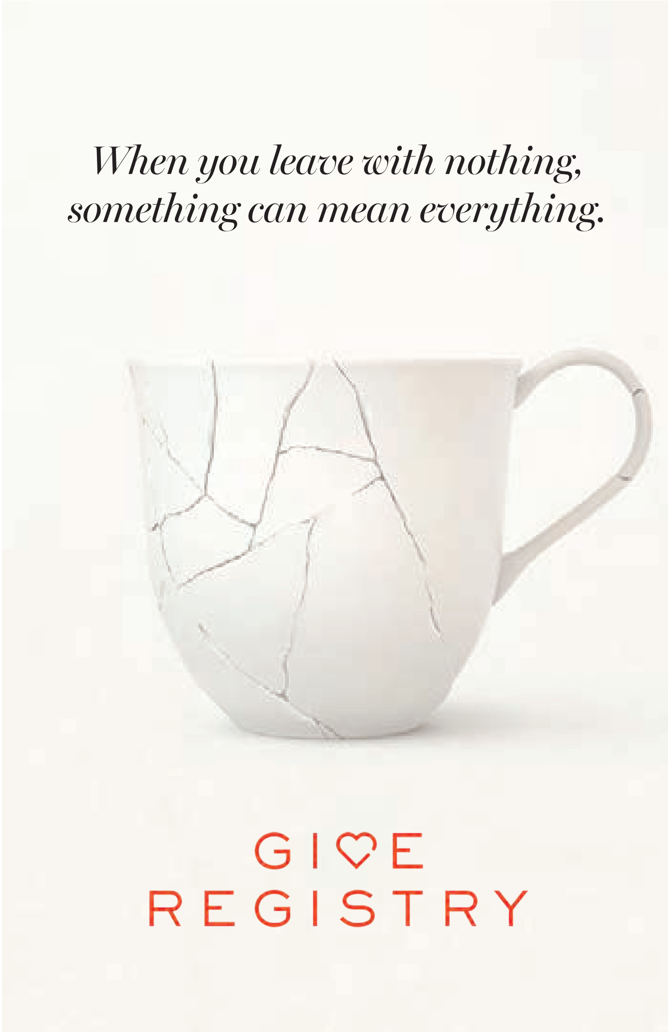
GIVE REGISTRY

When a woman leaves abuse, often all she leaves with is her life.

Myer, in partnership with The Salvation Army, launched a national initiative to provide practical support to victims of family violence.

Through the Give Registry, customers can choose from a selection of essential items at any Myer store to donate to women who are rebuilding their lives. Myer matches product donations and the items go to women and children supported in The Salvation Army's womens' refuges. Customers can also choose to make a cash donation which supports The Salvation Army's Family and Domestic Violence Services.

Designed in collaboration with The Salvation Army, products are home essentials most needed by women forced to start again after fleeing violence. Myer has committed to match up to $475,000 (retail value) of customer donated product each year and will use our store network and established supply chain to manage the collection and delivery of items to The Salvation Army, who distribute these to women.



FUNDRAISING IN FOCUS

In the lead up to Mother's Day, Father's Day and Christmas, Myer offered customers the opportunity to 'round-up' their purchase to the nearest dollar, with all donations going to the Myer Community Fund to help support the important work of our charity partners. Over $260,000 was raised from the round-up campaigns during FY2016.

Each year every Myer store, distribution centre and support office nominates a local charity for their team members to raise funds for smaller innovative projects in their local area. In FY2016, over $300,000 was raised by Myer stores for over 65 local charities. Myer also matched employee fundraising up to a maximum of $200,000.

Since 1993, Myer has been selling the much-loved Spirit of Christmas CD to raise funds for The Salvation Army. In FY2016 Myer released a special 'The Best of the Best' edition of the Spirit of Christmas CD which raised over $500,000 for The Salvation Army.

TOTAL CASH EQUIVALENT CONTRIBUTION TO CHARITY PARTNERS

$3.1m

MYER TIME, CASH AND GOODS

$1.8m

FACILITATED FUNDRAISING FROM CUSTOMERS, SUPPLIERS AND TEAM MEMBERS

$1.3m

GIVING BACK

Myer has a proud history of community investment and through our Myer Community Fund we encourage our team members, suppliers and customers to give back to the local community.

In FY2016, Myer aligned our community investment to 'empowering and supporting women; strengthening families'. We now work primarily with three charities to help reduce family violence and its impacts: White Ribbon Australia, Global Sisters and The Salvation Army.

The Myer Community Fund Precious Metal Ball is our major event of the year to raise funds for our national and local store charity partners. This year's ball enabled a donation of $270,000 to White Ribbon Australia.

Our partnership with White Ribbon Australia supports the rollout and implementation to 120 schools and their communities across Australia of *Breaking the Silence* – an education program that engages schools, businesses, local services, police and families in violence prevention. This is a grassroots program which aims to help children understand the importance of gender respect at a very early age, so that as adults, they may help to create safe and respectful communities in which family violence has no place.

Global Sisters supports women in vulnerable situations to get back on their feet and become financially secure and independent by equipping them with the resources to accelerate an idea into a fully operational micro business or social enterprise. Myer's involvement supports the development of an e-commerce platform that offers education, sales and marketing tools, micro loans and business advice, as well as an e-marketplace.

We continue our support of The Salvation Army, with funds going to providing personal support and accommodation to women and children fleeing family violence.

SUSTAINABILITY PERFORMANCE AND TARGETS

Focus area	Key measure	FY2015 Performance	FY2016 Performance	FY2017 Target
Customer	Net Promoter Score	Achieved target	**Achieved target**	Improvement*
Team	Diversity (% female)	79.0	**80.0**	-
	Workplace safety (LTIFR)	7.7	**6.0**	<6.0
Community	Direct community contribution (% EBIT)	0.8	**1.6**	≥0.5
Environment	Greenhouse gas emissions reduction (%)	2.7	**5.9**	≥1.0
	Energy intensity (kJ/m²/opening hour)	175.5	**169.3**	≤169
	Recycling rate (%)	58	**60**	≥62
Business	New suppliers agreed to Ethical Sourcing Policy (%)	100	**100**	100
	Code of Conduct training (% of required team members trained)	86.5	**87.0**	≥80
	Shrinkage reduction	Minor increase	**Increase**	Maintain

* On comparable stores basis

Improved/met target Did not reach target

Note: Previous FY targets are available in Myer's Annual Reports on our Investor Centre website.

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Myer Holdings Limited ABN 14 119 085 602 (the Company or Myer) and the entities it controlled (collectively referred to as the Group) at the end of, or during, the financial period ended 30 July 2016.

1. DIRECTORS

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

Director	Position	Date appointed
Paul McClintock AO	Chairman from 10 October 2012 Independent non-executive director	8 August 2012
Rupert Myer AO	Deputy Chairman from 8 August 2012 Independent non-executive director	12 July 2006
Richard Umbers	CEO and Managing Director	2 March 2015
Anne Brennan	Independent non-executive director	16 September 2009
Ian Cornell	Independent non-executive director	6 February 2014
Chris Froggatt	Independent non-executive director	9 December 2010
Bob Thorn	Independent non-executive director	6 February 2014
Dave Whittle	Independent non-executive director	30 November 2015

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

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

PAUL McCLINTOCK AO
Chairman

> Independent non-executive director

> Member of the Board since 8 August 2012

> Appointed Chairman 10 October 2012

> Chairman – Nomination Committee

Paul has held significant chairman and advisory positions across a broad range of industries, as well as government. He is highly regarded for his wide and varied experience, including his role as the Secretary to Cabinet and Head of the Cabinet Policy Unit. Paul's former positions include chairman of Thales Australia, Medibank Private Limited, the COAG Reform Council, the Expert Panel of the Low Emissions Technology Demonstration Fund, Intoll Management Limited, Symbion Health, Affinity Health, Ashton Mining, Plutonic Resources, and the Woolcock Institute of Medical Research. He was also a director of the Australian Strategic Policy Institute and Perpetual Limited, a Commissioner of the Health Insurance Commission, and a member of the Australia-Malaysia Institute Executive Committee. Paul graduated in Arts and Law from the University of Sydney and is an honorary fellow of the Faculty of Medicine of the University of Sydney and a Life Governor of the Woolcock Institute of Medical Research. Paul resides in New South Wales.

Other current directorships

Paul is chairman of NSW Ports, I-MED Australia, and O'Connell Street Associates. He is also a director of St Vincent's Health Australia and The George Institute for Global Health.

RICHARD UMBERS
Chief Executive Officer and Managing Director

> Member of the Board since 2 March 2015

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

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

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

DIRECTORS' REPORT

Continued

ANNE BRENNAN

Independent non-executive director

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

Anne brings strong financial credentials and business acumen to Myer, including her experience from senior management roles in both large corporate organisations and professional services firms. Anne has more than 20 years' experience in audit, corporate finance, and transaction services including executive roles as the Chief Financial Officer (CFO) at CSR, and Finance Director at the Coates Group. Prior to her executive roles, Anne was a partner in three professional services firms: KPMG, Arthur Andersen, and Ernst & Young. During her time at Ernst & Young, Anne was a member of the national executive team and a board member.

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

Other current directorships

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

IAN CORNELL

Independent non-executive director

- Member of the Board since 6 February 2014
- Member – Human Resources and Remuneration Committee

Ian has extensive experience in the retail industry across a number of senior retail roles, including 11 years at Westfield. During his time at Westfield, Ian was Head of Human Resources for seven years and also responsible for retailing relationships in Australia and New Zealand. He also spent three years as the Head of Management and Marketing for Westfield's shopping centres in Australia and New Zealand and has extensive experience in large scale retail operations and responding to changing consumer trends. Prior to joining Westfield, Ian was chairman and CEO of supermarket chain, Franklins, and earlier spent 22 years at Woolworths, including his role as Chief General Manager Supermarkets. Ian has previously been a director of Goodman Fielder Limited. Ian is also a Fellow of the Institute of Management, a Fellow of the Human Resources Institute, a member of the Institute of Company Directors, and a graduate of the Advanced Management Programme at Harvard. Ian resides in New South Wales.

Other current directorships

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

CHRIS FROGGATT

Independent non-executive director

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

Chris has a broad industry background, including experience in consumer branded products, retailing, and hospitality across numerous industries such as beverages, food, and confectionery. She has more than 20 years' executive experience as a human resources specialist in leading international companies including Brambles Industries, Whitbread Group, Mars, Diageo, and Unilever NV.

Chris has served on the boards of Britvic, Sports Direct International, and Goodman Fielder Limited; as well as being a director of the Australian Chamber Orchestra and the Australian Chamber Orchestra Instrument Fund, and as an independent trustee director of Berkeley Square Pension Trustee Company Limited.

Chris holds a Bachelor of Arts (Honours) in English Literature from the University of Leeds (United Kingdom). Chris is a Fellow of the Chartered Institute of Personnel Development, and a member of the Australian Institute of Company Directors. Chris resides in New South Wales.

BOB THORN

Independent non-executive director

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

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

Prior to Bob's 13 years with Super Retail Group, he was previously General Manager at Lincraft, and held senior roles at other major retailers including nine years with David Jones. Bob has also been the chairman of Cutting Edge, and a director at WOW Sight and Sound, MotorCycle Holdings Limited, Babies Galore, and Unity Water.

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

Other current directorships

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

DAVE WHITTLE
Independent non-executive director

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

Dave has considerable digital and omni-channel retail experience in marketing and advertising, including his expertise in helping brands appeal to consumers. Previously, Dave spent 10 years with global advertising group M&C Saatchi in a number of local and international leadership roles, culminating in three years as Managing Director in Australia. During this time, he advised clients including Commonwealth Bank, Optus, IAG, ANZ, Qantas Loyalty and Google on brand, data, omni-channel retail, and digital transformation. Prior to joining M&C Saatchi, Dave was the first employee of a marketing services group that built four digital service and software businesses. Two were acquired locally, and the other two were acquired by Oracle and Netratings in the US.

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

Other current directorships

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

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

The following table shows, for each person who served as a director during the financial period and/or up to the date of this Directors' Report, all directorships of companies that were listed on the ASX, other than the Company, since 31 July 2013, and the period during which each directorship has been held.

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

3. MEETINGS OF DIRECTORS AND BOARD COMMITTEES

The number of meetings of the Board and of each Board Committee held during the period ended 30 July 2016 are set out below. All directors are invited to attend Board Committee meetings. Most Board Committee meetings are attended by all directors; however, only attendance by directors who are members of the relevant Board Committee is shown in the table below.

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

^ Including teleconferences and meetings associated with the 2015 capital raising and the New Myer strategy.
* Number of meetings held during the time the director held office or was a member of the Committee during the year.
** Rupert Myer AO retired from the Board with effect from 20 November 2015; and Dave Whittle was appointed to the Board with effect from 30 November 2015.
*** In accordance with the Nomination Committee Charter, Mr McClintock did not attend the meetings of the Nomination Committee which considered the role of the Chair.

DIRECTORS' REPORT
Continued

4. DIRECTORS' RELEVANT INTERESTS IN SHARES

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

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

5. COMPANY SECRETARY AND OTHER OFFICERS

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

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

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

6. PRINCIPAL ACTIVITIES

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

7. OPERATING AND FINANCIAL REVIEW

SUMMARY OF FINANCIAL RESULTS FOR 53 WEEKS ENDED 30 JULY 2016

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

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

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

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

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

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

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

DIRECTORS' REPORT

Continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIRECTORS' REPORT
Continued

BALANCE SHEET AS AT 30 JULY 2016

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

CASH FLOW FOR THE 53 WEEKS TO 30 JULY 2016

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

* EBITDA represents statutory EBITDA for the period, including implementation costs. This is reconciled to earnings pre implementation costs under 'Non-IFRS financial measures' on page 30.

** Net of landlord contributions.

OTHER STATISTICS AND FINANCIAL RATIOS

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

* Calculated on a rolling 12 month basis.

SHARES AND DIVIDENDS

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

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

DIRECTORS' REPORT

Continued

NON-IFRS FINANCIAL MEASURES

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

Income Statement reconciliation

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

FY2016 OPERATIONS

The New Myer strategy sets out a five-year transformation agenda that defines a clear pathway to restore profitable growth by delivering an inspiring retail offer, with improved productivity. Myer's future way of working will embody a continued focus on execution. New Myer is a strategic refocusing that acknowledges our proud history, and allows us to look to the future with great optimism. The primary elements of the New Myer strategy continue to be:

1) a customer led offer based on wanted brands. This includes optimising our category and brands offer, store localisation and supplier collaboration;

2) wonderful experiences, with a focus on the best customer service. This includes elevated visual merchandise, improved fitting rooms and dwell spaces; trained and capable staff and targeted customer engagement;

3) an enhanced omni-channel offer, built on the right infrastructure and operations, to support a strengthened operation and seamless customer experience; and

4) a productivity step change based on the optimisation of our store footprint, right-sizing the support office and a focus on cost and efficiencies.

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

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

> introducing over 850 new or upgraded brand destinations across the store network;

> exiting over 150 brands;

> markedly improving our customer service, particularly in our Flagship and Premium stores;

> continued development of Myer's omni-channel offering, including the launch of the Myer eBay store, expansion of the in-store iPad service and Click & Collect, upgrades to the myer.com.au site and launching selected concessions online; and

> improved productivity through optimisation of the store footprint and a reduction in operating costs.

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

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS IN FY2016

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

> Rupert Myer AO retired from the Board in November 2015.

> A new director, Dave Whittle, was appointed to the Board of Myer Holdings Limited in November 2015. His background, experience and particular skills that he brings to the Board are set out on page 26.

> Mark Cripsey was appointed Chief Digital and Data Officer in November 2015, and Michael Scott was appointed Executive General Manager, Brand and Marketing in June 2016. Details of Myer's executives are set out in the Management Team section of Myer's Investor Centre website.

DIRECTORS' REPORT

Continued

- Myer acquired a 25% interest in Austradia Pty Ltd, the Australian rights holder of the TOPSHOP TOPMAN brands, and a number of TOPSHOP TOPMAN spaces have been launched within Myer stores.
- The Myer store in Top Ryde was exited in July 2015.
- It was announced that Myer will not be proceeding with planned stores at Coomera and Tuggerah, and that Myer will exit stores at Brookside, Orange and Wollongong during FY2017.
- On 1 September 2015, Myer announced the launch of a fully underwritten 2 for 5 accelerated pro-rata non-renounceable entitlement offer to raise approximately $221 million, at an offer price of $0.94 (Entitlement Offer). The institutional component of the Entitlement Offer was successfully completed on 2 September 2015. The retail component of the Entitlement Offer closed on 17 September 2015. The proceeds of the Entitlement Offer were used to reduce core debt and provide balance sheet flexibility to implement the New Myer strategy.

9. BUSINESS STRATEGIES AND FUTURE DEVELOPMENTS

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

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

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

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

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

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

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

10. KEY RISKS AND UNCERTAINTIES

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

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

EXTERNAL RISKS

Macro-economic factors such as the fluctuation of the Australian dollar; poor consumer confidence; changes in government policies; external, natural or unforeseen events, such as an act of terrorism or national strike; and weakness in the global economy could adversely impact the Company's ability to achieve sales growth. Myer regularly analyses and uses economic and available data to help mitigate the future impact on sales, and has also implemented conservative hedging, capital management, and marketing and merchandise initiatives to combat the cyclical nature of the business.

COMPETITIVE LANDSCAPE RISKS

The Australian retail industry in which Myer operates is highly competitive. The Company's competitive position may be negatively impacted by new entrants to the market, existing competitors, and increased online competition, which could impact sales. To mitigate these risks, Myer is implementing our new strategy which is guided by our detailed customer insights and a focus on providing a customer led offer, wonderful experiences, and omni-channel shopping.

TECHNOLOGY RISKS, INCLUDING CYBER SECURITY

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

BRAND REPUTATION RISKS

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

PEOPLE MANAGEMENT RISKS

Safety is a high priority at Myer to ensure the wellbeing of all of our team members, customers, and suppliers. Failure to manage health and safety risks could have a negative effect on Myer's reputation and performance. We conduct regular detailed risk assessments at each store, distribution centre, and at our support office, as well as regular team member education sessions.

Myer needs to attract and retain talented senior managers to ensure that our leadership team has the right skills and experience to deliver our strategy. Failure to do so may adversely affect Myer's reputation, performance, and growth. During the year, we made a number of new appointments to our Executive Management Group, and we provide our team members with access to training and development to further develop their skills.

DIRECTORS' REPORT
Continued

STRATEGIC AND BUSINESS PLAN RISKS

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

REGULATORY RISKS

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

As reported in the FY2015 Annual Report, Myer received enquiries from ASIC relating to Myer's continuous disclosure practices during the period of 1 November 2014 to 18 March 2015. ASIC has since withdrawn its enquiries. Myer is confident that it has at all times complied, and continues to comply, with its continuous disclosure obligations.

LITIGATION

On 25 March 2015, legal proceedings were served against Myer by a shareholder seeking to bring a group action for itself and on behalf of a defined (but unnamed) group of shareholders. The writ was filed by Portfolio Law Pty Ltd on behalf of Melbourne City Investments Pty Ltd (MCI). MCI alleges loss and damage said to have resulted from a statement made in the context of Myer's full year FY2014 results. Myer strongly denies any and all allegations made against it and intends to vigorously defend itself against the claims. The Company does not presently know the size of the claims, nor can it, based on the information currently available, quantify any potential financial exposure arising from these litigation proceedings. No provision has been recognised at 30 July 2016 in respect of this matter.

11. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

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

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

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

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

12. DIVIDENDS

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

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

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

This takes the FY2016 dividend to 5.0 cents per share.

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

13. OPTIONS AND PERFORMANCE RIGHTS GRANTED OVER UNISSUED SHARES

The Myer Long Term Incentive Plan (LTIP) operates for selected senior executives and has been in operation since December 2006. Under the LTIP, the Company has granted eligible executives options and performance rights over unissued ordinary shares of the Company, subject to certain vesting conditions. Shares delivered to senior executives as a result of the vesting and exercise of options and performance rights can be either issued as new shares or purchased on market.

Each option or performance right entitles the holder to acquire one ordinary fully paid share in the Company (subject to the adjustments outlined below).

OPTIONS

No options were granted under the LTIP in the financial year ended 30 July 2016, and no options have been granted since the end of the year. The last remaining grant of options under the LTIP over unissued shares of the Company expired during the financial year ended 25 July 2015. There are no further options which remain on issue as at the date of this Directors' Report.

PERFORMANCE RIGHTS

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

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

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

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

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

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

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

DIRECTORS' REPORT

Continued

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

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

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

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

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

From time to time, the Company issues fully paid ordinary shares in the Company to the Myer Equity Plans Trust (Trust) for the purpose of meeting anticipated exercises of securities granted under the LTIP. To calculate the issue price of shares issued to the Trust, the Company uses the seven-day volume weighted average price of the Company's shares as at the close of trading on the date of issue. During the period ended 30 July 2016, 927,604 fully paid ordinary shares were issued to the Trust and 927,604 shares were transferred from the Trust for performance rights issued under the LTIP in 2013 (vested 2 September 2015). Since 30 July 2016, no shares have been issued to or otherwise acquired by the Trust, and no fully paid ordinary shares of the Company held by the Trust were transferred to participants in the LTIP.

15. REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 36.

16. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

17. PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

18. ENVIRONMENTAL REGULATION

The Group is subject to and has complied with the reporting and compliance requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act). No significant environmental incidents have been reported internally, and no breaches have been notified to the Group by any government agency. The NGER Act requires the Group to report its annual greenhouse gas emissions and energy use. The Group has implemented systems and processes for the collection and calculation of the data required. In compliance with the NGER Act, the Group submitted its seventh report to the Greenhouse and Energy Data Officer in September 2015 and is due to submit its eighth report by 31 October 2016.

DIRECTORS' REPORT
Continued

19. NON-AUDIT SERVICES

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

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

The Board has considered the position and, in accordance with advice received from the Audit, Finance and Risk Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The directors are satisfied that the provision of the non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act for the following reasons:

> all non-audit services have been reviewed by the Audit, Finance and Risk Committee to ensure that they do not impact on the impartiality and objectivity of the auditor; and

> none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

20. AUDITOR'S INDEPENDENCE DECLARATION

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

21. ROUNDING OF AMOUNTS

The Group has taken advantage of ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off to the nearest thousand dollars or, in certain cases, to the nearest dollar.

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

Paul McClintock AO
Chairman
Melbourne, 14 September 2016

COPRORATE GOVERNANCE STATEMENT

To view our Corporate Governance Statement please visit the Investor Centre on Myer's website.

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration

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

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
14 September 2016

REMUNERATION REPORT

Dear Shareholders,

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

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

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

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

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

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

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

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

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

Yours faithfully,

Paul McClintock, AO
Chairman

Chris Froggatt
Chairman, Human Resources and Remuneration Committee

REMUNERATION REPORT
Continued

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

1. INTRODUCTION

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

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

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

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

2. REMUNERATION STRATEGY

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

Attract and retain high calibre executives

> Reward competitively in the markets in which Myer operates

> Provide a balance of fixed and 'at risk' remuneration

Align executive rewards with Myer's performance

> Align reward outcomes with long term shareholder value creation

> Assess rewards against objective financial and non-financial measures

> Include at risk components based on both short and long term performance

> Remunerate or reward based on performance

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

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

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

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

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

REMUNERATION REPORT
Continued

<table>
<tr><th></th><th>STRATEGIC OBJECTIVES & LINK TO PERFORMANCE</th><th>PERFORMANCE MEASURE</th><th>AT RISK WEIGHT</th></tr>
<tr><td>TOTAL FIXED COMPENSATION (TFC)</td><td>> To attract and retain high calibre executives
> Provides 'predictable' base level of reward
> Set with reference to market using external benchmark data</td><td>> Varies based on employee's experience, skills and performance
> Consideration given to both internal and external relativities</td><td>-</td></tr>
<tr><td>SHORT TERM INCENTIVE</td><td>> Designed to drive the financial and strategic direction of the Company, which are intended to translate to shareholder return
> Majority of award subject to the achievement of NPAT targets
> Other individual objectives aligned to Company metrics that matter and strategic priorities, such as:
- Operating Gross Profit;
- Sales growth per Square Metre;
- Onmi-channel sales & profitability;
- Cost savings;
- Introduction of new 'wanted brands';
- Net Promoter Score (NPS); and,
- Safety performance.
> 40% of annual STI is deferred for 12 months following the end of the performance period to support retention and enable a mechanism for clawback</td><td>NPAT 'gateway' – minimum threshold performance level below which no STI is paid
> Minimum threshold NPAT ensures a minimum acceptable level of Company profit before executives receive any STI award
> NPAT (80% of available STI)
> Individual objectives (20% of available STI) aligned to key Company metrics and the Company's strategic objectives</td><td>CEO: Maximum 80% of TFC
Other executive KMP: Maximum 60% of TFC</td></tr>
<tr><td>LONG TERM INCENTIVE</td><td>> Delivered in equity to align executives with shareholder interests
> Focused on delivery of long term business strategy and outcomes
> Measures are aligned with the Company 'Metrics that Matter'
> Performance period aligned with the transformation period to drive performance and support the retention of key executives</td><td>Initial Award (granted in FY2016)
> Performance measures:
- Return on Funds Employed (50% of award)
- Sales growth per square metre (50% of award)
> Performance measured over a 3 year performance period (FY2016 – FY2018)
> Shares provided on vesting subject to restriction for 1 year (50% of award) to 2 years (50% of award)
One off Additional Award (granted in FY2018) equal to 50% of any vested Initial Award
> Performance measures:
- Relative Total Shareholder Return (50% of award)
- Compound Annual Growth Rate in Earnings per Share (50% of award)
> Measured over 2 performance periods of 3 years each (tranche 1 from FY2017 to FY2019 and tranche 2 from FY2018 to FY2020)
> Shares provided on vesting not subject to restriction</td><td>CEO: 90% of TFC
Other executive KMP: Between 60% and 90% of TFC</td></tr>
</table>

TOTAL REMUNERATION

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

REMUNERATION REPORT

Continued

3. COMPANY PERFORMANCE AND REMUNERATION OUTCOMES FOR FY2016

3.1 COMPANY PERFORMANCE

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

> made pleasing progress on our transformation;

> delivered Net Profit After Tax of $69.3 million (pre implementation costs) in line with guidance;

> introduced over 850 new or upgraded brand destinations across the store network;

> improved customer service, as measured by an overall 6 percent increase in our Net Promoter Score;

> grew omni-channel sales by 74 percent, with profit growth ahead of sales;

> reduced operating costs and commenced store network optimisation.

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

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

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

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

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

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

3.2 REMUNERATION OUTCOMES

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

Short term incentive	
FY2016 Outcomes	The net profit gateway condition, which requires a minimum level of NPAT to be achieved before STI can be awarded, was met in respect of the FY2016 STI. This gateway was set at $68.0 million NPAT before implementation costs. The Board believes that excluding these items provides a robust basis for year on year comparison of the underlying business performance, and has determined that management should not be penalised for incurring costs in the current year that are for the longer term benefit of the Company. FY2016 represents the first time in five years that STI awards have been made to KMP, and reflect the partial achievement of objectives designed to realign the brand offering to set the Company up for a sustainable future. Performance against the STI objectives during the year was as follows: > The Company NPAT result was slightly above threshold, and accordingly the gateway was 'opened' and an STI payment made in respect of the NPAT measure; > Individual performance objectives for KMP included a range of measures linked to the metrics that matter, strategic priorities, and each incumbent's specific role accountabilities. The following objectives were achieved, and accordingly a proportion of the STI related to them was awarded: - The introduction of a range of new and upgraded brand destinations; - Our Net Promoter Score (NPS) increased by 6.0 percent on FY2015; - Increased omni-channel sales by 74 percent, with profit growth ahead of sales; - Reduction in Cost of Doing Business as a percentage of sales were above target; - The Long Term Injury Free Rate (LTIFR) reduced by 23 percent on the previous year; and, - A number of internal process improvement measures were delivered, resulting in cost and efficiency improvements in key areas of the business. There were a number of other objectives that were not met, and accordingly, no STI payment was made in respect of these measures.

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

REMUNERATION REPORT
Continued

4. CHANGES TO REMUNERATION FRAMEWORKS IN FY2016

Short term incentive plan	
Changes in FY2016	Following a review of the remuneration framework, the Board approved some changes to the design of the STI plan applicable to KMP in FY2016. These changes are outlined below, with additional detail provided in Section 6.2. **Performance Measures** Once the gateway is achieved, there are two key components that determine any awards under the STI plan. The achievement of NPAT is the key measure, accounting for up to 80 percent of the maximum award for KMP. Individual objectives aligned with the strategic objectives of the Company determine the remaining 20 percent of any payment. The plan is subject to an overarching NPAT gateway condition, below which no STI is payable. **Deferral** In FY2016 the Board introduced a deferred component to the STI, equating to 40 percent of any award granted. For the CEO, this amount will be provided as deferred ordinary shares in Myer, which the CEO will not be able to deal in for a deferral period of 12 months (Restricted Shares). For other members of the Group Executive, the deferred amount is paid in cash, also after 12 months following the end of the performance period. If participants cease employment prior to the end of the deferral period, the deferred award is forfeited unless otherwise determined by the Board. The Board considers that this design feature supports executive focus on the medium term implications of annual performance, whilst also supporting retention of critical talent.

Long term incentive plan

Changes in FY2016	The Board has reviewed the structure of the LTIP and made amendments to key design features to further align the plan with the transformation program. The revised plan has specific features related to the transformation, and as such is not intended to form the ongoing LTIP design. Specifically this is a 5 year plan, punctuated with an initial award with performance measured over 3 years (from FY2016 to FY2018), followed by the potential of additional awards in FY2018 each measured over a separate 3 year period (being FY2017 to FY2019 and FY2018 to FY2020). The changes are outlined below, with additional detail provided in Section 6.3. Shareholders approved the grant of performance rights to the CEO with the new design features at the Company's FY2015 Annual General Meeting (this was referred to as the "Initial Award" in the Notice of Annual General Meeting 2015 (2015 AGM Notice)). Awards under this plan have also been made to other members of the Executive Management Team and incumbents in key strategic roles in the Company. As indicated in the 2015 AGM Notice, if performance rights granted to the CEO and Managing Director in FY2016 vest and shareholder approval is obtained at the 2018 Annual General Meeting, an additional award of performance rights will be awarded (Additional Award). If awarded, the Additional Award will be made in two separate tranches, each of which will be measured over three years (FY2017 to FY2019 inclusive for tranche 1, and FY2018 to FY2020 inclusive for tranche 2). **Initial Award** An award of performance rights with two performance hurdles, designed to reflect transformation based performance: > 50 percent of the award is subject to growth in Return on Funds Employed (ROFE) over the performance period (ROFE Hurdle) > 50 percent of the award is subject to a hurdle based on the Company's growth in sales per square metre (Sales/m^2 Growth) over the performance period (Sales/m^2 Growth Hurdle) The performance period for the Initial Award is 3 years. Any shares provided on vesting of the Initial Award performance rights (Initial Award shares) will be subject to defined restriction periods. **Additional Award** If the Initial Award performance rights vest, and subject to shareholder approval being obtained at the 2018 Annual General Meeting in respect of the CEO, an Additional Award of performance rights will be awarded equal to 50 percent of the number of Initial Award performance rights that have vested. If awarded, the Additional Award will be granted in 2 tranches, the details of which are shown below. *Tranche 1* > 50 percent of any Additional Award performance rights > Performance period of three years (FY2017 to FY2019) > 50 percent of this tranche subject to a relative TSR performance hurdle (TSR Hurdle) > 50 percent of this tranche subject to a Compound Annual Growth Rate (CAGR) in EPS hurdle (EPS Hurdle) *Tranche 2* > 50 percent of any Additional Award performance rights > Performance period of three years (FY2018 to FY2020) > 50 percent of this tranche subject to the TSR Hurdle > 50 percent of this tranche subject to the EPS Hurdle The hurdles for both the Initial Award and any Additional Award have been chosen to align shareholder returns and the delivery of the transformation program measured over the combined five year performance period. A more detailed explanation of why the hurdles were chosen is included in Section 6.3.

REMUNERATION REPORT

Continued

5. REMUNERATION GOVERNANCE

5.1 ROLE OF THE HUMAN RESOURCES AND REMUNERATION COMMITTEE

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

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

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

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

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

- non-executive director fees;
- executive remuneration (for the Managing Director and CEO and other executives) including specific recommendations on remuneration packages and other terms of employment;
- the overarching remuneration framework including the policy, strategy and practices for fixed reward and both short and long term incentive plans and performance hurdles; and
- the regular and continuing review of executive succession planning and executive development activities to ensure appropriate plans are in place for succession for business critical roles.

The Committee has been established under rule 8.15 of the Constitution of the Company. Further information on the role of the Committee, its membership and meetings held throughout the year are set out in the Corporate Governance Statement (available on the Company's website) and the Directors' Report.

The Chairman, the CEO, and the Head of the Human Resources function are regular attendees at the Committee meetings. The CEO was not present during any Committee or Board meetings when his remuneration was considered or discussed during the financial year.

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

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

5.2 USE OF REMUNERATION CONSULTANTS

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

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

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

REMUNERATION REPORT
Continued

6. EXECUTIVE REMUNERATION

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

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

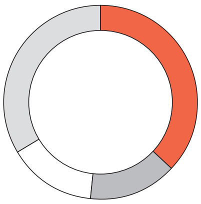
> TFC – base pay and benefits, including superannuation;

> STI; and

> LTI.

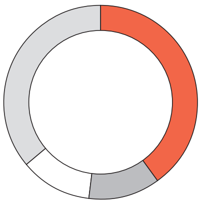
The combination of these components comprises an executive's total remuneration. The charts below show the relative weighting of each component, as a proportion of the total potential remuneration for KMP, for the 2016 financial year.

Chief Executive Officer
& Managing Director



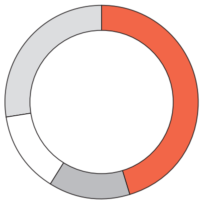
TFC	37.0%
STI (not deferred)	14.8%
STI (deferred)	14.8%
LTI	33.3%

Deputy CEO & Chief Merchandise
& Customer Officer /
Chief Financial officer



TFC	40.0%
STI (not deferred)	12.0%
STI (deferred)	12.0%
LTI	36.0%

Executive General
Manager Stores



TFC	45.5%
STI (not deferred)	13.6%
STI (deferred)	13.6%
LTI	27.3%

6.1 TOTAL FIXED COMPENSATION

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

Features of Total Fixed Compensation

What is included in TFC?	TFC is structured as a total fixed remuneration package, made up of base salary, superannuation, other benefits and Fringe Benefits Tax, where applicable. Some of the benefits include the opportunity to receive a portion of their fixed remuneration in a variety of forms, including fringe benefits such as motor vehicles, or to make additional contributions to superannuation or retirement plans (as permitted by relevant legislation).
How is TFC reviewed?	TFC levels for each executive are set with reference to the market median, the scope and nature of each role, the incumbent's experience and individual performance. The Committee reviews and makes recommendations to the Board regarding TFC for KMP and senior executives annually in July, having regard to Company and individual performance and relevant comparative remuneration in the market. Annual adjustments approved by the Board are effective 1 February. The Board may also consider adjustments to executive remuneration outside of this as recommended by the CEO, such as on promotion or as a result of additional duties performed by the executive. Where new senior executives join the Company or existing executives are appointed to new roles, a review and benchmarking of fixed and total remuneration is conducted prior to the offer and execution of a new employment contract.
Which benchmarks are used?	Remuneration for KMP is considered in the context of the skills and experience being sought, the global senior retail market, and benchmarked against peer groups consisting of local industry peers and/or companies with a similar market capitalisation to Myer.

REMUNERATION REPORT
Continued

6.2 SHORT TERM INCENTIVE

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

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

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

REMUNERATION REPORT

Continued

Governance

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

Cessation of employment, clawback or change of control

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

FY2016 Outcomes

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

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

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

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

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

REMUNERATION REPORT
Continued

6.3 FY2016 LONG TERM INCENTIVE PLAN

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

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

Vesting and performance hurdles

What is the performance period?	**Initial Award** The performance period commences at the beginning of the financial year in which the performance rights are granted. For the performance rights granted under the FY2016 LTIP, the performance period started on 26 July 2015 and ends after three years on 28 July 2018. Following the end of the performance period and after the Company has lodged its full year audited financial results for 2018 with the ASX, the Board will test the performance hurdles that apply to the FY2016 LTIP offer and will determine how many performance rights (if any) are eligible to vest. **Additional Award** If the Initial Award performance rights vest and, in respect of the CEO, subject to shareholder approval at the 2018 Annual General Meeting, an Additional Award of performance rights will be awarded in two separate tranches, each with a performance period of three years (from FY2017 to FY2019 inclusive for tranche 1, and FY2018 to FY2020 inclusive for tranche 2).
What are the performance hurdles?	**Initial Award** The financial performance measures approved by the Board for the FY2016 LTIP offer were ROFE and Sales/m^2 Growth. > 50 percent of the Initial Award is subject to the ROFE Hurdle. > 50 percent of the Initial Award is subject to the Sales/m^2 Growth Hurdle. **Additional Award** > The financial performance measures approved for the Additional Award for the FY2016 LTIP offer are relative TSR and CAGR EPS. 50 percent of each tranche of the Additional Award is subject to the TSR Hurdle, which measures the Company's relative TSR performance against peer companies over the relevant Additional Award performance period. > 50 percent of each tranche of the Additional Award is subject to the EPS Hurdle, which measures the Company's growth in EPS over the relevant Additional Award performance period.
Why were the performance hurdles chosen?	The hurdles were chosen to align shareholder returns and the delivery of the transformation program measured over the combined five year performance period of the Initial Award and any Additional Award. **Initial Award** The ROFE and Sales/m^2 Growth Hurdles have been selected in order to balance the transformation requirements with the needs of shareholders. Significant investment in additional capital and short term costs is required in the first two years of the New Myer plan, and is expected to transform the business in order to achieve sustained improvements in earnings and share price. **Additional Award** The TSR Hurdle was selected in order to ensure alignment between comparative shareholder return and reward for executives. This measure also provides a direct comparison of the Company's performance over the performance period against a comparator group of companies that would, broadly, be expected to be similarly impacted by changes in market conditions. The EPS Hurdle was selected as the Board considers it an effective measure for determining the underlying profitability of the business. Both the TSR hurdle and the EPS hurdle are designed to reflect shareholder performance outcomes, including during the subsequent two years following the Initial Award performance period.

REMUNERATION REPORT
Continued

What is the vesting framework?

The number of performance rights that vest will depend on how well Myer has performed during the performance period. For superior performance, 100 percent of the performance rights will vest. Only a percentage of performance rights will vest for performance below that level. If Myer does not achieve certain minimum thresholds then all the applicable performance rights will lapse and no performance rights can vest.

For the FY2016 LTIP offer the following vesting hurdles apply:

Initial Award

Performance rights subject to the ROFE Hurdle (50 percent of the Initial Award)

Myer's ROFE at the end of the Initial Award performance period	% of performance rights subject to the ROFE Hurdle that will vest (rounded down to the nearest whole number)
Less than 13.8%	Nil
Between 13.8% and 15%	Pro rata, with a linear progression between 50% and up to 100%
Greater than 15%	100%

Performance rights subject to the Sales/m² Growth Hurdle (50 percent of the Initial Award)

For the Sales/m² Growth Hurdle to be satisfied, there are two conditions that need to be satisfied. First, Myer's sales growth rate must be greater than its cost growth rate over the Initial Award performance period. This is so as to ensure that the achievement of the Sales/m² Growth Hurdle is in line with Myer's strategic plan.

If this first gateway condition is satisfied, the Sales/m² Growth Hurdle will vest according to the following schedule.

Growth in sales per square metre	% of performance rights subject to the Sales/m² Growth Hurdle that will vest (rounded down to the nearest whole number)
Less than 20%	Nil
Between 20% and 30%	Pro rata, with a linear progression between 50% and up to 100%
Greater than 30%	100%

What is the vesting framework? (continued)	**Additional Award** *Performance rights subject to the TSR Hurdle (50 percent of the Additional Award)* The TSR Hurdle will be tested by calculating the TSR of the Company and the TSR of each company in the peer group over the relevant Additional Award performance period. The peer group comprises Standard & Poor's / ASX 200 market constituents with some exclusions. Vesting is based on the scale outlined below.

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

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

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

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

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

Are the performance hurdles subject to retesting?	No. Each performance hurdle is only tested once at the end of the performance period.
Do any restrictions apply once the rights vest?	50 percent of any Initial Award shares are restricted for approximately one year and the other 50 percent are restricted for approximately two years following allocation of the shares. During this time executives cannot trade in the Initial Award shares, but will receive dividends and have voting rights.

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

Cessation of employment	Generally, any performance rights granted will lapse on cessation of employment if they have not been exercised (whether vested or unvested at that time). Generally, if an executive ceases employment prior to the end of the relevant restriction period for Initial Award shares, the executive will forfeit their interest in the Initial Awards shares. Subject to applicable law, the Board has the power to allow an executive to keep some, or all of their performance rights on cessation of employment (although the discretion is only likely to be exercised in exceptional circumstances). The treatment of the CEO's performance rights on cessation of employment will depend on the date as well as the circumstances of cessation. Further detail is provided in Myer's 2015 AGM Notice. Generally, if the CEO ceases employment on or before the end of the relevant restriction period for Initial Award shares due to resignation, termination for cause or gross misconduct, he will forfeit his interest in the Initial Award shares. If he ceases employment on or before the end of the relevant restriction period for other reasons, he will retain his interest in the Initial Award shares. Subject to applicable law, the Board has a discretion to allow different treatment (although the discretion is only likely to be exercised in exceptional circumstances).

REMUNERATION REPORT
Continued

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

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

In addition, under the conditions of his appointment, Mr Devonport was awarded additional performance rights to the value of $200,000 under the LTIP in FY2016 and may be, subject to meeting certain contractual conditions, awarded a similar grant in FY2017. These performance rights are subject to a condition of continuous employment with the Company through to the end of the performance period for the FY2016 and FY2017 LTIP respectively.

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

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

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

7. REMUNERATION OUTCOMES FOR EXECUTIVE KMP

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

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

REMUNERATION REPORT

Continued

Footnotes

(1) Cash salary includes short term compensated absences and any salary sacrifice arrangement implemented by the executives, including additional superannuation contributions.

(2) STI payments relate to program performance and conditions for the year they were earned, not the year of actual payment.

(3) The FY2015 sign on awards for R Umbers and D Bracken relate to sign on arrangements agreed to secure their appointment. In addition, G Devonport was awarded a sign-on award of $400,000, payable 12 months following his appointment, to recognise remuneration forgone from his previous employer in order to join Myer.

(4) Other payments include the movement in Annual Leave accrual and Fringe Benefits Tax paid by the Company in respect of Company provided car parking up to the end of March 2016 (in accordance with the FBT year). Other payments for B Brookes in FY2015 include payments for rental subsidy and certain other services in relation to provision of accommodation.

(5) This table has been restated to reflect the movement in Annual Leave accrual between FY2014 and FY2015 that was not reported in the FY2015 Remuneration Report.

(6) There were no post employment benefits paid other than superannuation.

(7) Executives receive a statutory superannuation contribution up to a threshold limit in line with the ATO published maximum superannuation contribution base.

(8) This benefit includes the movement in long service leave accrual.

(9) Total remuneration expense excluding share based payments reflects the accounting expense treatment of base salary, any bonuses or short term incentive payments, Fringe Benefit Tax expenses, superannuation, the balance of long service leave accruals, retention payments and any termination benefits in the reporting period.

(10) The share based payment expense represents the amount expensed for the period based on valuations determined under AASB 2 Share based Payment. This expense is based on the fair value at grant date, and reflects expectations of the number of options expected to vest. Where expectations change in relation to vesting, adjustment is made in the current period to reflect this change. As the equity grant may fully vest, partially vest or not vest at all, the benefit that the KMP ultimately realises is likely to be different to the amount disclosed in a particular year. The amount disclosed does not represent cash payments received in the period, and if vesting conditions are not met may result in reversal of the remuneration amount in a future period. There were no other equity-settled share based payments and there were no cash-settled share based payments.

7.1 UNVESTED PERFORMANCE RIGHTS

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

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

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

$= PR \times (B/A)$

where:

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

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

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

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

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

REMUNERATION REPORT

Continued

7.2 EQUITY INSTRUMENTS GRANTED TO KMP

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

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

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

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

7.3 SHARES PROVIDED ON EXERCISE OF OPTIONS

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

7.4 LONG TERM INCENTIVES ON ISSUE

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

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

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

8. EXECUTIVE SERVICE AGREEMENTS

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

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

REMUNERATION REPORT
Continued

9. EQUITY

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

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

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

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

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

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

REMUNERATION REPORT
Continued

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

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

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

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

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

10. LOANS AND OTHER TRANSACTIONS

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

11. DEALING IN SECURITIES

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

REMUNERATION REPORT
Continued

12. NON-EXECUTIVE DIRECTOR REMUNERATION

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

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

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

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

Base annual fees	
Chairman (all inclusive)	$400,000
Other non-executive directors	$150,000

Additional annual fees	
Deputy Chairman[1]	$30,000
Audit Finance and Risk Committee – Chairman	$30,000
Audit Finance and Risk Committee – member	–
Human Resources and Remuneration Committee – Chairman	$22,500
Human Resources and Remuneration Committee – member	–
Nomination Committee – Chairman	–
Nomination Committee – member	–

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

Non-executive directors do not receive performance based pay. However, they are able to purchase shares in the Company, which can be acquired on market during approved 'windows' for share trading consistent with the Company's Guidelines for Dealing in Securities.

Non-executive directors are not entitled to any additional remuneration upon retirement. Superannuation contributions required by legislation are made from the fee paid to directors and fall within the aggregate fee pool limit.

REMUNERATION REPORT

Continued

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

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

(1) Cash salary includes any applicable Committee Fees.

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JULY 2016

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CONSOLIDATED INCOME STATEMENT

for the period ended 30 July 2016

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

		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the Company:			
Basic earnings per share	A5	**7.7**	5.1
Diluted earnings per share	A5	**7.7**	5.1

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 July 2016

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

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

CONSOLIDATED BALANCE SHEET

as at 30 July 2016

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 30 July 2016

	Notes	Contributed equity $'000	Retained earnings $'000	Reserves $'000	Total $'000
Balance as at 26 July 2014		524,732	378,751	(10,070)	893,413
Net profit for the period		–	29,826	–	29,826
Other comprehensive income for the period		–	–	11,639	11,639
Total comprehensive income for the period		–	29,826	11,639	41,465
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	F1	23	–	–	23
Dividends paid	F3	–	(73,211)	–	(73,211)
Employee share schemes	F2	–	–	1,326	1,326
		23	(73,211)	1,326	(71,862)
Balance as at 25 July 2015		524,755	335,366	2,895	863,016
Net profit for the period		**–**	**60,543**	**–**	**60,543**
Other comprehensive income for the period		**–**	**–**	**(14,707)**	**(14,707)**
Total comprehensive income for the period		**–**	**60,543**	**(14,707)**	**45,836**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	F1	**214,583**	**–**	**–**	**214,583**
Dividends paid	F3	**–**	**(16,426)**	**–**	**(16,426)**
Employee share schemes	F2	**–**	**–**	**756**	**756**
		214,583	**(16,426)**	**756**	**198,913**
Balance as at 30 July 2016		**739,338**	**379,483**	**(11,056)**	**1,107,765**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the period ended 30 July 2016

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

A. GROUP PERFORMANCE

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

A1 SEGMENT INFORMATION

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

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

The Group also undertakes activities outside the department store retail business through its subsidiaries, sass & bide and FSS Retail Pty Ltd. On the basis that this aspect of the business represents less than 10% of the total Group's operations and has similar economic characteristics to the department store retail business, it has not been disclosed as a separate reporting segment.

ACCOUNTING POLICY

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

A2 REVENUE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

A2 REVENUE (CONTINUED)

ACCOUNTING POLICY

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CUSTOMER LOYALTY PROGRAM

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

A3 EXPENSES

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

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

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

Strategic review and implementation costs[1]	**–**	10,591
Restructuring and redundancy costs[2]	**5,754**	11,828
Store and brand exit costs and other asset impairments[3]	**12,496**	24,488
Support office onerous lease expense and impairment of assets[4]	**–**	14,780
	18,250	61,687
Income tax benefit	**(9,531)**	(14,009)
Strategic review, restructuring, store and brand exit costs and impairment of assets, net of tax	**8,719**	47,678

1. In 2015, the Group incurred costs associated with the development of the New Myer strategy, as well as subsequent costs associated with its implementation. These costs related primarily to fees incurred with consultants engaged to assist the Group with the review.
2. The Group has completed several restructuring programs during the period resulting in redundancy and other costs being incurred or committed but not yet incurred. Refer to note C3 for more information.
3. Store and brand exit costs and other asset impairments includes net costs associated with the announcement of store closures (Brookside, Orange, Wollongong and Logan) (2015: Top Ryde and Hurstville), new store terminations and space optimisation during or after the end of the period that have been committed to prior to the end of the period. In 2015, the Group recognised a provision for the exit of brands from our stores identified as part of the New Myer strategy and asset impairments related to those brands, as well as the impairment of lease rights. Refer to note B2, C1, C2 and C3 for more information.
4. In 2015, the Group recognised a $12.2 million onerous lease provision relating to surplus space identified at the support office due to restructuring completed. This provision expense was partially offset by the write-back of the fixed lease rental increase provision and deferred income associated with this space. The assets associated with this surplus space were impaired and included in this amount. Refer to note C1 and C3 for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

A3 EXPENSES (CONTINUED)

ACCOUNTING POLICY

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

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

Individually Significant Items

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

A4 INCOME TAX

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

1. Income tax expense includes an income tax benefit of $9.5 million (2015: $14 million) attributable to the strategic review, restructuring, store and brand exit costs and impairment of assets recorded during the period. Refer to note A3 for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

A4 INCOME TAX (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

A4 INCOME TAX (CONTINUED)

ACCOUNTING POLICY

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

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

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

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

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

Goods and Services Tax (GST)

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

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

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

A5 EARNINGS PER SHARE

	2016 cents	2015 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**7.7**	5.1
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**7.7**	5.1

	2016 $'000	2015 $'000
(c) Reconciliation of earnings used in calculating earnings per share		
Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders	**60,543**	29,826

	2016 Number	2015 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**786,845,842**	585,683,950
Adjustments for calculation of diluted earnings per share:		
Options and performance rights	**2,216,778**	4,640,752
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**789,062,620**	590,324,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

A5 EARNINGS PER SHARE (CONTINUED)

(e) Information concerning the classification of securities

Performance rights

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

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

ACCOUNTING POLICY

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

Diluted earnings per share

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

> the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and

> the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

B. WORKING CAPITAL

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

B1 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

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

Fair value and risk exposure

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

ACCOUNTING POLICY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

B2 INVENTORIES

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

Provision for write-down of inventories to net realisable value amounted to $12.7 million (2015: $11.4 million). This was recognised as an expense during the period and included in cost of sales in the income statement. In addition to this, a provision for write-down of inventories to net realisable value relating to exit brands amounting to $1.0 million (2015: $3.8 million) was recognised as an expense during the period and included in strategic review, restructuring, store and brand exit costs and impairment of assets in the income statement.

ACCOUNTING POLICY

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – RECOVERABLE AMOUNT OF INVENTORY

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

B3 TRADE AND OTHER PAYABLES

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

Trade and other payables are non-interest bearing.

ACCOUNTING POLICY

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

C. CAPITAL EMPLOYED

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

C1 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Freehold buildings $'000	Fixtures and fittings $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
At 26 July 2014						
Cost	9,600	19,500	422,209	381,679	30,820	863,808
Accumulated depreciation	–	(3,982)	(206,172)	(150,773)	–	(360,927)
Net book amount	9,600	15,518	216,037	230,906	30,820	502,881
Period ended 25 July 2015						
Carrying amount at beginning of period	9,600	15,518	216,037	230,906	30,820	502,881
Additions	–	–	15,796	9,107	16,375	41,278
Transfer between classes	–	–	14,689	23,812	(37,861)	640
Assets written off – cost	–	–	(7,469)	(6,309)	–	(13,778)
Assets written off – accumulated depreciation	–	–	5,524	4,193	–	9,717
Impairment[1]	–	–	(9,624)	–	–	(9,624)
Depreciation charge	–	(488)	(33,799)	(27,732)	–	(62,019)
Exchange differences	–	–	(271)	122	60	(89)
Carrying amount at end of period	9,600	15,030	200,883	234,099	9,394	469,006
At 25 July 2015						
Cost	9,600	19,500	444,954	408,411	9,394	891,859
Accumulated depreciation and impairment	–	(4,470)	(244,071)	(174,312)	–	(422,853)
Net book amount	9,600	15,030	200,883	234,099	9,394	469,006
Period ended 30 July 2016						
Carrying amount at beginning of period	**9,600**	**15,030**	**200,883**	**234,099**	**9,394**	**469,006**
Additions	**–**	**–**	**3,648**	**2,228**	**47,967**	**53,843**
Transfer between classes	**–**	**–**	**8,103**	**19,845**	**(28,456)**	**(508)**
Assets written off – cost	**–**	**–**	**(16,366)**	**(2,162)**	**–**	**(18,528)**
Assets written off – accumulated depreciation	**–**	**–**	**14,757**	**500**	**–**	**15,257**
Impairment[1]	**–**	**–**	**(8,338)**	**–**	**–**	**(8,338)**
Depreciation charge	**–**	**(488)**	**(33,402)**	**(31,162)**	**–**	**(65,052)**
Exchange differences	**–**	**–**	**(251)**	**(48)**	**(2)**	**(301)**
Carrying amount at end of period	**9,600**	**14,542**	**169,034**	**223,300**	**28,903**	**445,379**
At 30 July 2016						
Cost	**9,600**	**19,500**	**440,088**	**428,274**	**28,903**	**926,365**
Accumulated depreciation and impairment	**–**	**(4,958)**	**(271,054)**	**(204,974)**	**–**	**(480,986)**
Net book amount	**9,600**	**14,542**	**169,034**	**223,300**	**28,903**	**445,379**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

C1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICY

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

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

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

> Buildings	40 years	(2015: 40 years)
> Fixtures and fittings	3 – 12.5 years	(2015: 3 – 12.5 years)
> Plant and equipment, including leasehold improvements	10 – 20 years	(2015: 10 – 20 years)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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C2 INTANGIBLE ASSETS

	Goodwill $'000	Brand names and trademarks $'000	Software $'000	Lease rights $'000	Total $'000
At 26 July 2014					
Cost	376,631	429,958	224,489	48,540	1,079,618
Accumulated amortisation	–	(2,232)	(107,090)	(37,698)	(147,020)
Net book amount	376,631	427,726	117,399	10,842	932,598
Period ended 25 July 2015					
Carrying amount at beginning of period	376,631	427,726	117,399	10,842	932,598
Additions	–	–	19,010	–	19,010
Transfer between classes	–	–	(640)	–	(640)
Assets written off – cost	–	–	(6,524)	(22,754)	(29,278)
Assets written off – accumulated amortisation	–	–	5,244	22,754	27,998
Impairment[1]	–	(1,150)	(514)	(9,795)	(11,459)
Amortisation charge[2]	–	(301)	(21,035)	(1,047)	(22,383)
Exchange differences	–	–	262	–	262
Carrying amount at end of period	376,631	426,275	113,202	–	916,108
At 25 July 2015					
Cost	376,631	429,958	236,335	25,786	1,068,710
Accumulated amortisation	–	(3,683)	(123,133)	(25,786)	(152,602)
Net book amount	376,631	426,275	113,202	–	916,108
Period ended 30 July 2016					
Carrying amount at beginning of period	**376,631**	**426,275**	**113,202**	**–**	**916,108**
Additions	**–**	**–**	**12,011**	**–**	**12,011**
Transfer between classes	**–**	**–**	**508**	**–**	**508**
Assets written off – cost	**–**	**–**	**(1,074)**	**–**	**(1,074)**
Assets written off – accumulated amortisation	**–**	**–**	**130**	**–**	**130**
Amortisation charge[2]	**–**	**(8)**	**(23,483)**	**–**	**(23,491)**
Exchange differences	**–**	**–**	**(21)**	**–**	**(21)**
Carrying amount at end of period	**376,631**	**426,267**	**101,273**	**–**	**904,171**
At 30 July 2016					
Cost	**376,631**	**429,958**	**247,759**	**25,786**	**1,080,134**
Accumulated amortisation and impairment	**–**	**(3,691)**	**(146,486)**	**(25,786)**	**(175,963)**
Net book amount	**376,631**	**426,267**	**101,273**	**–**	**904,171**

1. 2015: Impairment relates to the impairment of the Charlie Brown brand and the impairment of lease right asset associated with one of our stores. Refer to note A3 for more information.

2. Amortisation of $23.5 million (2015: $22.4 million) is included in administration and selling expenses in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

C2 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill and intangibles with an indefinite useful life

The goodwill arising on the acquisition of the Myer business amounting to $349.5 million (2015: $349.5 million) cannot be allocated to the Group's individual cash generating units (CGU's) (the Group's stores), and hence has been allocated to the Myer business as a whole. Similarly, brand names which have an indefinite useful life and amounting to $402.8 million (2015: $402.8 million) have been allocated to the Myer business as a whole.

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

> discount rate (pre-tax) 14.4% (2015: 14.4%)

> terminal growth rate 2.5% (2015: 2.5%)

> operating gross profit margin 39.5% (2015: 40%)

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

During the period, a review of the carrying value of the assets for each Myer store was undertaken and where indicators of impairment were identified, the recoverable amount of these store assets was determined using a value in use discounted cash flow model. This model uses cash flow projections based on financial budgets approved by management covering a five year period. The key assumptions in the model are consistent with those noted above. Based on this, no indicators of impairment were identified at a Myer store level (2015: $9.8 million impairment charge for lease right asset).

sass & bide

The goodwill arising on the acquisition of the sass & bide business is $27.1 million (2015: $27.1 million) and the sass & bide brand name, which has an indefinite useful life, is $23.5 million (2015: $23.5 million). The goodwill and brand name cannot be allocated to the individual CGU's (the sass & bide stores), and hence have been allocated to the sass & bide business as a whole.

In testing these assets for impairment, the recoverable amount has been determined using a value in use discounted cash flow model. This model uses cash flow projections based on financial budgets approved by management covering a five year period. The key assumptions to which the valuation outcome is most sensitive relates to sales growth and operating gross profit margin. Sensitivity analysis on these assumptions indicates that the recoverable amount of goodwill and indefinite useful life assets relating to sass & bide would be impacted by an adverse movement in sales and operating gross profit margin of between 4% and 5%.

C2 INTANGIBLE ASSETS (CONTINUED)

ACCOUNTING POLICY

(i) Impairment of assets

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

(ii) Goodwill

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

(iii) Brand names and trade marks

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

Brands with a limited useful life are amortised over five years using the straight-line method and are carried at cost less accumulated amortisation and impairment losses.

(iv) Computer software

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

(v) Lease rights

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

C2 INTANGIBLE ASSETS (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

Business combinations

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – IMPAIRMENT

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

C3 PROVISIONS

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

C3 PROVISIONS (CONTINUED)

(i) Support office onerous lease

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

(ii) Restructuring

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

(iii) Workers' compensation

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

(iv) Sales returns

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

(v) Fixed lease rental increases

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

Movement in provisions

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

	Support office onerous lease $'000	Restructuring $'000	Workers' compensation $'000	Sales returns $'000	Fixed lease rental increases $'000	Other $'000	Total $'000
2016							
Carrying amount at beginning of period	12,298	8,267	11,838	2,772	7,478	2,905	45,558
Additional provisions recognised	–	18,948	3,848	2,030	2,064	12,583	39,473
Amounts utilised	(2,975)	(8,267)	(4,804)	(2,772)	(295)	(12,658)	(31,771)
Carrying amount at end of period	9,323	18,948	10,882	2,030	9,247	2,830	53,260

Amounts not expected to be settled within the next 12 months

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

C3 PROVISIONS (CONTINUED)

ACCOUNTING POLICY

Provisions

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

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

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

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

Employee benefits

(i) Short term obligations

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

(ii) Other long term employee benefit obligations

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

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

(iii) Profit sharing and bonus plans

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

(iv) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

C4 DEFERRED INCOME

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

ACCOUNTING POLICY

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

D. NET DEBT

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

The net debt of the Group as at 30 July 2016 and 25 July 2015 is as follows:

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

D1 CASH AND CASH EQUIVALENTS

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

ACCOUNTING POLICY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

D2 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

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

D3 BORROWINGS

(a) Structure of debt

The debt funding of the Group at 30 July 2016 comprised of a revolving cash advance syndicated facility of $600 million. This facility was established on 29 October 2009, drawn down on 6 November 2009 and amended and restated on 3 June 2011, 9 July 2013 and 23 June 2015. At balance date the following amounts were drawn:

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

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

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

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

(b) Security

The revolving cash advance facility in place at 30 July 2016 is unsecured, subject to various representations, undertakings, events of default and review events which are usual for a facility of this nature.

(c) Fair value

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

(d) Risk exposures

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

ACCOUNTING POLICY

Borrowings

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

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

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

E. RISK MANAGEMENT

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

E1 FINANCIAL RISK MANAGEMENT

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

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

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

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

Group sensitivity

The Group applies a prudent cash flow hedging policy approach whereby all forward exchange contracts in relation to the Group's overseas purchases are designated as cash flow hedges at inception. Subsequent testing of effectiveness ensures that all effective hedge movements flow through the cash flow hedge reserve within equity. Consistent with this approach, the sensitivity for movements in foreign exchange rates for US dollar and Euro denominated financial instruments held at 30 July 2016, as detailed in the above table, will flow through equity and will therefore have minimal impact on profit.

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

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

(ii) Cash flow and fair value interest rate risk

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

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

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

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

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

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

At 30 July 2016, if interest rates had changed by +/- 10% from the period end rates with all other variables held constant, post-tax profit for the period would have been nil (2015: $0.4 million lower/$0.4 million higher), mainly as a result of higher/lower interest expense on borrowings.

Other components of equity would have been $0.2 million higher/$0.2 million lower (2015: $0.6 million higher/$0.6 million lower) mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

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

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for the period ended 30 July 2016

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

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

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as disclosed in notes B1, D1 and E2.

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

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

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

(c) Liquidity risk

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

Financing arrangements

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

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

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

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

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E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

Maturities of financial liabilities

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

(a) all non-derivative financial liabilities; and

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

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

Contractual maturities of financial liabilities	Less than 6 months $'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
2016							
Non-derivatives							
Non-interest bearing	**292,772**	**-**	**-**	**-**	**-**	**292,772**	**292,772**
Variable rate	**2,304**	**2,127**	**151,064**	**-**	**-**	**155,495**	**150,000**
Total non-derivatives	**295,076**	**2,127**	**151,064**	**-**	**-**	**448,267**	**442,772**
Derivatives							
Net settled (interest rate swaps)	**1,094**	**1,018**	**525**	**-**	**-**	**2,637**	**2,689**
Gross settled							
- (inflow)	**(118,488)**	**(71,747)**	**(25,369)**	**-**	**-**	**(215,604)**	**(431)**
- outflow	**124,198**	**72,639**	**25,593**	**-**	**-**	**222,430**	**7,257**
Total derivatives	**6,804**	**1,910**	**749**	**-**	**-**	**9,463**	**9,515**
2015							
Non-derivatives							
Non-interest bearing	280,872	-	-	-	-	280,872	280,872
Variable rate	7,203	7,706	15,738	469,061	-	499,708	445,000
Total non-derivatives	288,075	7,706	15,738	469,061	-	780,580	725,872
Derivatives							
Net settled (interest rate swaps)	1,262	1,219	1,932	403	-	4,816	4,753
Gross settled							
- (inflow)	(137,697)	(56,917)	-	-	-	(194,614)	(15,211)
- outflow	125,722	53,718	-	-	-	179,440	-
Total derivatives	(10,713)	(1,980)	1,932	403	-	(10,358)	(10,458)

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for the period ended 30 July 2016

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

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

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 July 2016 and 25 July 2015:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2016				
Assets				
Derivatives used for hedging	–	431	–	431
Total assets	–	431	–	431
Liabilities				
Derivatives used for hedging	–	9,946	–	9,946
Total liabilities	–	9,946	–	9,946
2015				
Assets				
Derivatives used for hedging	–	15,211	–	15,211
Total assets	–	15,211	–	15,211
Liabilities				
Derivatives used for hedging	–	4,753	–	4,753
Total liabilities	–	4,753	–	4,753

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

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

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

ACCOUNTING POLICY

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held to maturity investments

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

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

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

ACCOUNTING POLICY (CONTINUED)

(iv) Available for sale financial assets

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

Recognition and derecognition

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

Measurement

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

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

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

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss as gains and losses from investment securities. Details on how the fair value of financial instruments is determined are disclosed in note E1.

Impairment

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

E2 DERIVATIVE FINANCIAL INSTRUMENTS

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

(a) Instruments used by the Group

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

(i) Forward exchange contracts - cash flow hedges

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

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

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

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

(ii) Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 3.09% (2015: 3.56%). It is the Group's policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 100% (2015: 44.9%) of the Group's drawn debt facility (refer to note D3 for details of the Group's borrowings). The notional principal amounts used in the swap agreements match the terms of the debt facilities. Under the swap agreements, the fixed interest rates range between 2.61% and 3.90% (2015: 2.97% and 3.9%) and the variable rates are based on the Bank Bill Swap Rate bid (BBSY Bid).

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

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the income statement when the hedged interest expense is recognised. In the period ended 30 July 2016, $2.3 million was reclassified in profit and loss (2015: $1.7 million) and included in finance cost. There was no hedge ineffectiveness in the current period.

(b) Risk exposures

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

E2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

ACCOUNTING POLICY

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

> hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or

> hedges of the cash flows or recognised assets or liabilities and highly probable forecast transactions (cash flow hedges).

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

F. EQUITY

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

F1 CONTRIBUTED EQUITY

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

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

Ordinary shares

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

Treasury shares

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

Employee share and option schemes

Information relating to the employee share-based payment schemes, including details of shares issued under the schemes, is set out in note H4.

Capital risk management

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

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

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

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F1 CONTRIBUTED EQUITY (CONTINUED)

The gearing ratios at 30 July 2016 and 25 July 2015 were as follows:

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

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

ACCOUNTING POLICY

Ordinary shares are classified as equity.

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

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

F2 RETAINED EARNINGS AND RESERVES

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

(i) Share-based payments

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

(ii) Cash flow hedges

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

(iii) Other reserve

Under the shareholders' agreement entered into with the non-controlling shareholders at the time of acquisition in 2011, the Group held a call option over the non-controlling shareholders' 35% interest in Boogie & Boogie Pty Ltd, the owner of sass & bide, and the non-controlling shareholders had a corresponding put option. These options became exercisable in 2014, two years from acquisition date, at a market value of the shares at that time based on a formula contained within the shareholders' agreement. The potential liability of the Group under the put option was estimated at acquisition date based on expectations on the timing of exercise and the exercise price at that future point in time, discounted to present value using the Group's incremental borrowing rate. The recognition of the put option liability at acquisition date resulted in the recognition of an amount to the other reserve within shareholders' equity and a financial liability within non-current liabilities other, reclassified to current liabilities in 2013 when it became payable.

On acquisition of the remaining 35% of sass & bide, the cash payment of $33.4 million was recorded against the current financial liability and non-controlling interests balances were recorded against other reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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F2 RETAINED EARNINGS AND RESERVES (CONTINUED)

(iv) Foreign currency translation

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

ACCOUNTING POLICY

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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F3 DIVIDENDS

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

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

(a) franking credits that will arise from the payment of the amount of the provision for income tax;

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $11 million (2015: nil).

ACCOUNTING POLICY

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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G. GROUP STRUCTURE

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

G1 SUBSIDIARIES

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

Name of entity	Notes	Country of incorporation	Class of shares	Equity holdings[4] 2016 %	Equity holdings[4] 2015 %
NB Elizabeth Pty Ltd	(1), (3)	Australia	Ordinary	100	100
NB Russell Pty Ltd	(2), (3)	Australia	Ordinary	100	100
NB Lonsdale Pty Ltd	(2), (3)	Australia	Ordinary	100	100
NB Collins Pty Ltd	(1), (3)	Australia	Ordinary	100	100
Warehouse Solutions Pty Ltd	(2), (3)	Australia	Ordinary	100	100
Myer Group Pty Ltd	(1), (3)	Australia	Ordinary	100	100
Myer Pty Ltd	(1), (3)	Australia	Ordinary	100	100
Myer Group Finance Limited	(1), (3)	Australia	Ordinary	100	100
The Myer Emporium Pty Ltd	(1), (3)	Australia	Ordinary	100	100
ACT Employment Services Pty Ltd	(2)	Australia	Ordinary	100	100
Myer Employee Share Plan Pty Ltd	(2)	Australia	Ordinary	100	100
Myer Travel Pty Ltd	(2)	Australia	Ordinary	100	100
Myer Sourcing Asia Ltd		Hong Kong	Ordinary	100	100
Shanghai Myer Service Company Ltd		China	Ordinary	100	100
Boogie & Boogie Pty Ltd	(1), (3)	Australia	Ordinary	100	100
sass & bide Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide Retail Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide Retail (NZ) Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide UK Limited		United Kingdom	Ordinary	100	100
sass & bide USA inc.		USA	Ordinary	100	100
sass & bide inc.		USA	Ordinary	100	100
FSS Retail Pty Ltd	(2), (3)	Australia	Ordinary	100	100

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

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

(3) Each of these entities is party to a deed of cross guarantee, refer to note G2.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

G1 SUBSIDIARIES (CONTINUED)

ACCOUNTING POLICY

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

Subsidiaries

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

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

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

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

Employee Share Trust

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

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

G2 DEED OF CROSS GUARANTEE

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

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

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

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Myer Holdings Limited, they also represent the 'extended closed group'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

G2 DEED OF CROSS GUARANTEE (CONTINUED)

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

Set out below is a consolidated income statement, statement of comprehensive income and a summary of movements in consolidated retained earnings for the closed group for the year ended 30 July 2016:

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

G2 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated balance sheet

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

G3 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2016 $'000	2015 $'000
Balance sheet		
Current assets	149,318	241,111
Total assets	1,076,467	1,166,215
Current liabilities	27,243	22,271
Total liabilities	177,047	468,103
Shareholders' equity		
Issued capital	739,338	524,755
Reserves		
Cash flow hedges	(2,705)	(4,769)
Other reserve	(2,653)	(2,653)
Share-based payments	19,538	18,458
Retained earnings	145,902	162,321
Profit for the period	7	96,685
Total comprehensive income	2,072	94,572
(b) Guarantees entered into by the parent entity		
Carrying amount included in current liabilities	-	-

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

The parent entity is also party to the deed of cross guarantee. The details of the deed of cross guarantee are set out in note G2. At balance date, no liability has been recognised in relation to these guarantees on the basis that the potential exposure is not considered material.

(c) Contingent liabilities of the parent entity

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

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 July 2016 or 25 July 2015.

(e) Event subsequent to balance date

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

G3 PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

ACCOUNTING POLICY

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

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

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

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

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

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

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

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

G4 EQUITY ACCOUNTED INVESTMENT

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

H. OTHER INFORMATION

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

H1 CONTINGENCIES

Contingent liabilities

The Group had contingent liabilities at 30 July 2016 in respect of:

Guarantees

The Group has issued bank guarantees amounting to $41.3 million (2015: $44.6 million), of which $22.6 million (2015: $26.0 million) represents guarantees supporting workers' compensation self insurance licences in various jurisdictions.

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

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

H2 COMMITMENTS

(a) Capital commitments

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

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

(b) Operating lease commitments

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

	2016 $'000	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**228,574**	225,595
Later than one year but not later than five years	**854,132**	878,427
Later than five years	**1,857,764**	2,069,321
	2,940,470	3,173,343

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

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

ACCOUNTING POLICY

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

H3 RELATED PARTY TRANSACTIONS

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note G1.

(c) Key Management Personnel

(i) Compensation

Key Management Personnel compensation for the period ending 30 July 2016 is set out below. The Key Management Personnel of the Group are persons having the authority for planning, directing and controlling the Company's activities directly or indirectly, including the directors of Myer Holdings Limited.

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

Detailed remuneration disclosures are provided in the Remuneration Report on pages 36 to 58.

(ii) Loans

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

(iii) Other transactions

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

(d) Transactions with other related parties

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

H4 SHARE-BASED PAYMENTS

(a) Long Term Incentive Plan

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

H4 SHARE-BASED PAYMENTS (CONTINUED)

(a) Long Term Incentive Plan (continued)

Fair value of performance rights granted

The assessed fair value at grant date of rights granted during the period is noted below. Fair value varies depending on the period to vesting date. The fair values at grant dates were independently determined using a Monte Carlo simulation pricing model that takes into account the exercise price, the term of the rights, the impact of dilution, the fair value of shares in the Company at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. The fair values and model inputs for performance rights granted during the period included:

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

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

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

(b) Expenses arising from share-based payment transactions

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

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

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

ACCOUNTING POLICY

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

H5 REMUNERATION OF AUDITORS

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

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

H6 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividends on the Company's ordinary shares

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

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

I. OTHER ACCOUNTING POLICIES

This section provides a list of other accounting policies adopted in the preparation of these consolidated financial statements. Specific accounting policies are disclosed in their respective notes to the financial statements. This section also provides information on the impacts of new accounting standards, amendments and interpretations, and whether they are effective in 2016 or later years.

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

(a) Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Critical accounting estimates

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

(b) Rounding of amounts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 30 July 2016

I. OTHER ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations

(i) New and amended standards adopted by the Group

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

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

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

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 July 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations, that were considered relevant for the consolidated entity, is set out below:

- AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is not applicable until 1 January 2018.

  There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The Group also does not have any available for sale financial assets. The Group has not yet assessed how its hedging arrangements would be affected by the new rules; however, it does not expect the impact to be material. Increased disclosures may be required in the financial statements.

- *AASB 15 Revenue from Contracts with Customers* is a new revenue recognition standard that's core principle is that revenue must be recognised when the control of goods or services are transferred to the customer, at the transaction price. The standard is not applicable until 1 January 2018 and the Group does not expect the standard to have a significant impact.
- On 13 January 2016 the International Accounting Standards Board (IASB) issued IFRS 16 Leases. This standard has not yet been issued by the AASB. IFRS 16 replaces IAS 17 Leases and eliminates the classification between operating and finance leases and introduces a single lessee accounting model. The new model requires the recognition of a leased asset, and its corresponding lease liability, for all leases that have a term of more than 12 months, unless the underlying asset is of low value and the separate recognition of the depreciation charge on the leased asset from the interest expense on the lease liability.

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

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

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 59 to 111 are in accordance with the *Corporations Act 2001*, including:

i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

ii. giving a true and fair view of the consolidated entity's financial position as at 30 July 2016 and of its performance for the financial period ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note G2.

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

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

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

Paul McClintock, AO
Chairman
Melbourne, 14 September 2016.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Myer Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Myer Holdings Limited (the company), which comprises the consolidated balance sheet as at 30 July 2016, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 26 July 2015 to 30 July 2016, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Myer Holdings Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note I, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

Continued

Auditor's opinion

In our opinion:

(a) the financial report of Myer Holdings Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 July 2016 and of its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note I.

Report on the Remuneration Report

We have audited the remuneration report included in pages 36 to 58 of the directors' report for the period ended 30 July 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Myer Holdings Limited for the period ended 30 July 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
14 September 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

SHAREHOLDER INFORMATION

As at 29 September 2016.

Myer has one class of shares on issue (being ordinary shares). All the Company's shares are listed on the Australian Securities Exchange.

Total Issued Capital	821,278,815
Number of shareholders	50,448
Minimum parcel price	$1.19
Holders with less than a marketable parcel	7,776 (1,461,973 shares)

Distribution of shareholders and shareholdings

Range	Securities	%	No. of holders	%
100,001 and Over	614,684,334	74.84	257	0.51
10,001 to 100,000	122,417,068	14.91	4,685	9.29
5,001 to 10,000	32,491,963	3.96	4,133	8.19
1,001 to 5,000	39,712,768	4.84	17,207	34.11
1 to 1,000	11,972,682	1.46	24,166	47.90
Total	**821,278,815**	**100.00**	**50,448**	**100.00**

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $1.19 per unit	421	7,776	1,461,973

Twenty largest shareholders

Rank	Name	29 Sep 2016	%IC
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	146,262,657	17.81
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	126,634,343	15.42
3	CITICORP NOMINEES PTY LIMITED	58,477,544	7.12
4	NATIONAL NOMINEES LIMITED	53,611,520	6.53
5	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	38,697,865	4.71
6	BNP PARIBAS NOMS PTY LTD	25,133,824	3.06
7	UBS NOMINEES PTY LTD	13,890,845	1.69
8	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	13,254,977	1.61
9	CITICORP NOMINEES PTY LIMITED	12,127,967	1.48
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	11,947,105	1.45
11	NATIONAL NOMINEES LIMITED	6,561,028	0.80
12	SPACETIME PTY LTD	6,300,000	0.77
13	UBS NOMINEES PTY LTD	6,032,706	0.73
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	5,577,367	0.68
15	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	5,427,445	0.66
16	MR BERNARD JOSEPH BROOKES	4,431,372	0.54
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	3,460,781	0.42
18	GLENN HARGRAVES INVESTMENTS PTY LTD	3,200,000	0.39
19	CS FOURTH NOMINEES PTY LIMITED	2,759,495	0.34
20	POWERWRAP LIMITED	2,699,876	0.33
Total		**546,488,717**	**66.54**
Balance of register		**274,790,098**	**33.46**
Grand total		**821,278,815**	**100.00**

SHAREHOLDER INFORMATION

Continued

Substantial shareholders

As at 29 September 2016, there are five substantial shareholders that Myer is aware of:

	Date of last notice	Number of shares	%
Perpetual	19 September 2016	117,487,998	14.31
Goldman Sachs Group Inc.	29 September 2016	87,915,416	10.70
UBS	24 August 2016	62,164,922	7.57
Dimensional Fund Advisors	19 March 2016	44,920,753	5.47
Investors Mutual	14 July 2016	51,258,589	6.24
Total			**44.29**

VOTING RIGHTS

Shareholders may vote at a meeting of shareholders in person, directly or by proxy, attorney or representative, depending on whether the shareholder is an individual or a company. Subject to any rights or restrictions attaching to shares, on a show of hands each shareholder present in person or by proxy, attorney or representative has one vote and, on a poll, has one vote for each fully paid share held. Presently, Myer has only one class of fully paid ordinary shares and these do not have any voting restrictions. If shares are not fully paid, on a poll the number of votes attaching to the shares is pro-rated accordingly. Options and performance rights do not carry any voting rights.

OPTIONS AND PERFORMANCE RIGHTS

Myer has unlisted performance rights on issue. As at 29 September 2016, there were 12 holders of performance rights.

AMERICAN DEPOSITARY RECEIPT PROGRAM

Myer Holdings has a Sponsored Level I American Depositary Receipt (ADR) program. Myer ADRs are not listed on an exchange and are only traded in the United States over-the-counter (OTC) market under the code: 'MYRSY' and the CUSIP number: 62847V 207. One ADR represents four existing ordinary Myer shares.

Deutsche Bank Trust Company Americas (DBTCA) is the Depositary for the Company's ADR program in the United States. Holders of the Company's ADRs should deal directly with DBTCA on all matters relating to their ADR holdings on the contact details below:

Deutsche Bank Shareholder Services
American Stock Transfer & Trust Company
Operations Centre
6201 15th Avenue
Brooklyn NY 11219
Email: DB@amstock.com
Toll-free number: +1 800 937 5449
Direct Dial: +1 718 921 8124

CORPORATE DIRECTORY

REGISTERED OFFICE

Myer Holdings Limited
Level 7
800 Collins Street
Docklands VIC 3008
Phone: 1800 811 611 (within Australia)

MYER POSTAL ADDRESS

Myer Holdings Limited
PO Box 869J
Melbourne VIC 3001

COMPANY SECRETARY

Richard Amos
Chief General Counsel and
Group Company Secretary

SHAREHOLDER ENQUIRIES: SHARE REGISTRY

Link Market Services Limited
Postal Address
Locked Bag A14
Sydney South NSW 1235

MYER SHAREHOLDER INFORMATION LINE

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AUDITOR

PricewaterhouseCoopers
Level 19, Freshwater Place
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Southbank VIC 3006

SECURITIES EXCHANGE LISTING

Myer Holdings Limited (MYR) shares are listed on the Australian Securities Exchange (ASX).

WEBSITES

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