



ANNUAL REPORT

2017

MYER

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The 2017 Myer Annual Report reflects the company's financial and sustainability performance for the period ended 29 July 2017. It covers our retail and store support operations. The Annual 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.





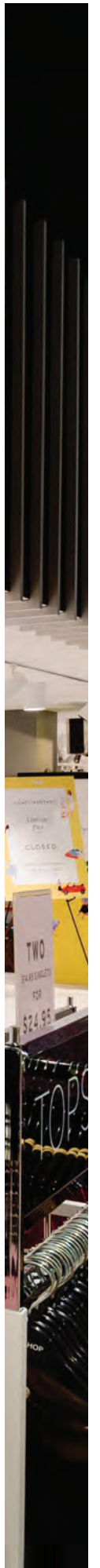
MYER

ANNUAL GENERAL MEETING

The eighth Annual General Meeting of Myer Holdings Limited will be held on Friday 24 November 2017 at 11.00am (Melbourne time).

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

Myer Holdings Limited
ABN 14 119 085 602



CHAIRMAN AND CEO REPORT



HOW HAS THE NEW MYER STRATEGY PROGRESSED IN FY2017?

Over the past year Myer has continued to make strong progress across each of the key priorities of our New Myer strategy. This progress has made us a more efficient and resilient business, which has in turn has helped us confront the challenging retail trading conditions. A lot has been achieved but there is still more to do.

We are also rapidly evolving and adapting our strategy in response to changing customer habits and preferences, particularly in relation to the digital world. We are prioritising investments in our omni-channel business, in digital and data, and reinforcing our commitment to increased productivity and efficiency.

Our omni-channel business continues to deliver strong growth in sales and profit and we will continue to invest heavily in it.

We continue to reduce our store footprint through store closures and space hand backs and have substantially reduced our footprint at our Richlands Distribution Centre in Queensland. At our Docklands support office we have handed back over 30 percent of our floorspace.

Experiential retailing has been a key focus to drive traffic in our stores. We continue to innovate with new and unique experiences such as an ice skating rink on the top floor of our Sydney CBD store, new cafes and pop up shops. We also introduced dedicated clearance floors which are now in eight stores.

Our wanted brands strategy has been further strengthened with the introduction of new wanted brands such as Forever New and Darren Palmer Home. We have rolled out 72 upgraded master brand fit-outs and dedicated service models for Myer Exclusive Brands Basque, Piper and BLAQ.

We share investors' disappointment that Myer was not able to deliver a higher underlying net profit after tax (NPAT) in 2017 in line with our original guidance but we remain convinced that we have a strong and detailed plan to deliver our New Myer strategy. The entire Myer team is committed to achieving this.

Against a backdrop of challenging retail trading conditions, Myer has become a leaner, more efficient and more productive business better placed to compete in a rapidly changing environment.

While sales declined 1.4 percent to \$3,201.9 million reflecting closure of three stores and space hand backs in two stores, and sales on a comparable store basis were down 0.2 percent. Sales per square meter were up 3.7 percent compared to the July 2015 base.

Operating Gross Profit (OGP) was \$1,220.4 million with OGP margin 58 basis points below last year, reflecting in part the higher concession mix.

Our productivity and efficiency initiatives are also delivering results by simplifying the operating model both within stores and the support office. The cost of doing business margin reduced by a further 54 basis points to 31.85 percent.

HOW WILL MYER SUCCEED IN THE FACE OF INCREASED COMPETITION?

The New Myer strategy is our best response to increased competition. It is important that we focus our efforts on the execution of our strategy, but also to evolve it in response to the ever changing retail landscape and competitive environment.

Looking to the year ahead, we will prioritise investment in our omni-channel business which grew both sales and profit in 2017, and also on our productivity and efficiency agenda. Our store network remains a valuable asset and our progress throughout the year has enabled us to deliver a sharper more focused offer as well as a leaner and more resilient business.

Despite the challenging conditions the business remains highly cash generative and has a strong balance sheet, which positions us well to continue to invest in the business.

Approximately 70 percent of sales at Myer are made with a MYER one card, providing us with a valuable data source that enables us to better understand and engage with our most valuable customers, including through better targeting of our promotions and other communications.

HOW ARE YOU ENSURING THAT THE BOARD AND MANAGEMENT TEAM HAVE THE RIGHT SKILLS TO DELIVER NEW MYER?

Myer's Board and senior management team have the right mix of skills and experience to evolve and execute our strategy to address the challenges and opportunities of a changing marketplace.

The Board has a deep, diverse and relevant skill set, with experience in traditional retail and also in fields that are shaping the new retail environment such as digital, data, customer experience and brand management. The Board also has a wide range of skills acquired in other sectors and countries that are essential to deliver Myer's transformation including property, financial, risk management, change and talent management. In October the Board decided to strengthen that skill set to include fashion retailing and luxury brands experience with the appointment of Julie Ann Morrison.

Shareholders may recall at the 2016 Annual General Meeting, I indicated that Board renewal was an ongoing focus area. On 11 October I announced my retirement from the Board and confirmed Garry Hounsell will take over as Chairman following the 2017 Annual General Meeting. This follows Garry's appointment to the Board as a non-executive director in September. Garry has had extensive experience as a Director and Chairman across a broad range of ASX-listed consumer facing businesses, including Qantas Airways, Treasury Wine Estates, Spotless Group Holdings and Dulux Group.

In November 2016 we were delighted to welcome JoAnne Stephenson to the Board. In addition, we have confirmed that JoAnne will become Chair of the Audit, Finance and Risk Committee when Anne Brennan steps down from the Board at the forthcoming AGM.

During the year we have also strengthened our senior management team with several new appointments, particularly in those areas most relevant to the execution of our strategy. We remain committed to internal succession planning throughout the organisation, and to maintaining a diverse team.

Looking beyond the senior leadership team we also employ more than 11,000 team members who are essential to delivering New Myer. The progress made during the past year is testament to their commitment and passion. On behalf of the Board and management team, we thank them for their passion and commitment.

HOW DOES MYER ADDRESS ITS RESPONSIBILITIES AS A CORPORATE CITIZEN?

Myer has a long and proud history of community involvement. We are particularly proud of the Give Registry program launched in FY2016. Through this program, Myer customers, team members and suppliers have been able to provide 6,200 items in the program's first 12 months to survivors of family violence as they rebuild their lives.

This year Myer joined the United Nations Global Compact, the world's largest corporate citizenship initiative. We support the ten principles on human rights, labour, environment and anti-corruption that are enshrined in the Global Compact and will continue to implement these principles within our business operations. In FY2017 we participated in the inaugural Australian Sustainable Development Goals summit. You can read more about our performance in the sustainability section on page 20.

WHAT'S NEXT FOR THE MYER BUSINESS?

Our strong results in online and omni-channel gives us confidence that our digital strategies are on track and we will increase our investments in this area to deliver further gains.

A more productive and efficient Myer is an important part our defence against heightened competition and provides us with an additional resilience to tough economic conditions. To deliver this we will further optimise our store footprint and roll out technology enabled process improvements to further drive down our costs.

In the year ahead our commitment to delivering New Myer is undiminished while evolving it in response to a changing customer landscape and competitive environment. This means sticking to the strategy, but escalating our focus on innovative experiential retail including new food and services. It also means embracing a stronger omni-channel focus and a more comprehensive use of MYER one data.

We know that the next wave of changes to both consumer and competitor behaviour are coming. We have made progress on bringing New Myer to life but there is still much more to do. We are confident that we have the right plan and right team to deliver.



Paul McClintock AO
Chairman



Richard Umbers
Chief Executive Officer
and Managing Director

PERFORMANCE REVIEW

MYER HAS BECOME A LEANER, MORE PRODUCTIVE
AND EFFICIENT RETAILER, BETTER PLACED TO COMPETE
IN A RAPIDLY CHANGING ENVIRONMENT

SALES*

For the 12 month period total sales were down by 1.4 percent to \$3,201.9 million, down 0.2 percent on a comparable stores basis. The closure of three stores and space hand backs in two stores impacted the sales result but this was in part offset by continued strong growth in our online business. Sales in the fourth quarter were down 1.5 percent and down 0.2 percent on a comparable stores basis.

MARGIN AND CODB*

Operating gross profit was \$1,220.4 million, with margin down 58 basis points to 38.12 percent broadly reflecting the higher concession mix. We continue to invest to drive improved performance of our Myer Exclusive Brands (MEBs) with upgraded installations and a dedicated brand service model, which has delivered encouraging results. Our focus on reducing the dependency on markdowns to drive sales, favourably impacted the operating gross profit result.

During the period, we continued to improve productivity and efficiency by simplifying the operating model both within stores and the support office. The CODB margin reduced by a further 54 basis points to 31.85 percent.

NPAT

NPAT pre implementation costs associated with New Myer and other individually significant items was \$67.9 million. Implementation costs associated with New Myer were \$20 million (pre-tax) relating mainly to space optimisation, asset impairments and redundancy costs. On 20 July 2017, Myer announced the decision to write-down the full carrying value of Myer's 20 percent stake in Austradia of \$6.8 million after the business was placed into administration and unsuccessful negotiations to retain the

brands as concessions in Myer on commercially acceptable terms. As previously outlined in 1H 2017 and Q3 2017 results, the performance of sass & bide has been below expectations during the period with sales in FY2017 \$10.9 million below last year. While every effort is being made to improve the performance of the business, the company has recognised an impairment charge of \$38.8 million against the carrying value of the business. The write-off of the Austradia investment and the impairment of sass & bide are non-cash individually significant items that have been taken in the FY2017 results. Statutory NPAT was \$11.9 million post implementation costs and individually significant items.

CASH FLOW AND BALANCE SHEET

Net operating cash flows improved by \$1 million to \$187 million as a result of improved inventory and working capital. Inventory was \$24 million below last year at \$372 million compared to the end of FY2016 representing a reduction in forward cover of more than one week. Capital expenditure in FY2017 was \$97 million reflecting expenditure across the key strategic priorities.

FY2018 OUTLOOK

In FY2018, Myer anticipates continuing changes to both consumer behaviour and the broader competitive environment. Accordingly, the New Myer agenda will prioritise investments to deliver further gains in omni-channel, and achieve greater productivity and efficiency across all our assets. The Company strongly believes these investments will best position Myer to deliver continued sustainable profit in an increasingly unpredictable environment.

* FY2016 comparisons are on a 52-week basis for comparison purposes

TOTAL SALES (\$B)

2017	3.2
2016	3.3
2015	3.2
2014	3.1
2013	3.1

OPERATING GROSS PROFIT MARGIN (%)

2017	38.1
2016	38.7
2015	40.4
2014	40.9
2013	41.5

NET PROFIT AFTER TAX (\$M)*

2017	67.9*
2016	69.3*
2015	77.5*
2014	98.5
2013	127.2

EARNINGS PER SHARE (CENTS)

2017	8.3*
2016	8.8*
2015	13.2*
2014	16.8
2013	21.8

FINANCIAL SUMMARY (\$M)

	FY2017 (52 weeks)	FY2016 (53 weeks)	Change
Total Sales	3,201.9	3,289.6	(2.7%)
Operating Gross Profit	1,220.4	1,274.3	(4.2%)
Operating Gross Profit margin	38.1%	38.7%	(62bps)
Cost of Doing Business (CODB)	(1,019.8)	(1,067.5)	+4.5%
Share of Associates	(2.5)	(0.6)	
Earnings before interest, tax, depreciation, amortisation (EBITDA)*	198.1	206.2	(3.9%)
Earnings before interest and tax (EBIT)*	106.6	113.5	(6.1%)
Net Profit After Tax (NPAT)*	67.9	69.3	(2.0%)
Implementation costs associated with New Myer and individually significant items (post tax)	(56.0)	(8.8)	
Statutory NPAT	11.9	60.5	(80.3%)

* Excludes implementation costs associated with New Myer and individually significant items.

SUSTAINABILITY

100%

NEW SUPPLIERS AGREED TO
ETHICAL SOURCING POLICY

7.7%

REDUCTION IN
GREENHOUSE GAS EMISSIONS

5.8

LOST TIME INJURY
FREQUENCY RATE (LTIFR)

51%

FEMALE SENIOR MANAGERS

\$3.1m

TOTAL CASH EQUIVALENT
CONTRIBUTION TO
CHARITY PARTNERS

57%

WASTE RECYCLING RATE

COMPANY SNAPSHOT

MYER IS A MODERN AUSTRALIAN RETAILER FOCUSED ON BRINGING THE LOVE OF SHOPPING TO LIFE THROUGH INSPIRING SHOPPING DESTINATIONS, RELEVANT TO OUR CUSTOMERS' LIFESTYLES

Myer is Australia's largest full line department store group, with more than 60 stores in some of the best locations in Australia. In addition, we own well known Australian apparel brands Marcs and David Lawrence, and Australian womenswear designer brand sass & bide. Our stores are visited by customers more than 130 million times each year, with our online business attracting more than 70 million user sessions during FY2017.

Myer is a significant employer, with more than 11,000 team members, of which approximately 6,000 are employed in permanent positions. Approximately 86 percent of the total team are employed under collective bargaining agreements. During Christmas we employ approximately 3,000 additional casual team members.

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

We have a strong background in philanthropy and a proud history of giving back to our communities. Our team members, suppliers and customers have together raised more than \$25 million over the past 13 years.

The vast majority of Myer's business operations are located in Australia, and encompass Myer department stores, sass & bide and Marcs and David Lawrence standalone boutiques and concessions in other department stores, as well as four distribution centres and a support office in Melbourne. Outside of Australia there are two sass & bide boutiques in New Zealand, and sourcing offices in China, Hong Kong, India and Bangladesh with 68 team members in total. Merchandise is transported to six third-party hubs for consolidation and preparation prior to shipment to Myer's distribution centres in Australia.

Myer has a comprehensive risk management plan that enables the business to make sound decisions, maximise opportunities, and to identify and manage risks and uncertainties. Further details are available in the Directors' Report on page 33.

Myer is a member of the following industry associations and advocacy organisations:

- > United Nations Global Compact
- > Intercontinental Group of Department Stores
- > Australian Packaging Covenant Organisation
- > Australian Retailers Association
- > National Online Retailers Association
- > London Benchmarking Group

MYER ONE

Our loyalty program, MYER one, has more than five million membership cards in circulation. Members earn Shopping Credits on purchases at Myer, with these credits converting into a Reward Card on a quarterly basis. For every \$1,000 spent at Myer, Members receive a \$20 Reward Card. In October 2016, we upgraded the MYER one app which has seen more than 520,000 downloads. Increasingly, MYER one Members are electing to receive their quarterly Rewards Card digitally via the MYER one app.

In addition to Rewards Cards, the program also offers a range of benefits, including member-only shopping events and dedicated email communications. The program has a tiered structure, with benefits increasing in line with spend at Myer. Our top tiered Members enjoy complimentary delivery, invitations to VIP experiences and a voucher for their birthday. Further details about the program and Shopping Credit earning criteria are available online at myerone.com.au.

OUR STRATEGY

THE NEW MYER STRATEGY IS SECURING THE FUTURE OF ONE OF AUSTRALIA'S BEST-LOVED RETAILERS

Launched in September 2015, the New Myer strategy represents a plan to invest more than \$600 million in capital and implementation costs across five years, to deliver a sharper and more focused offer to our best and most valuable customers.

Our strategy is being delivered through four Strategic Priorities; a customer led offer, improving customer service and in-store experience, adopting a truly omni-channel approach, and driving productivity and efficiency. Ultimately, we are focused on bringing the love of shopping to life by providing a desirable shopping destination, relevant to our customers' lifestyles.

Our New Myer strategy is built on four priorities outlined below, and is 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 FY2017 HIGHLIGHTS



CUSTOMER LED OFFER

- > Elevated more than 70 Basque, Piper and Blaq MEB destinations in-store through shop-in-shops, improved visual merchandising and branding, and dedicated Brand Expert and Field Manager team members
- > Secured Marcs and David Lawrence as part of the Myer brand portfolio
- > Created over 360 in-store destinations for new brands including Veronika Maine, Industrie, Shoes & Sox, John Lewis Homewares, Saba, Orotan, Tom Ford Cosmetics, Radley Handbags, Premium by Jack & Jones and Only denim
- > Continued to strengthen destination businesses including denim, occasion wear, swimwear, travel, appliances and beauty

WONDERFUL EXPERIENCES

- > Innovative customer experiences such as the Myer Christmas Giftorium and Wonderland by Myer
- > Australian department store first collaboration with Katy Perry
- > Seven pop up shops and two new cafes
- > Sydney ice skating rink
- > New personal shopping suites at seven stores
- > Fitting room upgrades at eight stores
- > Awarded 'Department Store of the Year' by Roy Morgan Research
- > Awarded 'People's Choice Award' by Australian Retailers Association



WE HAVE ALREADY MADE HIGHLY VISIBLE PROGRESS IN OUR IN-STORE EXPERIENCE, BY IMPROVING OUR RANGE AND LIFTING CUSTOMER SERVICE. THIS WILL CONTINUE

OMNI-CHANNEL SHOPPING

- > Strong growth in omni-channel sales now totalling \$177 million in annual sales
- > Achieved a reduction in online fulfilment costs due to the implementation of the new picking and packing app
- > Launched new versions of the MYER one app on both iOS and Android platforms
- > Introduced popular payment method Afterpay for online purchases
- > Click & Collect reached fifteen percent of orders in July 2017

PRODUCTIVITY STEP-CHANGE

- > Implemented new workforce management tool in all stores
- > Implemented phase one of our enhanced merchandise management tool
- > Handed back space at Cairns and Dubbo stores, 50 percent of our Queensland DC and over 30 percent of our support office floorspace
- > Re-opened Warringah store
- > Announced decision to not renew leases at Colonnades, Belconnen and Hornsby

ORGANISATIONAL CAPABILITY

- > New key executive appointments in Merchandise Buying, Planning, Transformation, and Retail Operations
- > More than 33,000 learning sessions completed on the Myer Academy mobile platform, delivering knowledge to support improved customer service experience
- > New performance management framework launched



HOW WE LEARN AT MYER
Introducing a new era

CUSTOMER LED OFFER

A GREAT RETAIL EXPERIENCE STARTS WITH BRANDS
AND PRODUCTS THAT OUR CUSTOMERS LOVE

BASQUE, PIPER & BLAQ

A key pillar of the merchandise strategy is continuing to strengthen our MEBs. This year we have elevated our MEB Masterbrands Basque, Piper and Blaq, across all touch points. Enhanced product development, cohesive ranging across categories, and clearly defined brand DNA has created improved product that is being supported online and across all marketing channels. The brands have upgraded shopping environments, new fixtures and fittings, and enhanced visual merchandising. To bring the elevated destinations to life, there is a team of dedicated MEB Brand Experts and Field Managers, who showcase the product by wearing it every day, manage the presentation of the merchandise, and ensure that customers receive an improved shopping experience.





DESTINATION AREAS

Customer-centric innovation has led to the development of destination areas across the business. These areas are easy for customers to shop, themed around lifestyles and shopping behaviour. Examples of destination areas include occasion wear, denim, activewear, luggage, footwear and swimwear. Over the past year, denim destinations have been created in-store, through an expanded range and the introduction of new brands, as well as a dedicated new fixture suite and visual merchandising elements. This year also saw the introduction of all year round swim shops in 20 stores. In womenswear, the occasion wear destination has been strengthened through the range expansion of brands Trent Nathan and Wayne Cooper, the introduction of new brand Grace & Hart, and the expansion of Bronx & Banco to more stores. The occasion wear destination will be further enhanced in September 2017 through the launch of an online shopping hub as well as upgrades to the in-store environment through elevated visual merchandising and branding in selected stores.

To deliver a sharper and more focused offer, tailored to our most valuable customers, the past year has seen the introduction of new brands, the enhancement of our MEB Masterbrands, the elevation of destination areas, as well as securing Marcs and David Lawrence as part of our brand portfolio.

In the past year, over 70 Basque, Piper and Blaq destinations have been introduced. Utilising MEBs as a key differentiator, the three Masterbrands have been elevated through shop-in-shops, new fixtures and fittings, and are supported by a dedicated team of Brand Experts and Field Managers to provide customers with the best experience possible.

In April 2017, we strengthened our brand portfolio by securing the future of two Australian brands, Marcs and David Lawrence. These brands are currently available as department store concessions including at Myer, at dedicated online stores and at four standalone stores across Sydney and Melbourne.

We have continued the introduction of new brands across our store network this year, with over 360 new installations including the launch of Veronika Maine, Industrie, Shoes & Sox, John Lewis Homewares, Saba, Oroton, Tom Ford Cosmetics, Radley Handbags, Premium by Jack & Jones and Only denim.

We are focused on highlighting newness and driving fashion and exclusives, we recently announced that youth brand Forever New, premium surf brands Roxy and Quiksilver in our childrenswear and swim departments, and designer brand The Kooples will be available in Myer stores later this year.

We have made good progress towards a more focused offer, tailored to our most valuable customers. We continue to enhance destination areas across the business that are customer-centric and easy to shop. These destinations include denim, travel, beauty and swimwear, and make Myer an authority in range. We will continue to amplify key destination areas, with upcoming enhancements to our occasion wear and active wear destinations.

During our winter fashion parade in March we launched new technology to enable guests to shop the runway direct from their mobile device. This innovation was the first time Myer has enabled attendees of a runway show to shop a catwalk live from the audience.

WONDERFUL EXPERIENCES

WE ARE BUILDING WONDERFUL EXPERIENCES TO CREATE LONG LASTING MEMORIES FOR OUR CUSTOMERS

WONDERLAND BY MYER

Wonderland by Myer in Sydney City brings together Toys, Childrenswear and Gifting in one location, with a focus on theatre to create an elevated customer experience. From the ground floor, a rocket elevator takes customers on a journey through the clouds and delivers them to the gates of Wonderland by Myer. For Christmas, specially recruited and trained performing artists brought Wonderland by Myer to life. In May, the destination was transformed into a winter wonderland, complete with an ice skating rink. Customers were also able to enjoy treats from Doughnut Time and Mr Fitz in the alpine village pop-up.





MYER PRESENTS KATY PERRY WITNESS: THE TOUR

In July, we announced a partnership with international pop star Katy Perry, as the principle and naming rights partner of her 2018 Witness: The Tour. Myer and Katy will bring the tour to cities across Australia. Ahead of tickets going on sale to the general public, Myer gave customers the chance to win 8,000 tickets in an exclusive MYER one competition.

Katy Perry launched the promotion at the Sydney City store on Friday 30 June with an instore appearance. This event was streamed live on social media. She will tour Australia in August 2018. This promotion exceeded our customer engagement expectations.

Initiatives such as Wonderland by Myer in Sydney City and our collaboration with Katy Perry, demonstrate our commitment to delivering great in-store experiences.

This year our Christmas Giftorium featured 38 percent more products than last year, with a wide variety of personalised gifting options including Nutella, M&Ms, Barbie for You and Kikki K. The heart of the Giftorium was our specially recruited team who brought theatre and wonder to life in our stores.

We are investing in priority stores to create unique shopping experiences. We have upgraded our personal shopping suites and key fitting rooms in eight stores, and recruited specially trained personal shoppers and change room consultants to create tailored wardrobes and help customers find the perfect outfit.

Our customer experience is evolving from great retail service, to lifestyle services like cafés, wine bars, beauty and grooming. Our new Warringah store in Sydney's northern beaches was the first physical embodiment of New Myer with a focus on localisation. The store features enhanced dwell spaces including a café and barber. We have also recently opened a new local café at our Macquarie store in Sydney.

Throughout the year we have partnered with innovative brands to give customers access to unique shopping experiences, contemporary products and services. In February, Myer was the first Australian department store to collaborate with global car innovator, Tesla, bringing their electric cars to our customers at dedicated showrooms in our Adelaide, Brisbane and Melbourne City stores.

To coincide with the April 2017 Easter school holidays in New South Wales, customers at the Parramatta store were treated to a Thomas the Tank Engine, Barbie and Shopkins children's experience. Featuring a live stage show and three entertainment zones, the event was well received, with 1,650 tickets sold over the two week period. We will continue to invest in this type of experiential event in FY2018.

We were pleased to be awarded 'Department Store of the Year' by Roy Morgan Research and 'People's Choice Award' by the Australian Retailers Association, an award based on customer satisfaction surveys, independent research and mystery shopping conducted by The Realise Group.



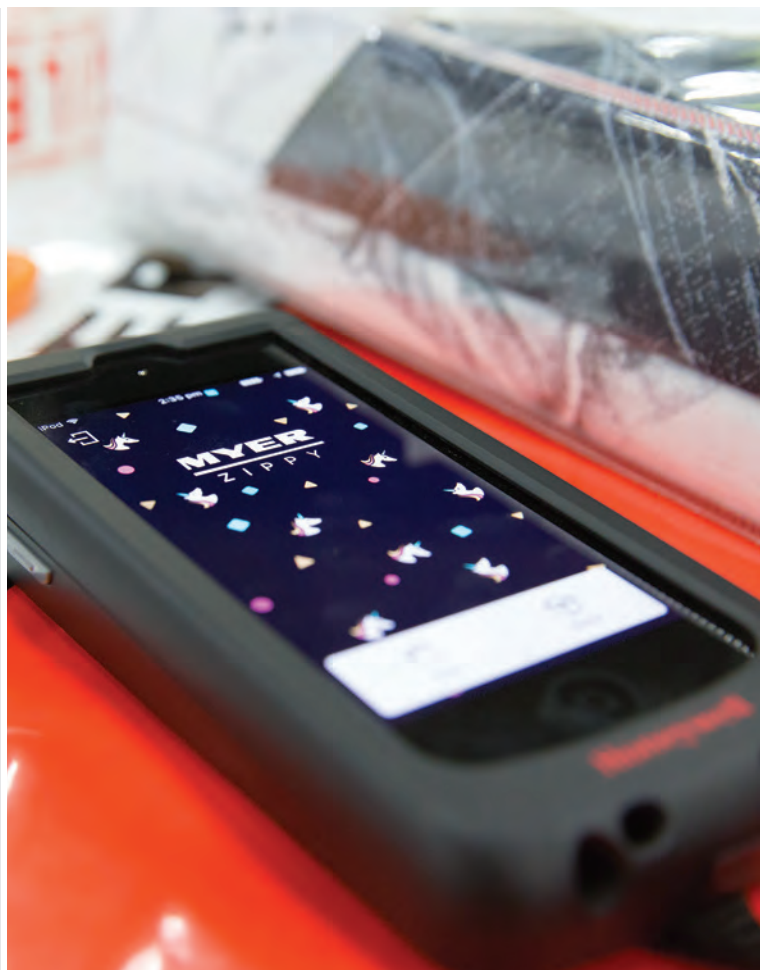
OMNI-CHANNEL SHOPPING

CUSTOMERS ENGAGE WITH US ACROSS MANY CHANNELS. OUR CONTINUED INVESTMENT IN OMNI-CHANNEL ENABLES THIS TO OCCUR SEAMLESSLY, ONLINE AND IN-STORE

OUR NEW PICKING AND PACKING APP

We see technology as an enabler to provide our customers with memorable shopping experiences, both in-store and online. A major factor in achieving this in online is our ability to pick and pack purchases quickly and accurately. Launched during the year, our new picking and packing app significantly reduces the steps and time taken to locate and prepare products for either collection or shipping.

The app was developed internally, and is affectionately named Zippy. The new app has significantly reduced the time to pick and pack orders by 20 percent, driving down the labour cost and time needed to fulfil, supporting the rapid growth of Myer's omni-channel business. The new app has also increased our pick success, maintaining our competitive advantage and further driving omni-channel growth.





THE NEW MYER ONE APP

A new version of the MYER one app was launched in two phases throughout the year, initially to iOS users in October 2016 and then on the Android platform in March 2017. The new app is simpler and easier to use. Developed in close consultation with MYER one members, it has a range of features that provide up-to-date information on purchases and Shopping Credits. It also offers the option for members to elect to receive program Reward Cards electronically.

The app provides a quick snapshot of membership tiers, an easy to scan electronic copy of the membership card and Shopping Credit balance on a simple to use dashboard. New features also include being able to track the number of Shopping Credits required to achieve the next reward, a detailed transaction history including receipt numbers of all purchases made using MYER one and a new 'offers' section that provides access to member-only offers and events.

Our online business continues to deliver significant growth, with sales up 41 percent due to a much improved customer experience online as well as an enhanced range. Our home category has enjoyed strong sales growth and online now represents greater than 10 percent of the home category.

Click & Collect continues to grow in popularity and now represents approximately 15 percent of all online orders. Click & Collect leverages our leading store network, providing convenient collection locations and with the introduction of our picking, packing and dispatching app, we are able to offer customers same day pick-up, where the order is placed by 12-midday and the selected store is in-stock of the ordered item. During the year we also enhanced Click & Collect with the introduction of inter-store transfers of products.

Picking from stores remains our preferred model. Our fulfilment system chooses items from certain stores to minimise multiple deliveries, and where possible, the system will also pick from a

store that has the highest number of the specific item to reduce future markdowns. A small range of big and bulky items are fulfilled via our distribution centres in VIC and NSW.

During the year, Myer further expanded its payment options with the introduction of innovative retail payment platform Afterpay. Myer customers can buy now, receive now, and pay later, maximising their ability to purchase the latest fashions and take advantage of Myer's many great offers. Myer also began its expansion into global markets with the launch of an international version of the Myer website, offering deliveries to New Zealand. The international site automatically converts prices to local currency, calculates relevant taxes, and offers competitive shipping rates.

We have made solid progress in rapidly developing our omni-channel business and we look forward to continuing our investment to further improve our offer.

Omni-channel sales, including sales via our 2,500 iPads in store, reached \$177 million during the year and now represents a penetration of 8.2 percent of overall sales in July 2017. Similarly Click & Collect has grown strongly to now represent 15 percent of orders in July 2017.

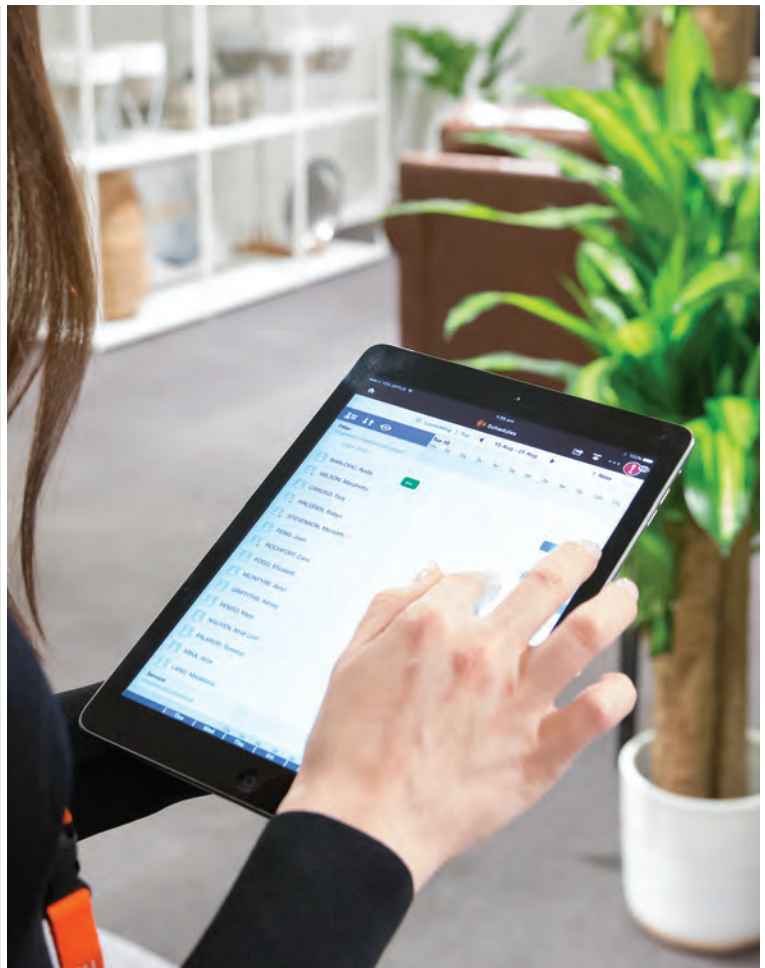
PRODUCTIVITY STEP-CHANGE

WE REMAIN COMMITTED TO OPERATING A MORE EFFICIENT BUSINESS AND IMPROVING THE OVERALL PRODUCTIVITY OF THE SPACE THAT WE OCCUPY THROUGH THE ADOPTION OF NEW PROCESSES AND EFFICIENCY MEASURES

OUR NEW WORKFORCE MANAGEMENT TOOL

Our new workforce management tool marks a significant milestone in our journey to New Myer, embracing a simpler, more efficient, customer focused way of operating our stores. Workforce management delivers the right people, in the right place, at the right time.

Store team members access a mobile app to clock in and out of their shifts and view their timecards and rosters. Store management also access the system via a mobile device, removing the need to spend time in an office completing administrative tasks.





STORES NEW WAY OF OPERATING

The Stores New Way of Operating project is removing inefficiency and waste, enabling store teams to focus on activities. In its initial phase, the project has significantly reduced redundant tasks, centralised other tasks and simplified in-store processes.

This new way of operating enables store teams to focus on improving the customers' in-store experience. Reducing store administration offices was a significant achievement during the year, a concept that was initially piloted with the re-opening of the Warringah store in November 2016.

In addition to this we have implemented a new store leadership model, supported by comprehensive training. This training provided role clarity, set role expectations and introduced clear metrics. These changes will enable store leadership teams to be cost effective, operate in the most efficient manner and support improved performance.

During the year, we continued to optimise our store network and realign it with our core customers. This was achieved by a combination of store closures and space hand backs across the portfolio. The Wollongong store closed in September 2016 and stores at Brookside and Orange closed in January 2017. Team members were a priority throughout the closure process, with support provided to assist in securing alternative employment.

Refurbishment works commenced at the Castle Hill store in June 2017, and once completed, the store will operate in a smaller more efficient space, with the hand back of approximately 7,000m². Space hand backs have occurred at the store support office in Melbourne with a total of 9,700m² handed back by October 2017, and approximately half of the space at the Richlands distribution centre in Queensland.

Space hand backs at the Cairns and Dubbo stores were also completed, with minimal business disruption. Refurbishment works also commenced at Maroochydore in Queensland.

We continue to review our existing store portfolio to improve productivity. In addition to the store exit already announced for Logan, we also announced that we would not be renewing the leases at Colonnades, Belconnen and Hornsby.

The Warringah store reopened in November 2016, in a smaller more efficient space featuring a range of products and services tailored to the unique needs of the local customer. Warringah was the first store to commence operations without a dedicated administration office. This has been achieved through the centralisation of activities and the use of technology to improve and simplify processes such as the implementation of our

new workforce management tool. This new operating model has subsequently been adopted by all stores throughout the year, with further efficiency initiatives to be delivered prior to Christmas 2017.

During the year we also implemented the first phase of a new merchandise planning tool. When fully implemented it will offer significant improvements in inventory management, planning and stock availability at a store level. We expect this to lead to higher sales of items which are heavily in demand, fewer lost sales due to out of stocks and a reduction in markdowns of overstocked items. Implementation will be fully completed by June 2019.

We continue to make significant progress in our productivity agenda with a 24,368m² reduction in space from store closures at Wollongong, Brookside and Orange.

ORGANISATIONAL CAPABILITY

WE ARE INVESTING IN OUR TEAM MEMBERS
WITH TRAINING AND TECHNOLOGY TO IMPROVE
OUR CUSTOMERS' SHOPPING EXPERIENCE

Our team members are at the very heart of New Myer. We are focused on building their knowledge and capability to bring the love of shopping to life.

We now offer a world class training platform, with on-the-go learning modules on brands and services to equip our team members with the know-how to delight our customers. There are now over 30 courses available which includes modules on key MEB Masterbrands and product knowledge, fashion styling, sales and service, and professional development topics. Each month new learning moments are released, encouraging team members to have a reason to re-visit the site regularly to access new content. Since launch there have been more than 13,000 unique team member visitors to the site.

We are further supporting the career progression of our team through the recent launch of the new performance management framework. This allows team members to align personal objectives with our company goals, identify learning activities to address capability opportunities, capture ongoing feedback and recognition, and track and evaluate performance. The framework has been developed based on the behaviours, experience, knowledge and mindset required for each role at Myer.

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 25.

MYER ACADEMY

33,353

LEARNING SESSIONS

13,548

UNIQUE VISITORS

DIVERSITY AND INCLUSION

Diversity continues to be a priority for New Myer. How we lead, how we work and how we include each other and the communities we serve, are guiding principles of our approach to diversity at Myer. Further information about diversity is available on page 21.



INTRODUCING NEW BOARD MEMBER JOANNE STEPHENSON

JOANNE STEPHENSON

Independent Non-Executive Director

JoAnne was appointed to the Myer Board in November 2016. She is a member of the Audit, Finance and Risk Committee. JoAnne has more than 25 years' experience spanning a range of industries. JoAnne was previously a senior client partner in the Advisory division at KPMG and has key strengths in finance, accounting, risk management and governance. JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from The University of Queensland. She is also a member of both the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand.

INTRODUCING NEW EXECUTIVE APPOINTMENTS

During the year we appointed a number of new senior leaders with the capability required to support our transformation. Recent executive appointments include Karen Brewster as Executive General Manager Merchandise Buying, Damian Walton as Executive General Manager Merchandise Planning, and Peter Mitchley Hughes as Head of Transformation.

KAREN BREWSTER

Executive General Manager Merchandise Buying

Karen was appointed as Executive General Manager Merchandise Buying in July 2017. In this role she has responsibility for all merchandise categories including Mens and Womens Apparel, Beauty, Intimate Apparel, Childrenswear, Accessories, Footwear, Home and Entertainment. Karen has held a variety of senior roles across Myer in Buying, Planning, Analysis and Business Administration.

DAMIAN WALTON

Executive General Manager Merchandise Planning

Damian was appointed Executive General Manager Merchandise Planning in July 2017. In this role Damian's responsibilities include the overall planning of the merchandise strategy, managing the merchandise budget, financial performance of the business and controlling inventory for the company. Damian is a career merchant with over 27 years' experience working across Australia and the UK, including at Selfridges, Marks & Spencer and House of Fraser.

PETER MITCHLEY-HUGHES

Head of Transformation

Peter was appointed Head of Business Transformation in January 2017 and is responsible for delivering all aspects of the New Myer transformation. Peter has over 20 years' experience in FMCG and retail companies. He has a proven record in enterprise business transformation, operational efficiency, organisational change and program delivery. In the UK, he worked for Marks & Spencer as Head of Commercial Finance, followed by the development and delivery of the new M&S.com multichannel platform.

SUSTAINABILITY AT MYER

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

MYER SUSTAINABILITY FRAMEWORK AND MATERIAL ISSUES

CUSTOMER	TEAM	COMMUNITY	ENVIRONMENT	BUSINESS
<ul style="list-style-type: none"> > Customer service and satisfaction 	<ul style="list-style-type: none"> > Attraction and engagement > Reward and recognition > Workplace safety 	<ul style="list-style-type: none"> > Myer Community Fund > Giving our time > Strategic community partnerships 	<ul style="list-style-type: none"> > Energy and emissions > Packaging stewardship > Waste and recycling 	<ul style="list-style-type: none"> > Ethical sourcing > Code of conduct > Product responsibility

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

The results of stakeholder engagement that occur during the year are used to inform our reporting. This year we also gave particular consideration to the Sustainable Development Goals, the Global Compact principles and the Global Reporting Initiative Standards, alongside our annual peer review.

Myer has ongoing engagement with customers, team members, suppliers, shareholders, local communities and civil society. Our engagement channels include social media, our customer service centre, customer feedback programs, team member updates, supplier forums, proactive and reactive media engagement, investor and stakeholder meetings, and multi-stakeholder forums. Myer identifies which groups to engage with on a proactive and reactive basis. As required, issues raised by stakeholders are escalated to senior management and where appropriate, to the Board.

For more information on our sustainability strategy and performance, and to view our FY2017 Global Reporting Initiative Index, please visit myer.com.au.

CUSTOMER SERVICE AND SATISFACTION

The customer is at the heart of everything we do. This year we took steps to improve customer service through deployment of our new workforce management tool that better aligns staffing levels with customer needs. We improved our understanding of customer satisfaction by enhancing our methodology for obtaining feedback from people who visit our stores. We also relaunched the MYER one app and expanded the MYER one membership to gain a better understanding of our customers shopping habits.

TALENTED AND CAPABLE PEOPLE

Attracting and developing talented and capable people is vital in the delivery of our New Myer strategy.

We have been enhancing skills in product, sales and service through the Myer Academy mobile learning platform with over 13,000 users accessing learning moments. Myer is also investing in how the organisation inducts new employees, building their job readiness as well as investing in store leadership capability.

Our approach to performance management and development supports people leaders to undertake regular, meaningful performance and development discussions with team members.

DIVERSITY AND INCLUSION

At Myer, we understand the value of diversity and inclusion. Myer's approach to diversity and inclusion is focused on how we lead, how we work and how we include others, including the communities we serve. In FY2017 we developed a strategy with three priorities being cultural diversity, LGBTI awareness and inclusion, and increasing female representation at senior leadership levels. Specific inclusion plans are now in place for these three areas.

Myer's current workforce composition is 80 percent female, with 58 percent of managers, 51 percent of senior managers and 38 percent of our Board being female¹. In FY2017, as in previous years, we undertook a review of gender pay equity within Myer and corrected a small number of like-for-like gaps.

Myer is focused on strengthening its talent pipeline and ensuring a balanced workforce composition through many of its diversity and inclusion initiatives. These initiatives include talent management and succession planning, leadership development, the Myer Academy Masterclass Diversity series, Flex@Myer and actively supporting team members as they return from extended leave.

SAFETY AT WORK

Myer treats the safety of our team members, customers and suppliers as a priority and we are committed to continually improving our safety performance. The importance of safety is actively built into our culture and is managed through having a robust safety management system.

Our safety management system underwent a full review and relaunch in FY2017 with a focus on making our safety systems easy and accessible to our team and promoting safety as a shared responsibility. We have encouraged reporting hazards through raising team member awareness and ensuring our safety committees play a role at our sites. In FY2017 we were pleased to have achieved a further reduction in Myer's Lost Time Injury Frequency Rate (LTIFR), building on our achievements during the last seven years.



PARTNERING FOR POSITIVE IMPACT

Myer has a proud history of community investment. Giving back is part of our organisational DNA. As an influential Australian retailer we have a unique opportunity to make a positive social impact by enabling our team members, suppliers and customers to contribute to addressing important social issues.

Our community investment and partnerships are aligned with the theme 'empowering and supporting women: strengthening families'. We work primarily with our national partners White Ribbon Australia, Global Sisters and The Salvation Army to reduce family violence and its effects.

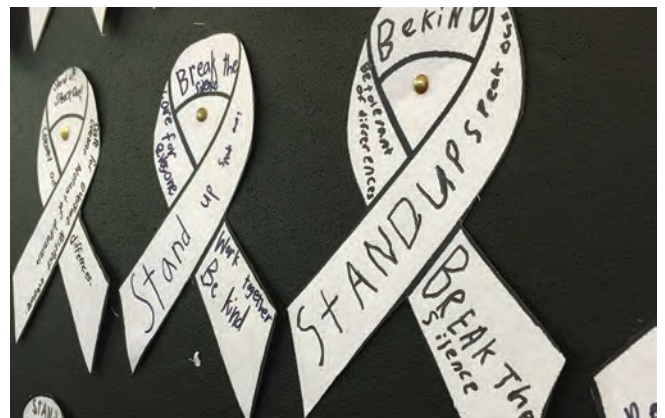
Our three major fundraising programs are:

- > The Myer Community Fund Precious Metal Ball with our suppliers
- > Point of Sale Round-up, giving customers the opportunity to 'round-up' their purchase to the nearest dollar
- > Team member fundraising activities at every Myer store, distribution centre and the national support office for smaller innovative projects in their local area

Donations go to the Myer Community Fund, and are used to support the important work of our national and local community partners, aligned to our community investment theme. The Myer Community Fund is overseen by an independent Board and the effectiveness of the fundraising programs and impact of investments are evaluated annually.

In FY2017 the Myer Community Fund provided \$611,000 to our national community partners. These funds:

- > Assisted The Salvation Army in providing over 32,000 instances of family violence support such as crisis accommodation, specialist safety planning, counselling and outreach
- > Supported 360 'Global Sisters' with specific vulnerabilities, in their aspiration to achieve financial independence through micro business and retail marketing support
- > Helped prevent violence towards women through the delivery of White Ribbon Australia's award-winning 'Breaking the Silence' schools program, delivered to 100 schools across Australia, reaching 36,000 students



PRECIOUS METAL BALL 2017

The Myer Community Fund Precious Metal Ball is one of the premiere occasions on Myer's annual event calendar. This year's Precious Metal Ball was the largest in its 13-year history, with total proceeds of over \$1 million raised through financial and product contributions made on the night.

More than 1,000 guests from the retail, business and fashion industries attended the event, with special guests, The Face of Myer, Jennifer Hawkins and Myer Ambassador, Kris Smith.

Proceeds raised on the night support the work of the Myer Community Fund's key beneficiary, White Ribbon Australia, as well as the work of over 60 of our store-partnered charities, in family violence prevention, cultural change and victim support.



GIVE REGISTRY CHANGES LIVES

The Give Registry, Myer's flagship community partnership program with The Salvation Army, gives expression to our active commitment to preventing violence against women, by offering much needed practical support to women and children rebuilding their lives.

The Give Registry is a twist on the traditional department store 'gift' registry. It is a list of essential items that can be bought and donated to victims of family violence at any Myer store. Myer matches the total value of our customers' product donations, and distributes these items to The Salvation Army who in turn deliver them to women in need.

In the first 12 months of the program, over 6,200 products were gifted to 371 women and their children across Australia. Items included bedding and bath, kitchen and dining, small electrics, intimate apparel and many other essential day-to-day items.

Over 6,000 customers have participated in the initiative, and together with the generous involvement of key suppliers Sheridan, LinenHouse, PVH Brands Australia, Maxwell & Williams, Breville and Bonds, we have raised a collective contribution of RRP \$323,260 in cash and product in FY2017.

"These items to me represent 'hope'. Having nothing to start with is quite overwhelming, especially having to start over again. Being a recipient of such generosity has humbled me greatly, and has given me encouragement in this next step".

Family violence survivor and Give Registry recipient

GLOBAL RECOGNITION FOR MYER AND THE GIVE REGISTRY

Finalists in:

- > 2017 World Retail Awards 'Responsible Retailer of the Year'
- > 2017 World Department Store Forum Awards 'World's Best Store Campaign by a Department Store'
- > 2017 Cannes Lion 'Integrated Lion' Award
- > 2017 Ethical Corporation Responsible Business Awards 'Best Engagement Campaign of the Year'

Winner:

- > 2017 Clío Awards - Best Integrated Campaign and Best Brand Partnerships & Collaborations



\$3.1m

**TOTAL CASH EQUIVALENT
CONTRIBUTION TO CHARITY
PARTNERS**

\$1.5m

**MYER DIRECT TIME,
CASH AND GOODS**

\$1.6m

**FACILITATED FUNDRAISING
FROM CUSTOMERS, SUPPLIERS
AND TEAM MEMBERS**

ENERGY AND EMISSIONS

Energy use and associated greenhouse gas emissions are a key environmental impact area for Myer. We work toward reducing greenhouse gas emissions from our own operations through implementation of our five year energy strategy, which aims to reduce the energy intensity of the business by 10 to 15 percent by FY2018. Our strategy includes behavioural change, control system and equipment efficiency measures. We manage and report on direct and indirect (scope 1 and 2) emissions in Australia where we have operational control. We review our program annually as part of the budget cycle.

In FY2017 we focused on identifying and rectifying control breakdowns and continuing our behavioural change activities. Myer's total energy use for FY2017 was 631 GJ, or 146,606 tonnes of carbon dioxide equivalent greenhouse gas emissions. This represented a 7.3 percent reduction in energy use on the prior year. The energy intensity of our business further reduced by 1.6 percent on FY2016, and by a total of 12.8 percent since FY2013. The benefits of investment in building management systems in the previous year also contributed to this result, along with targeted review and management of operating controls.

WASTE AND RECYCLING

Packaging and waste disposal associated with our merchandise are significant potential environmental impact areas for Myer.

We are a signatory to the Australian Packaging Covenant, which is a sustainable packaging initiative that encourages businesses to design more sustainable packaging in order to reduce manufacturing impacts on the environment and increase recycling rates, as well as to reduce packaging litter. We develop and implement an action plan to reduce our impacts, and report on progress annually.

A full review and refresh of packaging for online customers was undertaken, resulting in a number of improvements that resulted in less packaging while enhancing the customer experience. We reduced the weight and volume of packaging, including a shift from bubble wrap to air pillows, bubbled to plain satchels, and removing the requirement for a second box by reducing carton sizes or replacing second box with film wrap. We have also been improving our Click & Collect service which reduces delivery wait times for the customer, as well as reducing packaging and transport impacts.

We have a comprehensive reuse and recycling system in place for our major waste streams including cardboard, clear flexible plastics, hangers, damaged and unsold stock, timber pallets, security tags and metals.

In FY2017 we completed the roll out of an optimised recycling system, co-funded by the Australian Packaging Covenant. The project resulted in an in-store packaging recycling rate above 80 percent, and we shared what we learnt through the project

publicly with industry. We subsequently launched an internal waste and recycling leader board for store management as part of embedding the optimised system.

Our total waste generation from day-to-day store activities fell significantly, driven primarily by the strong merchandise focus on range optimisation, and partly enabled by the optimised recycling system roll out. Significant construction and demolition waste offset most of this reduction, due to store closures and a major project to dispose of old fixturing. Overall we saw a total reduction in waste of two percent.

PLASTIC BAGS

Myer shopping bags are made from low density polyethylene. They are strong, cost effective, and fit for the purpose of protecting and carrying customer purchases. They can be reused again and again, and once they are no longer fit for reuse, they can be recycled by dropping them off at any REDcycle collection point, www.redrecycle.net.au

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 and impacts on the environment are minimised. 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 merchandise suppliers must adhere to our Ethical Sourcing Policy, which is based on internationally accepted human rights and labour standards. Our policy specifically prohibits the use of forced, compulsory labour or child labour, and requires suppliers to respect the right to freedom of association and collective bargaining (and not hinder alternatives where those rights are restricted under local laws). It also requires suppliers not to engage in acts of bribery or corruption.

Our Ethical Sourcing Framework for MEBs includes:

- > The inspection and assessment of proposed factories. Suppliers will not be utilised until the audit report is accepted
- > Factories are rated against a supplier risk profile, which includes a country risk ranking
- > Determining when suppliers will be audited and reviewed as per the ethical sourcing framework and audit cycle
- > Assessing the risk level of issues identified during audits
- > Implementing remedial action plans or withdrawal of supply for noncompliant suppliers, depending on the severity of the breach

Our audit program focuses on our supplier relationships and does not extend to the relationships of our suppliers (manufacturers) with their suppliers (mills/materials producers and farms), unless they are vertically integrated suppliers.

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. We also source a small proportion from trusted importers located in Australia with whom we have long-standing relationships. More than 95 percent of MEB merchandise is sourced from the countries of China, India, Italy, Bangladesh and Vietnam.

Myer continues to work with our suppliers to improve their ethical sourcing procedures and ensure compliance with our Ethical Sourcing Policy. In FY2017 our focus areas included existing vendor re-certification as well as building stronger relationships and improving transparency with Myer's Australian-based sourcing suppliers.

In FY2017 we completed audit reviews of 189 suppliers (236 factory audits) within our MEB network. Our review identified no zero tolerance issues and 28 high risk issues, which primarily relate to excessive overtime hours and safety improvements required. Myer will continue to work with factories to address high risk issues identified.

CODE OF CONDUCT

Myer is committed to the highest levels of integrity and ethics in our business operations and interactions with stakeholders. We implement this commitment through our Code of Conduct, team member training and a whistle blower program. Team members are required to acknowledge acceptance of the Code of Conduct prior to commencing work. An annual refresher on Code of Conduct for salaried team members is undertaken. The Myer confidential whistle blower hotline service is also communicated to team members, contractors, and suppliers.

PRODUCT RESPONSIBILITY

We take pride in the quality of our merchandise. We have extensive quality and compliance processes in place to ensure our merchandise is well made, safe to use and labelled with key consumer information. We review and update our compliance guidelines annually to ensure the latest in global and industry standards are adhered to. We have a dedicated quality assurance and compliance team and we train buyers in compliance requirements every quarter. We evaluate our performance through an internal audit program on our QA/QC processes, with the results, actions and recommendations informing our QA strategy. We track all customer complaints and sample development issues to provide an early warning system of quality and safety trends.

In FY2017 we introduced a formalised risk assessment methodology which provides a framework for assessing quality and safety issues. We increased our surveillance testing of apparel items and are testing earlier to better manage quality issues before they reach our stores. Our merchandise compliance is improving, with a 15 percent reduction in our total number of withdrawals and recalls in FY2017.

The products we sell have environmental impacts during use by our customers. Appliances and equipment such as whitegoods and TVs account for about one quarter of energy use in the average household, according to the most recent residential energy baseline study. In FY2017 we provided further training to selling team members on how to assist customers to compare the financial and environmental impacts of different appliance models. This enables customers to save money and reduce greenhouse gas emissions, and also improves Australia's energy productivity.

SUSTAINABILITY PERFORMANCE AND TARGETS

Focus area	Key measure	FY15 Performance	FY16 Performance	FY17 Performance	FY18 Target
Customer	Net Promoter Score	Achieved target	Achieved target	● Target not met ¹	Improvement ²
Team	Diversity and inclusion (% female senior managers)	48	49 ●	51	≥50
	Workplace safety (LTIFR)	7.7	6.0 ●	5.8	<5.8
Community	Direct community contribution (% EBIT)	0.8	1.6 ●	1.4	>0.5
Environment	Greenhouse gas emissions reduction (%)	2.7	5.9 ●	7.7	≥1
	Energy intensity (kJ/m ² .opening hour)	175.5	169.3 ●	166.6	≤166
	Recycling rate (%)	58	60 ●	57	≥56
Business	New suppliers agreed to Ethical Sourcing Policy (%)	100	100 ●	100	100
	Code of Conduct training (% of required team members trained)	86.5	87.0 ●	85.9	≥80
	Shrinkage	Minor increase	Increase ●	Maintain	-

1 The Net Promoter Score transitioned to a new measurement methodology in mid FY2017.

2 On a comparable stores basis.

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

● Improved/met target ● Did not reach target

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 29 July 2017.

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
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
JoAnne Stephenson	Independent non-executive director	28 November 2016

JoAnne Stephenson was appointed to the Board with effect from 28 November 2016. 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 Broadspectrum, a subsidiary of Ferrovial Services. He is also a director of St Vincent's Health Australia, O'Connell Street Associates 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 Chartered Accountants Australia and New Zealand 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 the non-executive chairman of Baby Bunting Group Ltd and a non-executive director of 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. He was also 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.

DIRECTORS' REPORT

Continued

DAVE WHITTLE

Independent non-executive director

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

Dave has considerable brand, marketing, data, technology, online retail and digital transformation experience.

For three years Dave has been the CEO of Lexer, an innovative provider of data, software and advice, helping enterprise companies genuinely understand and engage their customers. 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. Prior to joining M&C Saatchi, Dave was the first employee of a marketing services group that built four digital service and software businesses.

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 an executive director of Lexer Pty Ltd and a non-executive director of the Melbourne Festival and the GWS GIANTS Foundation.

JOANNE STEPHENSON

Independent non-executive director

- > Member of the Board since 28 November 2016
- > Member – Audit, Finance and Risk Committee

JoAnne has extensive experience spanning over 25 years across a range of industries. JoAnne was previously a senior client partner in the Advisory division at KPMG and has key strengths in finance, accounting, risk management and governance. JoAnne holds a Bachelor of Commerce and Bachelor of Laws (Honours) from The University of Queensland. She is also a member of both the Australian Institute of Company Directors and the Chartered Accountants Australia and New Zealand. JoAnne resides in Victoria.

Other current directorships

JoAnne is also an Independent Non-Executive Director of Challenger Limited, Asaleo Care Limited and Japara Healthcare Limited. She is also Chair of the Audit and Risk Committee of the Department of Health and Human Services (Victoria), the Victorian Major Transport Infrastructure Board and the Melbourne Chamber Orchestra.

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 27 July 2014, and the period during which each directorship has been held.

Director	Listed entity	Period directorship held
Paul McClintock AO	-	-
Richard Umbers	-	-
Anne Brennan	Charter Hall Group Nufarm Limited Argo Investments Limited Echo Entertainment Group Limited (now The Star Entertainment Group Limited)	October 2010 – present February 2011 – present September 2011 – present March 2012 – October 2014
Ian Cornell	Goodman Fielder Limited Baby Bunting Group Limited	February 2014 – March 2015 January 2015 – present
Chris Froggatt	Goodman Fielder Limited	August 2009 – March 2015
Bob Thorn	MotorCycle Holdings Limited PWR Holdings Limited	March 2016 – July 2016 August 2015 – March 2017*
Dave Whittle	-	-
JoAnne Stephenson	Challenger Limited Asaleo Care Limited Japara Healthcare Limited	October 2012 – present May 2014 – present September 2015 – present

* Mr Thorn ceased to be a director of PWR Holdings Limited on 3 March 2017.

DIRECTORS' REPORT

Continued

3. MEETINGS OF DIRECTORS AND BOARD COMMITTEES

The number of meetings of the Board and of each Board Committee held during the period ended 29 July 2017 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	11	11	-	-	-	-	7	7
Richard Umbers	11	11	-	-	-	-	-	-
Anne Brennan	11	11	4	4	5	5	7	7
Ian Cornell	11	11	-	-	5	5	-	-
Chris Froggatt	11	11	-	-	5	5	7	7
Bob Thorn	11	10	4	3	-	-	-	-
Dave Whittle	11	11	4	4	-	-	-	-
JoAnne Stephenson	7	6	2	2	-	-	-	-

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

** Teleconferences outside of scheduled Board meetings have not been included in the table above.

4. DIRECTORS' RELEVANT INTERESTS IN SHARES

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

Director	Ordinary Shares	CEO Restricted Shares	Performance Rights
Paul McClintock AO	258,400	Nil	Nil
Richard Umbers	212,230	114,617	2,316,322
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	12,345	Nil	Nil
JoAnne Stephenson	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.

Myer's Chief Financial Officer is Grant Devonport.

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.

DIRECTORS' REPORT

Continued

7. OPERATING AND FINANCIAL REVIEW

SUMMARY OF FINANCIAL RESULTS FOR 52 WEEKS ENDED 29 JULY 2017¹

- > Sales down 1.4% to \$3,201.9 million, down 0.2% on a comparable store basis
- > Sales / m2 up 3.7% compared to the FY2015 base year
- > Q4 sales down 1.5%, down 0.2% on a comparable store basis
- > Operating gross profit (OGP) of \$1,220.4 million, with OGP margin 58 basis points below last year
- > Cost of doing business (CODB) down \$31.4 million to \$1,019.8 million with CODB margin improved by 54 basis points to 31.85%
- > FY2017 Net Profit After Tax (NPAT) (pre implementation costs and individually significant items) of \$67.9 million (FY2016: \$69.4 million)
- > Statutory NPAT of \$11.9 million post implementation costs of \$13.9 million and individually significant items of \$42.1 million (post-tax)
- > Operating cash flow improved by \$1 million to \$187 million
- > Final dividend of 2.0 cents per share, fully franked, to be paid on 9 November 2017 (Record Date is 28 September 2017)

For the 12 month period total sales were down by 1.4% to \$3,201.9 million, down 0.2% on a comparable stores basis. The closure of three stores and space hand backs in two stores impacted the sales result but this was in part offset by continued strong growth in our online business. Sales in the fourth quarter were down 1.5% and down 0.2% on a comparable stores basis.

Operating gross profit was \$1,220.4 million, with margin down 58 basis points to 38.12% broadly reflecting the higher concession mix. We continue to invest to drive an improved performance of our Myer Exclusive Brands (MEBs) with upgraded installations and a dedicated brand service model which has delivered encouraging results. Our focus on reducing the dependency on markdowns to drive sales, favourably impacted the operating gross profit result.

During the period, we continued to improve productivity and efficiency by simplifying the operating model both within stores and the support office. The cost of doing business margin reduced by a further 54 basis points to 31.85%.

Net finance costs reduced by \$3.5 million to \$10.8 million largely as a result of lower average net debt.

On 20 July 2017, Myer announced the decision to write-down the full carrying value of Myer's 20% stake in Austradia of \$6.8 million after the business was placed into administration and unsuccessful negotiations to retain the brands as concessions in Myer on commercially acceptable terms.

As previously outlined in 1H 2017 and Q3 2017 sales results, the performance of sass & bide has been below expectations during the period with sales in FY2017 \$10.9 million below last year. While every effort is being made to improve the performance of the business, the Company has recognised an impairment charge of \$38.8 million against the carrying value of the business.

The write-off of the Austradia investment and the impairment of sass & bide are non-cash individually significant items that have been taken in the FY2017 results.

NPAT pre implementation costs associated with New Myer and other individually significant items was \$67.9 million. Implementation costs associated with New Myer were \$20 million (pre-tax) relating mainly to space optimisation, asset impairments and redundancy costs.

Net operating cash flows improved by \$1 million to \$187 million as a result of improved inventory and working capital. Inventory was \$24 million below last year at \$372 million compared to the end of FY2016 representing a reduction in forward cover of more than one week.

Capital expenditure in FY2017 was \$97 million reflecting expenditure across the key strategic priorities.

¹ FY2016 results are on a 52-week basis for comparison purposes

DIRECTORS' REPORT

Continued

INCOME STATEMENT FOR THE 52 WEEKS TO 29 JULY 2017

	FY2017 52 weeks \$m	FY2016** 52 weeks \$m	Change vs. LY (\$m)	Change vs. LY (%)
Total Sales Value	3,201.9	3,245.9	(44.0)	(1.4%)
Concessions	701.7	600.0	+101.7	+17.0%
Myer Exclusive Brands	546.8	610.5	(63.7)	(10.4%)
National Brands and other	1,953.4	2,035.4	(82.0)	(4.0%)
Operating Gross Profit	1,220.4	1,256.0	(35.6)	(2.8%)
<i>Operating Gross Profit margin</i>	38.12%	38.70%		(58bps)
Cost of Doing Business	(1,019.8)	(1,051.2)	+31.4	+3.0%
<i>Cost of Doing Business/Sales</i>	31.85%	32.39%		+54bps
Share of Associates	(1.2)	(0.6)	(0.6)	
Dilution of Investment in Associate	(1.3)	-	(1.3)	
EBITDA*	198.1	204.2	(6.1)	(3.0%)
<i>EBITDA margin*</i>	6.19%	6.29%		(10bps)
Depreciation and amortisation	(91.5)	(90.8)	(0.7)	(0.8%)
EBIT*	106.6	113.4	(6.8)	(6.0%)
<i>EBIT margin*</i>	3.33%	3.49%		(16bps)
Net Finance Costs	(10.8)	(14.3)	+3.5	+24.5%
Net Profit Before Tax*	95.8	99.1	(3.3)	(3.3%)
Tax*	(27.9)	(29.7)	+1.8	+6.1%
Net Profit After Tax (NPAT) (pre implementation costs and individually significant items)	67.9	69.4	(1.5)	(2.2%)
Implementation costs and individually significant Items (post tax)	(56.0)	(8.8)	(47.2)	
NPAT (post implementation costs and individually significant items)	11.9	60.6	(48.7)	(80.4%)

* Excluding implementation costs associated with New Myer and individually significant items.

** FY2016 results are on a 52-week basis for comparison purposes.

BALANCE SHEET AS AT 29 JULY 2017

	2017 \$m	2016 \$m
Inventory	372	396
Other Assets	30	50
Less Creditors	(380)	(400)
Less Other Liabilities	(282)	(301)
Property	24	24
Fixed Assets	436	421
Intangibles	986	1,020
Total Funds Employed	1,186	1,210
<i>Comprising of:</i>		
Debt	143	147
Less Cash	(30)	(45)
Net Debt	113	102
Equity	1,073	1,108
	1,186	1,210

DIRECTORS' REPORT

Continued

CASH FLOW FOR THE PERIOD ENDED 29 JULY 2017

	FY2017	FY2016
	\$m	\$m
EBITDA*	183	196
Working capital movement	4	(10)
Operating cash flow	187	186
Conversion	102%	95%
Capex paid / acquisitions**	(110)	(59)
Free cash flow	77	127
Tax	(28)	(20)
Interest	(10)	(16)
Dividends	(49)	(16)
Share Rights issue proceeds	0	212
Net cash flow	(10)	287

* EBITDA includes implementation costs and individually significant items, with the exception of non-cash impairments and write-downs (store and support office assets, sass and bide, and Austradia)

** Net of Landlord contributions

OTHER STATISTICS AND FINANCIAL RATIOS

	FY2017	FY2016
Return on Total Funds Employed ⁽¹⁾	8.9%	9.1%
Gearing	9.5%	8.4%
Net Debt/EBITDA ⁽¹⁾	0.6x	0.5x

(1) Calculated on a rolling 12 months basis

SHARES AND DIVIDENDS

	FY2017	FY2016
Shares on Issue	821.3 million	821.3 million
Basic EPS ⁽²⁾	8.3 cents	8.8 cents
Dividend per share	5.0 cents	5.0 cents

(2) Calculated on weighted average number of shares of 821.3 million (FY2016: 786.8 million) and based on NPAT pre implementation costs and individually significant items

PROGRESS ON NEW MYER TARGET METRICS

New Myer target metrics	FY2017 ⁽³⁾
Target average sales growth greater than 3% between 2016 – 2020	Average sales growth from July 2015 up 0.1%
Target greater than 20% improvement in sales per square metre by 2020	Sales per square metre increased by 3.7% to \$4,055 / m ²
Target EBITDA growth ahead of sales growth by 2017	EBITDA down by 3.0% Sales down 1.4%
Target Return on funds employed (ROFE) greater than 15% by 2020	ROFE 8.9%

(3) FY2016 results are on a 52-week basis for comparison purposes.

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	EBIT	TAX	NPAT
Statutory reported result	41.0	(18.3)	11.9
<i>Add back: Implementation Costs and Individually Significant Items</i>			
Restructuring and redundancy costs	6.3	(1.9)	4.4
Store exit costs and other asset impairments	48.1	(4.3)	43.8
Support office onerous lease expense and impairment of assets	11.2	(3.4)	7.8
Underlying result	106.6	(27.9)	67.9

DIRECTORS' REPORT

Continued

FY2017 OPERATIONS

The New Myer strategy is a five-year transformation agenda launched in September 2015. Myer has made significant progress to deliver New Myer which has assisted the Company to withstand the challenging retail trading conditions characterised by heightened competition, subdued consumer sentiment and discount fatigue.

This result demonstrates that Myer has become a leaner, more productive and efficient retailer, better placed to compete in a rapidly changing environment.

During FY2017 Myer made substantial progress across all aspects of our strategy. This included:

- > Standout performance in our omni-channel and online business with online sales up 41.1%;
- > Reduced store footprint resulting from store closures at Wollongong, Brookside and Orange, space handbacks at Cairns and Dubbo and at our Richlands Distribution Centre in Queensland;
- > Handed back over 30% of our support office floorspace;
- > Launched cafes, pop up shops and an ice rink in our Sydney store;
- > Partnered with Katy Perry in an innovative marketing campaign;
- > Introduced a dedicated clearance floor at our Frankston store;
- > Rolled out new and upgraded brand destinations as well as 73 upgraded Myer Exclusive Brands (MEB) master brand fitouts and dedicated service models for Basque, Piper and BLAQ; and
- > Introduced new wanted brands including Forever New, Roxy, Quiksilver, Darren Palmer Home and 2XU.

To respond to the external environment we are rapidly evolving our strategy to shift emphasis in order to adapt to the changing operating environment. We will elevate as priorities:

- > investment in our omni-channel business and continuing to drive omni-channel sales; and
- > our commitment to increase productivity and efficiency to ensure the resilience of our business.

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, which describes factors which could impact Myer's results.

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS IN FY2017

In addition to those matters described in section 7 above, the following significant changes occurred during FY2017:

- > A new director, JoAnne Stephenson was appointed to the Board of Myer Holdings Limited in November 2016. Her background, experience and particular skills that she brings to the Board are set out on page 27.

- > Daniel Bracken stepped down from his roles as Chief Merchandise and Customer Officer and Deputy CEO in July 2017. Gary Williams stepped down from his role as Chief Transformation Officer in December 2016.
- > Karen Brewster was appointed Executive General Manager Merchandise Buying and Damian Walton was appointed Executive General Manager Merchandise Planning in July 2017. Peter Mitchley-Hughes was appointed Head of Business Transformation in January 2017. Details of Myer's executives are set out in the Executive Management Team section of Myer's Investor Centre website.
- > In July 2017 Myer recognised an impairment charge of \$38.8 million against the carrying value of the sass & bide business.
- > In May 2017 voluntary administrators were appointed to the assets and undertakings of Austradia Pty Ltd (Austradia), the Australian rights holder of the TOPSHOP TOPMAN brands. Myer held a 20% interest in Austradia at the time of the appointment. As previously outlined, Myer has written down the full carrying value of its stake in Austradia of \$6.8 million.
- > In April 2017 Myer executed an asset sale deed with the Administrators of Webster Holdings to acquire the brands, intellectual property, fixed assets and inventory of Marcs and David Lawrence.
- > In May 2017 we announced the hand back of approximately 50% of the space at the Richlands Distribution Centre in Queensland.
- > In March 2017 we announced the hand back of over 30% of the floor space at our Support Office at 800 Collins Street.
- > The Myer Wollongong store was exited in October 2016 and the Myer Brookside and Orange stores were exited in February 2017.

9. BUSINESS STRATEGIES AND FUTURE DEVELOPMENTS

We remain committed to the execution of the New Myer strategy in FY2018. In order to respond to persistent challenging conditions we are rapidly evolving our strategy.

In FY2018 we will elevate as priorities investment in our omni-business and the pursuit of a leaner, more productive and efficient Myer. This will help us to withstand heightened competition.

We will increase our emphasis on digital throughout the business. This will leverage the already strong growth in our omni-channel business and will enable us to build on our use of data to enable improvements in personalised and relevant marketing.

We remain focused on a more innovative and experiential retail offer including services, food and new clearance floors, building on our achievements in FY2017.

During FY2018 we will continue our wanted brands strategy, further rolling out brands such as Forever New, Quiksilver and Darren Palmer Home, as well as further developing our master brand offering.

DIRECTORS' REPORT

Continued

The Company has strong foundations from which to build and we look forward to continuing to shift the business towards a more effective, innovative and experiential retail model, which is engaging and relevant to our customers.

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 framework 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 and interest rates; 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 remains highly competitive. The Company's competitive position may be negatively impacted by new entrants to the market, existing competitors, changes to consumer demographics and increased online competition, which could impact sales. To mitigate these risks, Myer continues to implement 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. Myer also continues to select optimal merchandise assortment with the right categories and brands.

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, suppliers and contractors 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 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 provided our team members with access to training and development to further develop their skills.

STRATEGIC AND BUSINESS PLAN RISKS

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

LITIGATION

On 25 March 2015, legal proceedings were served against Myer by a shareholder, Melbourne City Investments Pty Ltd (MCI), seeking to bring a group action for itself and on behalf of a defined (but unnamed) group of shareholders in the Supreme Court of Victoria. The writ was filed on behalf of MCI by Portfolio Law Pty Ltd. MCI alleges loss and damage said to have resulted from a statement made in the context of Myer's full year FY2014 results. In December 2016 the Supreme Court of Victoria held that these proceedings were an abuse of process and ordered they be permanently stayed. In July 2017 the Court of Appeal unanimously refused MCI's appeal from the Supreme Court's decision. This means that MCI may not continue the proceeding against Myer.

On 23 December 2016 legal proceedings were served against Myer by Perpetual Limited and Bridgehead Pty Ltd, the landlords of the Myer Chadstone store. The landlords allege that there was a mutual

DIRECTORS' REPORT

Continued

mistake in the drafting of the variable outgoings provisions in the lease for the Myer Chadstone store or that those provisions have been misinterpreted. The landlords seek, among other things, rectification of the lease and payment of alleged unpaid outgoings in respect of the period FY00/01 to FY15/16 in the aggregate amount of \$19.14 million plus GST, as well as interest and costs. Myer believes that the claim has no proper basis, denies any liability under it and will vigorously defend it.

On 30 December 2016 proceedings were served against Myer by a former shareholder, TPT Patrol Pty Ltd as trustee for the Amies Superannuation Fund (TPT Patrol), bringing a group action for itself and on behalf of a defined (but unnamed) group of shareholders (being the same group as in the MCI proceeding referred to above) in the Federal Court. As with the MCI proceeding, these proceedings were filed on behalf of TPT Patrol by Portfolio Law Pty Ltd. TPT Patrol alleges loss and damage said to have resulted from statements made in the context of Myer's full year FY2014 results. The claim is, in substance, identical to the claim in the MCI proceeding. Myer believes the TPT Patrol claim has no proper basis, denies any liability under it and will vigorously defend it.

Given the above, no provisions have been recognised at 29 July 2017 in respect of the MCI, Chadstone or TPT Patrol disputes.

11. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Anne Brennan has notified the Board that she does not intend to seek re-election as a director of the Board at this year's AGM.*

On 14 September 2017 it was announced that Myer will not be renewing the leases at Colonnades, Belconnen and Hornsby.

In September 2017 the Company rolled out its clearance floors across seven more stores in addition to Frankston and a dedicated presence online at myer.com.au.

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

Myer paid a final dividend of 3.0 cents per share for the full year FY2016 on 10 November 2016 (with a Record Date of 29 September 2016), totalling \$24.6 million.

Myer paid an interim dividend of 3.0 cents per share, fully franked, on 4 May 2017 (with a Record Date of 27 March 2017), totalling \$24.6 million.

The Board has determined a final dividend of 2.0 cents per share to be paid on 9 November 2017 (with a Record Date of 28 September 2017).

This takes the FY2017 dividend to 5.0 cents per share.

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

13. 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 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 of performance rights can be either issued as new shares or purchased on market.

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

Since 2011, only performance rights were granted under the LTIP. During the financial year, the Company granted 808,443 performance rights to the CEO under the FY2017 LTIP (CEO Offer); and 3,791,811 performance rights were granted to other selected senior executives under the LTIP (LTIP Offer); totalling 4,600,254 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 29 July 2017.

A prior grant of 226,833 performance rights to senior executives made on 27 November 2013 expired on 31 October 2016.

On 15 December 2016, a total of 28,355 performance rights granted under the LTIP in FY2014 vested, and 28,355 fully paid ordinary shares in the Company were issued to participants.

The table below 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.

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

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

* On 19 September 2017 it was announced that Garry Hounsell would join Myer as a non-executive Director and Deputy Chairman. On 11 October 2017 it was announced that Paul McClintock AO would retire at Myer's 2017 AGM and that Garry Hounsell would become Chairman of the Company effective from the end of the AGM. On 17 October 2017 it was announced that Julie Ann Morrison would join Myer as a non-executive Director.

DIRECTORS' REPORT

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Date performance rights granted	Expiry date	Issue price	Number of performance rights remaining on issue*
15 December 2014 (grant to CEO under the CEO Offer which is retained on departure)	31-Oct-17	nil	568,749
15 December 2014 (grant senior executives under the LTIP offer)	31-Oct-17	nil	1,282,165
5 January 2016 (grant to CEO under the CEO Offer)	31-Oct-20	nil	939,130
5 January 2016 (grant to senior executives under the LTIP Offer)	31-Oct-20	nil	3,268,471
22 December 2016 (grant to CEO under the CEO Offer)	31-Oct-19	nil	808,443
22 December 2016 (grant to senior executives under the LTIP offer)	31-Oct-19	nil	3,663,808
Closing balance			10,530,766

* 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.

14. SHARES ISSUED UPON VESTING OF 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 five-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 29 July 2017, 150,000 fully paid ordinary shares were purchased on market by the Trust and 28,355 shares were transferred from the Trust for performance rights issued under the LTIP in 2014 (vested 15 December 2016) and 114,617 shares were transferred from the Trust under the short term incentive plan. Since 29 July 2017, 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 38.

16. INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

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 the 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.

The Group's auditor is PricewaterhouseCoopers (PwC). No payment has been made to indemnify PwC during or since the financial year end. No premium has been paid by the Group in respect of any insurance for PwC. No officers of the Group were partners or directors of PwC whilst PwC conducted audits of the Group.

17. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with the leave of the court under section 237 of the *Corporations Act 2001*.

DIRECTORS' REPORT

Continued

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).

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 eighth report to the Clean Energy Regulator in October 2016 and is due to submit its ninth report by 31 October 2017.

No significant environmental incidents have been reported internally, and no breaches have been notified to the Group by any government agency.

The Group is a signatory to the Australian Packaging Covenant, which is a national co-regulatory initiative in place of state-based regulatory arrangements for sustainable packaging management. Members are required to adhere to the covenant commitments, which include development and implementation of an action plan and report annually on progress. Myer submitted its 10th annual report in March 2017.

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 2001*. 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 2001* 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 2001* is attached to this Directors' Report.

21. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 relating to the 'rounding off' of amounts in the Directors' Report and, in accordance with that instrument, amounts in the Directors' Report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

22. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday 24 November 2017.

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



Paul McClintock AO
Chairman
Melbourne, 13 September 2017

CORPORATE GOVERNANCE STATEMENT

To view our Corporate Governance Statement please visit myer.com.au/investor.

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the year ended 29 July 2017, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to be 'JP', written in a cursive style.

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
13 September 2017

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REMUNERATION REPORT

Dear Shareholders,

On behalf of the Board, we are pleased to present Myer's FY2017 Remuneration Report.

BUSINESS PERFORMANCE

We have made significant progress in the delivery of New Myer during FY2017, although we have also been challenged by the difficult market conditions impacting the retail sector. Our Net Profit After Tax (NPAT) result of \$67.9 million (pre-implementation costs and individually significant items), while short of our target to exceed last year's NPAT of \$69.3 million, has been delivered against a backdrop of increasing competition, subdued consumer sentiment and discount fatigue.

While we are disappointed to have not reached our target of exceeding last year's NPAT, this result demonstrates that Myer has become a leaner, more productive and efficient retailer, and is better placed to compete in a rapidly changing environment.

As the retail industry evolves, so too must Myer. Our commitment to shareholders remains unchanged - we remain dedicated to evolving into a fashion-forward retailer built on a customer-led offer, wonderful experiences and connected retail and delivered through increased productivity and efficiency.

Our Executive Management Group (EMG) is highly capable and possesses a depth of experience across retail, digital, marketing and other key areas that are critical to the delivery of our strategy. This experience, and the ability of our executives to meet challenging business objectives in a constantly changing market, will be essential to our delivery of sustainable earnings growth.

Attracting and retaining the talent we need to deliver New Myer remains a critical priority for the Board. We therefore regularly review the remuneration framework to ensure that it appropriately balances shareholder outcomes, executive performance and our ability to attract and retain talent. The new demands on our industry and our business, particularly in regards to attraction and retention, require new and flexible approaches to remuneration. We expect that this will result in continued upward pressure on both fixed and at-risk remuneration as we look to other sectors, both locally and internationally, for the capability we need for the future.

EXECUTIVE REMUNERATION OUTCOMES

The NPAT gateway condition, which requires a minimum level of NPAT to be achieved before any Short Term Incentive (STI) can be awarded, was not met in respect of the FY2017 STI, and accordingly no STI was paid to Executives, including Key Management Personnel (KMP).

Performance rights granted to KMP under the FY2014 Long Term Incentive Plan (LTIP) were tested for vesting following the release of our results in September 2016. The relative Total Shareholder Return (TSR) and Earnings per Share (EPS) hurdles under this plan were not met, and accordingly the rights subject to these hurdles did not vest. The Business Transformation hurdle set in 2014 was determined by the Board to be partially met, and accordingly, 50 percent of the rights subject to this hurdle (being 12.5 percent of the maximum grant) vested. The measures that were achieved included retention of Myer One customers; Net Promoter Score;

sales per square metre; increase in basket size (online sales); and increase in page views. There was only one KMP who participated in the FY2014 LTIP and therefore had rights vested under this plan.

Performance rights granted to KMP under the FY2015 LTIP will be tested for vesting following the release of our financial results in September 2017, against the EPS, relative TSR and Business Transformation hurdles. Any vesting will be disclosed in our FY2018 remuneration report.

The Board considers these remuneration outcomes to be reflective of shareholder outcomes.

CHANGES TO THE FY2017 REMUNERATION FRAMEWORK

This year, the Board made minor adjustments to the remuneration framework to ensure its continued alignment with strategy and performance.

In regards to the STI, we have maintained the NPAT gateway, meaning that no STI awards are paid unless a minimum acceptable level of NPAT is achieved. If the gateway is achieved, the NPAT result is assessed as part of a performance 'scorecard'. In the scorecard, we balance the emphasis between key financial and strategic objectives that combine to drive our strategy and deliver the NPAT result.

In relation to the LTIP, in FY2017 we have moved away from what was considered a 'one-off' transformation LTIP towards a design that reflects the ongoing nature of our business evolution, beyond the initial five year transformation period.

The performance hurdles under the revised LTIP are intended to focus participants on the strategy fundamentals of improving earnings and return on funds; align to shareholders through Total Shareholder Return (TSR); and complement the measures in the STI. The result is a remuneration framework that is closely aligned to the creation of shareholder value. Both the STI and the LTIP include ambitious performance hurdles set to align with the ongoing evolution of the business.

Having regard to the prevailing economic and industry conditions, and the competitiveness of current remuneration levels, the Board has determined not to increase Total Fixed Remuneration for the CEO in FY2017. There has been no change to his fixed remuneration since his appointment in March 2015.

We hope that you find the Myer Remuneration Report clearly outlines the links between our strategy, our performance, and executive remuneration outcomes. We look forward to your continued support at our Annual General Meeting in November 2017, and welcome any feedback on our remuneration practices and disclosures.

Yours faithfully,



Paul McClintock, AO
Chairman



Chris Froggatt
Chairman, Human Resources
and Remuneration Committee

REMUNERATION REPORT

Continued

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Section 1	Introduction
Section 2	Remuneration Strategy
Section 3	Company performance and remuneration outcomes for FY2017
Section 4	Changes to remuneration frameworks in FY2017
Section 5	Remuneration governance
Section 6	Executive remuneration
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1. INTRODUCTION

The Directors of Myer Holdings Limited (the Company) present the Remuneration Report for the financial year ended 29 July 2017 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 Executive Management 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 2001* and forms part of the Directors' Report. The table below details the Company's KMP during the 2017 financial year.

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

(1) Ms Stephenson was appointed as a Director on 28 November 2016.

(2) Mr Bracken stepped down as a KMP on 19 July 2017 and is currently serving out his notice period in-line with his contractual obligations.

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 competes for talent
- > Remuneration is flexible enough to respond to the changing talent and capability requirements of the retail industry
- > 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 FY2017 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 FY2017.

The table overleaf summarises the remuneration framework and objectives for FY2017.

REMUNERATION REPORT

Continued

	STRATEGIC OBJECTIVES & PERFORMANCE LINK	PERFORMANCE MEASURES	AT-RISK WEIGHT
TOTAL FIXED COMPENSATION (TFC)	<ul style="list-style-type: none"> > To attract and retain high calibre executives > Provides 'predictable' base level of reward > Set with reference to market using external benchmark data 	<ul style="list-style-type: none"> > Varies based on employee's experience, skills and performance > Consideration given to both internal and external relativities across retail and other relevant sectors 	-
SHORT TERM INCENTIVE	<ul style="list-style-type: none"> > Designed to drive the short term financial and strategic objectives of the Company, which are designed to translate to shareholder return > An NPAT gateway ensures a minimum acceptable level of Company profit before executives receive any STI award > Supports retention and encourages executives to maintain focus on long term value in addition to annual results, through a deferred component 	<ul style="list-style-type: none"> > NPAT 'gateway' – minimum threshold performance level below which no STI is paid > Once gateway is achieved, the NPAT result is assessed as part of a 'performance scorecard' and accounts for 60% of the maximum STI > Key financial and strategic objectives aligned to the strategy account for 40% of the maximum STI. Measures for FY2017 included: <ul style="list-style-type: none"> - Cost Of Doing Business; - Cash conversion; - Store footprint reduction; and - Safety performance. 	<p>CEO: Maximum 80% of TFC</p> <p>Other executive KMP: Maximum 60% of TFC</p>
LONG TERM INCENTIVE	<ul style="list-style-type: none"> > Delivered in equity to align executives with shareholder interests > Focused on delivery of long term business strategy and outcomes > Measures are aligned with the Company 'Metrics that Matter' > Measures complement those in the STI to provide a holistic and aligned reward offer > Performance Period beyond the initial transformation period and reflecting the evolution of the business, to drive ongoing performance and support the retention of key executives 	<ul style="list-style-type: none"> > Performance measures: <ul style="list-style-type: none"> - Return on Funds Employed (50% of award) - EPS growth (25% of award) - Relative TSR (25% of award) > Performance measured over a 3 year Performance Period (FY2017 – FY2019) > Shares provided on vesting subject to restriction for 1 year 	<p>CEO: 90% of TFC</p> <p>Other executive KMP: Between 60% and 90% of TFC</p>

TOTAL REMUNERATION

Overall, the total remuneration mix is designed to attract, retain and motivate capable executives and drive delivery of the transformation strategy and ongoing business evolution, to deliver 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 FY2017

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 FY2017 Myer made substantial progress across all aspects of our strategy. This included:

- > Standout performance in our omni-channel and online business with sales up 41.1%;
- > Reduced store footprint resulting from store closures at Wollongong, Brookside and Orange, space hand backs at Cairns and Dubbo and at Richlands Distribution Centre in Queensland;
- > Handed back over 30% of our support office floorspace;
- > Launched cafes, pop up shops and an ice rink in our Sydney store and partnered with Katy Perry in an innovative marketing campaign;
- > Introduced a dedicated clearance floor at our Frankston store;
- > Rolled out new and upgraded brand destinations as well as 73 upgraded MEB master brand fitouts and dedicated service models for Basque, Piper and BLAQ; and
- > Introduced new wanted brands including Forever New, Roxy, Quicksilver, Darren Palmer, Home and 2XU.

The table below presents the Company's annual performance against key financial metrics since 2013.

	FY2013	FY2014	FY2015	FY2016 ⁽¹⁾	FY2017
Basic EPS (cents)	21.8	16.8	13.2	8.8 ⁽²⁾	8.3 ⁽²⁾
NPAT before individually significant items (\$m)	127.2	98.5	77.5	69.3	67.9
NPAT after individually significant items (\$m)	127.2	98.5	29.8	60.5	11.9
Dividends (cents per share)	18.0	14.5	7.0	5.0	5.0
Share price at beginning of year (\$)	1.83	2.66	2.24	1.18 ⁽³⁾	1.34
Share price at end of year (\$)	2.66	2.24	1.18	1.34 ⁽⁴⁾	0.77
Market capitalisation (\$m)	1,552.4	1,311.9	694.0	1,100.5	632.4

(1) FY2016 results were 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, FY2016 and FY2017 Basic EPS exclude Individually Significant Items.

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

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

3.2 REMUNERATION OUTCOMES

Total Fixed Compensation

FY2017 Outcomes A review of Total Fixed Compensation (TFC) for KMP, including the CEO, was undertaken by the Human Resources and Remuneration Committee in the 2017 financial year. Only one adjustment was made at this time, being a 7.4 percent increase to TFC for Mr Devonport effective 20 July 2017, in recognition of his increased responsibilities for both Strategy and Business Development across the business.

No further increases to TFC were made for KMP during FY2017, as the Board believes that KMP remuneration is appropriately positioned against the comparator market. There has been no increase to the CEO's fixed remuneration since his appointment in FY2015.

Short Term Incentive

FY2017 Outcomes The net profit gateway condition, which requires a minimum level of NPAT to be achieved before STI can be awarded, was not met in respect of the FY2017 STI. Accordingly, no STI was payable to any participants.

Individual performance objectives for the Executive Management Team are based on a range of financial and strategic measures linked to the metrics that matter and strategic priorities, which combined deliver the business strategy. The following STI objectives were achieved in FY2017, and, had the gateway been achieved, payment would have been made in respect of these measures:

- > Reduction in Cost of Doing Business as a percentage of sales;
- > Cash conversion;
- > Reduction in store footprint;
- > Lost Time Injury Frequency Rate (LTIFR).

REMUNERATION REPORT

Continued

Long Term Incentive

FY2017 Outcomes **FY2014 LTIP (granted in November 2013)**

As noted in the FY2016 remuneration report, the performance rights granted to executives in November 2013 were tested against the EPS, relative TSR and Business Transformation hurdles following the release of our financial results in September 2016. The hurdles for EPS and relative TSR were not met and accordingly the rights subject to these performance hurdles lapsed.

The performance rights subject to the Business Transformation hurdle were assessed and determined by the Board to have been partially met, and accordingly, 50 percent of these rights vested, being 12.5 percent of the total number of rights granted.

The Business Transformation measures compare Myer's actual performance against the target performance for the Business Transformation Hurdle metrics set out in Myer's business plan, and were set to measure the way in which the Company is transforming in a time of continued structural realignment of the retail industry. The assessed level of performance for the Business Transformation hurdle for the period 28 July 2013 to 30 July 2016 under the FY2014 LTIP is shown below:

Measure	Hurdle	
	Achieved	Performance
Loyalty		
> Improved retention of MYER one customers (premium & platinum members)	✓	Increased total number of premium & platinum members by more than 50%
> Increased MYER one sales as a percentage of business sales	✗	-
Customer Service		
> Net Promoter Score	✓	NPS improvement greater than 20%
> Customer conversion rate	✗	-
Space Optimisation		
> Target sales per square metre	✓	Increased by 8.1%
> Target profit per square metre	✗	-
Merchandise		
> Mix of wholesale, MEB and concession sales	✗	-
> Target Operating Gross Profit	✗	-
Omni-Channel		
> Increase in basket size	✓	Increased by more than 15%
> Increase in number of page views	✓	Increased by more than 150%

FY2015 LTIP (granted in December 2014)

Performance rights granted to KMP in December 2014 under the FY2015 LTIP will be tested for vesting following the release of the Company's financial results in September 2017, 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 FY2018 remuneration report.

REMUNERATION REPORT

Continued

3.3 TAKE-HOME PAY

The table below sets out the actual remuneration earned by KMP in FY2017. The table has not been prepared in accordance with accounting standards but has been provided to clearly outline the remuneration outcomes for Executive KMP. Remuneration outcomes prepared in accordance with the accounting standards are provided in Section 7.

A review of TFC for KMP, including the CEO, was undertaken by the Human Resources and Remuneration Committee in the 2017 financial year. Only one adjustment was made at this time, being a 7.4 percent increase to TFC for Mr Devonport effective 20 July 2017, in recognition of his increased responsibilities for both Strategy and Business Development across the business.

No further increases to TFC were made for KMP during FY2017, as the Board believes that KMP remuneration is appropriately positioned against the comparator market. There has been no increase to the CEO's fixed remuneration since his appointment in FY2015.

Name		Cash salary ⁽¹⁾	Super-annuation ⁽²⁾	Short Term Incentive		Long Term Incentive	Actual FY2017 Remuneration
				FY2016 STI ⁽³⁾	STI deferred from prior year	Vested LTIP ⁽⁴⁾	
Executive Directors							
R Umbers	2017	1,180,384	19,616	224,793	-	-	1,424,793
Executive KMP							
D Bracken ⁽⁵⁾	2017	1,030,937	20,650	136,252	-	-	1,187,839
G Devonport	2017	857,190	19,616	125,708	-	-	1,002,514
A Sutton	2017	640,384	19,616	96,349	-	15,269	771,618

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

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

(3) STI payments relating to FY2016 performance and conditions, but paid during FY2017. Includes only the non-deferred component.

(4) The number of performance rights vesting under the FY2014 LTIP multiplied by the Myer share price at vesting (calculation assumes a share price of \$1.37).

(5) Mr Bracken stepped down as a KMP on 19 July 2017.

REMUNERATION REPORT

Continued

4. CHANGES TO REMUNERATION FRAMEWORKS IN FY2017

Short term incentive plan

Changes in FY2017 Following a review of the remuneration framework, the Board approved some changes to the design of the STI plan applicable to KMP in FY2017. These changes are outlined below, with additional detail provided in Section 6.2.

Weighting of Performance Measures

Once the gateway is achieved, a scorecard is assessed to determine individual awards under the STI plan. The NPAT result forms part of the scorecard, which balances the emphasis between the key financial and strategic objectives that together combine to drive our strategy. The NPAT measure accounts for 60 percent of the scorecard for KMP in FY2017, a reduction from 80 percent in FY16. Performance against other financial and strategic objectives linked to the metrics that matter and strategic priorities determine the remaining 40 percent of the scorecard. The Board has determined that this change maintains the importance of NPAT in determining any payout to participants, whilst allowing sufficient weighting to be placed on other measures linked to the achievement of transformation objectives.

Long term incentive plan

Changes in FY2017 The Board has reviewed the structure of the LTIP for FY2017 and made amendments to key design features as planned, to revert from what was considered a 'one-off' transformation LTIP towards a design that reflects the ongoing nature of our business evolution, beyond the initial five year transformation period.

The prior year LTIP (FY2016 LTIP) comprised an initial award (Initial Award) of performance rights subject to Return on Funds Employed (ROFE) and sales per square metre hurdles. If these hurdles are achieved and the Initial Award vests, an additional award of performance rights (Additional Award) is awarded, equal to 50 percent of the number of Initial Award performance rights vested, and subject to a relative TSR and an EPS hurdle. Together, the two components of the FY2016 LTIP have a five year Performance Period in total, in line with the delivery of the initial transformation program.

The changes to the LTIP for the FY2017 plan year are outlined below, with additional detail provided in Section 6.3.

Shareholders approved the grant of performance rights to the CEO under the new plan design at the Company's FY2016 Annual General Meeting. 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.

FY2017 LTIP

An award of performance rights with three performance hurdles, designed to reflect long-term business performance:

- > 50 percent of the award is subject to growth in Return on Funds Employed (ROFE) over the Performance Period (ROFE hurdle)
- > 25 percent of the award is subject to compound annual growth in Earnings per Share over the Performance Period (EPS hurdle)
- > 25 percent of the award is based on the Company's Total Shareholder Return relative to an agreed peer group (TSR hurdle)

The Performance Period is three years. Any shares provided on vesting of the performance rights will be subject to a restriction period of 12 months post vesting.

The hurdles for the FY2017 LTIP have been chosen to align with shareholder returns and the delivery of shareholder value over the 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 reviews its role, responsibilities, and performance annually 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 health of the organisation, succession coverage and strength, organisational culture and diversity.

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 will be 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 FY2017 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 2001* were provided to the Company by EY.

REMUNERATION REPORT

Continued

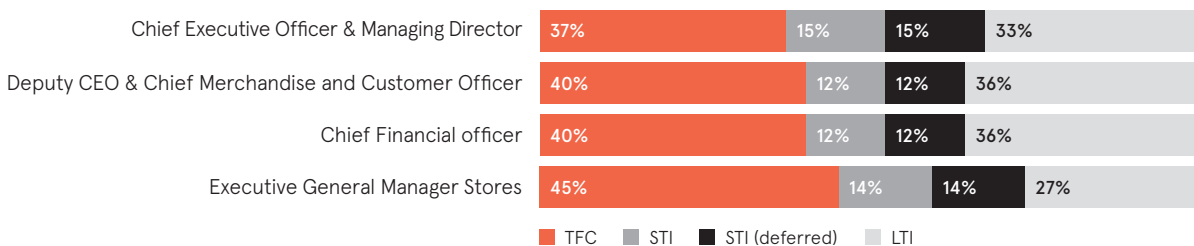
6. EXECUTIVE REMUNERATION

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 table 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 chart below shows the relative weighting of each component, as a proportion of the total potential remuneration for KMP, for the 2017 financial year:



6.1 TOTAL FIXED COMPENSATION

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

Features of Total Fixed Compensation

What is included in TFC?	TFC is structured as a total fixed remuneration package, made up of base salary, superannuation, other benefits and Fringe Benefits Tax, where applicable. Some of the benefits include the opportunity to receive a portion of their fixed remuneration in a variety of forms, including fringe benefits such as motor vehicles, or to make additional contributions to superannuation or retirement plans (as permitted by relevant legislation).
How is TFC reviewed?	TFC levels for each executive are set with reference to the market, 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 and the global senior retail market, as well as in relation to the other industries where we are increasingly seeking talent. Benchmarking is also undertaken against local industry peer groups and companies with a similar market capitalisation to Myer where relevant for the roles under review.

REMUNERATION REPORT

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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 FY2017 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. <ul style="list-style-type: none"> > 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 to any participants 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 the size of the pool.
What were the FY2017 performance measures?	To incentivise performance against the transformation agenda, the FY2017 STI was structured around two key components: <ul style="list-style-type: none"> > NPAT, weighted at 60 percent of the total potential award; and > Individual objectives, including key financial measures related to the executive's role, weighted at 40 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 FY2017 performance measures, and the strategic objectives they are aligned to, are set out in the table in section 2. The Board believes that the largest component of an executive's STI award should be driven by the financial performance of the Company, and accordingly 60 percent of the STI is linked to Company NPAT, providing close alignment with shareholder outcomes. Other financial and strategic objectives in the performance scorecard are set by the CEO (and approved by the Committee and the Board), and, combined with the Company NPAT measure, are intended to drive our strategy and deliver our financial results. These objectives and their targets align with our key financial metrics and 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.
Are the STI performance measures and targets disclosed?	The disclosure of prospective STI measures and targets would provide the market and our competitors with our financial forecasts, and it is for this reason, we do not disclose them in advance. We will disclose outcomes and/or performance against targets in instances where the disclosure would not involve the release of commercially sensitive information.

REMUNERATION REPORT

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Governance

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

Cessation of employment, clawback or change of control

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

FY2017 Outcomes

A detailed discussion of the FY2017 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:

Name	Maximum STI		STI % awarded	Actual STI paid (cash)	Actual STI deferred	Total STI Awarded	Proportion of max. STI not paid ⁽¹⁾	Amount of max. STI not paid ⁽¹⁾
	(as % of TFC)	Maximum STI						
R Umbers	80%	\$960,000	0.0%	\$0	\$0	\$0	100%	\$960,000
D Bracken ⁽²⁾	60%	\$600,000	0.0%	\$0	\$0	\$0	100%	\$600,000
G Devonport	60%	\$525,000	0.0%	\$0	\$0	\$0	100%	\$525,000
A Sutton	60%	\$396,000	0.0%	\$0	\$0	\$0	100%	\$396,000

(1) 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.

(2) Mr Bracken stepped down as a KMP on 19 July 2017.

REMUNERATION REPORT

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6.3 FY2017 LONG TERM INCENTIVE PLAN

Features of the LTIP are outlined in the table below. In FY2017 the Board granted performance rights under the LTIP to KMP and other senior executives.

Form and purpose of the plan

What is the LTIP?	<p>The LTIP is an incentive that is intended to promote alignment between executive and shareholder interests over the longer term. Under the LTIP, performance rights may be offered annually to the CEO and nominated executives, including KMP. The employees invited to participate in the plan include executives who are considered to play a leading role in achieving the Company's long term strategic and operational objectives.</p> <p>Each right offered is an entitlement to one fully paid ordinary share in the Company, subject to adjustment for capital actions, on terms and hurdles determined by the Board, including hurdles linked to Company performance and service.</p>
How is the LTIP delivered?	<p>The LTIP is delivered via a grant of performance rights. The number of performance rights that vest is not determined until after the end of the Performance Period.</p> <p>The performance right will therefore not provide any value to the holder between the dates the performance right is granted and the end of the Performance Period, and then only if the performance hurdles are satisfied.</p> <p>Performance rights do not carry entitlements to ordinary dividends or other shareholder rights until the performance rights vest and shares are provided. Accordingly, participating executives do not receive dividends during the Performance Period.</p>
How is the number of performance rights determined?	<p>The number of performance rights for each executive is determined as part of the calculation of total remuneration for an executive role. The Committee determines LTIP awards by assessing the quantum required to provide a market competitive total remuneration level, for on target performance.</p> <p>The exact number of performance rights allocated depends on each executive's LTIP target. The value of the performance rights at the time they are granted is calculated based on the Volume Weighted Average Price (VWAP) of the Company's shares for the five trading days up to and including the closing date of the offer, which generally falls within 10 days of the Company's Annual General Meeting.</p>

Vesting and performance hurdles

What is the Performance Period?	<p>The Performance Period commences at the beginning of the financial year in which the performance rights are granted. For the performance rights granted under the FY2017 LTIP, the Performance Period started on 31 July 2016 and ends after three years on 27 July 2019. Following the end of the Performance Period and after the Company has lodged its full year audited financial results for 2019 with the ASX, the Board will test the performance hurdles that apply to the FY2017 LTIP offer and will determine how many performance rights (if any) are eligible to vest.</p>
What are the performance hurdles?	<p>The performance measures approved by the Board for the FY2017 LTIP offer were ROFE, EPS and relative TSR:</p> <ul style="list-style-type: none">> 50 percent of the Award is subject to the ROFE hurdle.> 25 percent of the Award is subject to the EPS hurdle.> 25 percent of the Award is subject to the TSR hurdle.
Why were the performance hurdles chosen?	<p>The hurdles were chosen to align shareholder returns with executive reward outcomes over the three year Performance Period and to complement the measures in the STI plan.</p> <p>The ROFE Hurdle balances the transformation requirements with the needs of shareholders. Significant investment in additional capital, and an increase in short term costs are required in the first three years of the New Myer plan. This will be instrumental in transforming the business and achieving sustained improvements in earnings and share price.</p> <p>The Board considers EPS the most effective measure for determining the underlying profitability of the business.</p> <p>The TSR Hurdle was selected in order to ensure alignment between comparative shareholder return and reward for executives. This measure also provides a direct comparison of the Company's performance over the Performance Period against a comparator group of companies that would, broadly, be expected to be similarly impacted by changes in market conditions. As there are few direct department store competitors listed in the Australian market, the peer group is focused on companies with similar impacts and scope.</p>

REMUNERATION REPORT

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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 FY2017 LTIP offer the following vesting hurdles apply:

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

The Company's ROFE at the end of the Performance Period	% of performance rights subject to the ROFE Hurdle that will vest (rounded down to the nearest whole number)
Up to but excluding 15.0%	Nil
Including 15.0% and up to but excluding 16.5%	Pro rata, with linear progression between 50% and up to 100%
16.5% or greater	100%

Performance rights subject to the EPS Hurdle (25 percent of the Award)

The EPS Hurdle will be tested over the Performance Period by calculating the compound annual growth rate in the Company's EPS using EPS at the end of FY2016 as the base year. The resulting growth rate will be used to determine the level of vesting for the performance rights subject to the EPS Hurdle.

The table below sets out the percentage of performance rights subject to the EPS Hurdle that can vest depending on the Company's growth in EPS:

Growth in EPS	% of performance rights subject to the EPS Hurdle that will vest (rounded down to the nearest whole number)
Up to but excluding 20%	Nil
Including 20% and up to but excluding 25%	Pro rata, with linear progression between 50% and up to 100%
25% or greater	100%

Performance rights subject to the TSR Hurdle (25 percent of the Award)

The TSR Hurdle will be tested following the end of the Performance Period by comparing the Company's total shareholder return performance over the Performance Period relative to a set peer group. The peer group consists of Standard & Poor's ASX 200 market constituents (excluding Finance, Health Care, Utilities, Consumer Staples Global Industry Classification Standard (GICS) sectors and Metals and Mining or Oil, Gas and Consumer Fuels GICS Industry groups).

The table below sets out the percentage of performance rights subject to the TSR Hurdle that can vest depending on the Company's relative TSR performance:

TSR performance	% of performance rights subject to the TSR Hurdle that will vest (rounded down to the nearest whole number)
Up to but excluding 50th percentile	Nil
Including 50th percentile and up to but excluding 75th percentile	Pro rata, with linear progression between 50% and up to 100%
75th percentile or greater	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? Any shares provided on vesting of the performance rights will be subject to a restriction period of one year, during which they cannot be sold, transferred or otherwise dealt with.

REMUNERATION REPORT

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

Cessation of employment	The treatment of performance rights on cessation of employment will depend on the date as well as the circumstances of cessation. Generally, if an executive ceases employment on or before the end of the restriction period due to resignation, termination for cause or gross misconduct, they will forfeit any interest in the rights. If employment ceases on or before the end of the restriction period for other reasons, the executive will retain an interest in the vested 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).
How would a change of control impact LTIP 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 shares allocated and subject to restriction to be forfeited, at the Board's discretion, if rights or shares are 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 subject to restriction?	Executives are forbidden from entering into any hedging arrangements affecting their economic exposure to Performance Rights or restricted shares. Executives are also forbidden from entering into transactions or arrangements prohibited under the Company's Securities Dealing Policy.

In FY2017, 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 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 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 FY2017 LTIP.

The following table summarises the FY2017 performance rights granted to KMP during the year:

Name	Total value of performance rights at grant date \$	Valuation 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	1.25	404,221	nil	ROFE	27 July 2019
		0.84	202,111	nil	TSR	27 July 2019
		1.25	202,111	nil	EPS	27 July 2019
D Bracken ⁽¹⁾	900,000	1.25	336,851	nil	ROFE	27 July 2019
		0.84	168,426	nil	TSR	27 July 2019
		1.25	168,426	nil	EPS	27 July 2019
G Devonport	987,500	1.25	294,745	nil	ROFE	27 July 2019
		0.84	147,372	nil	TSR	27 July 2019
		1.25	147,373	nil	EPS	27 July 2019
		1.34	149,711	nil	Service	27 July 2019
A Sutton	396,000	1.25	148,214	nil	ROFE	27 July 2019
		0.84	74,108	nil	TSR	27 July 2019
		1.25	74,107	nil	EPS	27 July 2019

(1) Mr Bracken stepped down as a KMP on 19 July 2017. The performance rights in this table held by Mr Bracken will lapse when he leaves the Company's employment.

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7. REMUNERATION OUTCOMES FOR EXECUTIVE KMP

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

Name	FY	Short-term employee benefits			Non-monetary benefits annuation ⁽⁴⁾	Super-employment benefits ⁽⁵⁾	Long-term benefits			Share-based payment expense ⁽⁶⁾	Total remuneration expense	% of Performance related remuneration consisting of rights	
		Cash salary ⁽¹⁾	Sign-on award ⁽³⁾	Other ⁽⁴⁾			STI ⁽²⁾	Long service leave ⁽⁷⁾	Termination & other payments				Excluding share based payments ⁽⁸⁾
Executive Directors													
R Umbers	2017	1,180,384	-	16,065	-	19,616	1,216,065	5,235	-	1,221,300	523,442	1,744,742	30%
	2016	1,180,692	374,655	41,416	-	19,308	1,616,071	1,712	-	1,617,783	279,141	1,896,924	15%
Executive KMP													
D Bracken ⁽¹⁰⁾	2017	1,030,937	-	(22,791)	-	20,650	1,028,796	4,347	-	1,033,143	48,808	1,081,951	5%
	2016	980,692	227,086	41,778	-	19,308	1,268,864	1,421	-	1,270,285	202,137	1,472,422	14%
G Devonport	2017	857,190	-	128	-	19,616	876,934	3,115	-	880,049	367,120	1,247,169	29%
	2016	757,328	209,514	7,570	-	18,138	1,392,550	1,642	-	1,394,192	123,830	1,518,022	8%
A Sutton	2017	640,384	-	(30,508)	-	19,616	629,492	(12,977)	-	616,515	145,776	762,291	19%
	2016	627,392	160,582	27,773	-	19,308	835,055	10,539	-	845,594	133,097	978,691	14%
Total executive KMP remuneration													
	2017	3,708,895	-	(37,106)	-	79,498	3,751,287	(280)	-	3,751,007	1,085,146	4,836,153	
	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	

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) In FY2016, 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 includes 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 2017 (in accordance with the FBT year).
- (5) There were no post employment benefits paid other than superannuation.
- (6) Executives receive a statutory superannuation contribution up to a threshold limit in line with the ATO published maximum superannuation contribution base.
- (7) This benefit includes the movement in long service leave accrual.
- (8) 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.
- (9) 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 rights 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.
- (10) Mr Bracken stepped down as a KMP on 19 July 2017. The performance rights in this table held by Mr Bracken will lapse when he leaves the Company's employment.

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7.1 UNVESTED PERFORMANCE RIGHTS

Details of performance rights granted to KMP under the previous equity incentive plans that remain unvested as at 29 July 2017 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⁾	15 Dec 2014	215,624	\$1.08	End of Performance Period	31 Oct 2017
Rights (TSR hurdle) ⁽¹⁾	15 Dec 2014	431,250	\$0.30	End of Performance Period	31 Oct 2017
Rights (Business Transformation hurdle) ⁽¹⁾	15 Dec 2014	215,624	\$1.08	End of Performance Period	31 Oct 2017
Rights (Service hurdle) ^(1,2)	15 Dec 2014	375,000	\$1.08	End of Performance Period	31 Oct 2017
Rights (Service hurdle) ⁽³⁾	5 Jan 2016	173,913	\$1.01	End of Performance Period	31 Oct 2018
Rights (ROFE hurdle)	5 Jan 2016	1,359,781	\$1.01	End of Performance Period	31 Oct 2020
Rights (Sales/SQM hurdle)	5 Jan 2016	1,359,781	\$1.01	End of Performance Period	31 Oct 2020
Rights (Service hurdle) ⁽³⁾	22 Dec 2016	149,711	\$1.34	End of Performance Period	31 Oct 2019
Rights (ROFE hurdle)	22 Dec 2016	1,184,031	\$1.25	End of Performance Period	31 Oct 2019
Rights (EPS hurdle)	22 Dec 2016	592,017	\$1.25	End of Performance Period	31 Oct 2019
Rights (TSR hurdle)	22 Dec 2016	592,017	\$0.84	End of Performance Period	31 Oct 2019
Total		6,648,749			

(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).

(2) These performance rights apply to Mr Umbers (250,000 rights) and Mr Bracken (125,000 rights). Mr Bracken's performance rights will lapse in October 2017 as a result of him leaving the Company's employment.

(3) These performance rights apply to Mr Devonport.

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.

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 rights vested during the period	Value of rights at vest date \$
R Umbers	27-Jul-19	808,443	1,080,000	-	-
D Bracken ⁽³⁾	27-Jul-19	673,703	900,000	-	-
G Devonport	27-Jul-19	739,201	987,500	-	-
A Sutton	27-Jul-19	296,429	396,000	11,145	14,154

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

(2) The VWAP for the allocation of the 2017 grant was \$1.3359.

(3) Mr Bracken stepped down as a KMP on 19 July 2017. The performance rights in this table held by Mr Bracken will lapse when he leaves the Company's employment.

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.

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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.

Name	Grant date	Expiry date	Vested %	Forfeited %	Value of vested performance rights	Maximum total value of grant yet to be expensed ⁽¹⁾
R Umbers	22 Dec 2016	31 Oct 2019	-	-	-	1,051,232
	5 Jan 2016	31 Oct 2020	-	-	-	591,630
	15 Dec 2014 ⁽²⁾	31 Oct 2017	-	-	-	16,710
D Bracken ⁽³⁾	22 Dec 2016	31 Oct 2019	-	-	-	87,138
	5 Jan 2016	31 Oct 2020	-	-	-	-
	15 Dec 2014	31 Oct 2017	-	-	-	8,135
G Devonport	22 Dec 2016	31 Oct 2019	-	-	-	417,545
	5 Jan 2016	31 Oct 2020	-	-	-	532,884
A Sutton	22 Dec 2016	31 Oct 2019	-	-	-	209,965
	5 Jan 2016	31 Oct 2020	-	-	-	71,285
	15 Dec 2014 ⁽²⁾	31 Oct 2017	-	-	-	8,696
	27 Nov 2013	31 Oct 2016	12.50	87.50	14,154	-

(1) This represents the maximum accounting value of the LTI awards (rights) as at their grant date.

(2) The rights granted under the FY2015 LTIP will be tested for vesting following the release of the FY2017 results and details disclosed in the FY2018 Remuneration Report.

(3) Mr Bracken stepped down as a KMP on 19 July 2017. The performance rights referred to in this table held by Mr Bracken which might otherwise have vested in 2017 will lapse in October 2017. All other rights will lapse when he leaves the Company's employment.

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 ⁽¹⁾	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

(1) Mr Bracken stepped down as a KMP on 19 July 2017.

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	Lapsed	Closing balance ⁽¹⁾
2017⁽³⁾					
R Umbers	1,507,879	808,443	-	-	2,316,322
D Bracken ⁽²⁾	1,226,357	673,703	-	-	1,900,060
G Devonport	858,695	739,201	-	-	1,597,896
A Sutton	627,202	296,429	(11,145)	(78,015)	834,471
2016⁽³⁾					
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

(1) All vested rights are exercisable at the end of the period.

(2) Mr Bracken stepped down as a KMP on 19 July 2017. The performance rights referred to in this table granted to Mr Bracken in 2016 and 2017 will lapse when he leaves the Company's employment.

(3) As noted on page 53 above, the number of shares Mr Umbers and Mr Sutton will be entitled to be provided with in the event performance rights awarded to them under the 2014 and 2015 LTI awards vest has been adjusted in accordance with the terms of those awards. If performance rights under the 2014 and 2015 LTI awards vest, the adjustments will result in an additional 38,706 and 15,312 (respectively) shares being provided in relation to performance rights under the 2014 LTI plan, and an additional 63,912 and 21,304 (respectively) shares being provided in relation to performance rights under the 2015 LTI plan. An additional 58,438 shares would be provided to Mr Devonport in respect of the 2015 LTI award based on the same adjustment. Mr Devonport did not participate in the 2014 LTI award.

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	Received on vesting of rights to deferred shares	Other changes during the year	Closing balance
2017				
Directors				
P McClintock	258,400	-	-	258,400
A Brennan	75,122	-	-	75,122
I Cornell	16,000	-	-	16,000
C Froggatt	24,056	-	-	24,056
J Stephenson ⁽¹⁾	-	-	-	-
R Thorn	225,400	-	-	225,400
D Whittle	-	-	12,345	12,345
Other KMP				
R Umbers	212,230	114,617	-	326,847
D Bracken ⁽²⁾	50,000	-	-	50,000
G Devonport	252,000	-	-	252,000
A Sutton	45,249	11,145	(45,249)	11,145
2016				
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 ⁽³⁾	733,999	188,680	-	922,679
Other KMP				
R Umbers	-	212,230	-	212,230
D Bracken ⁽²⁾	50,000	-	-	50,000
G Devonport	-	252,000	-	252,000
A Sutton	25,000	20,249	-	45,249

(1) Ms Stephenson was appointed as a Director on 28 November 2016.

(2) Mr Bracken stepped down as KMP on 19 July 2017.

(3) Mr Myer ceased to be a Director of the Company on 20 November 2015.

10. LOANS

There were no loans made to KMP or entities related to them, including their personally related parties, or other transactions at any time during FY2016 or FY2017.

11. DEALING IN SECURITIES

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

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 Human Resources and Remuneration Committee, reviews non-executive directors' fees and payments at least once a year. As part of that review, the Board considers the advice of independent remuneration consultants in relation to:

- > 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.

REMUNERATION REPORT

Continued

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.

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 were not increased in FY2017 and have not increased since 2009.

During FY2017, at the suggestion of the Chairman, the Board resolved to reduce the base annual fee for his role by \$50,000 per annum effective from the beginning of FY2018. This will be reflected in the FY2018 Remuneration Report.

The following yearly fees applied in FY2017:

Base annual fees

Chairman (all inclusive)	\$400,000
Other Non-Executive Directors	\$150,000

Additional annual fees

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	-

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 trading 'windows' for share trading consistent with the Company's Securities Dealing Policy.

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.

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

Name		Cash salary (incl. Committee fees)	Superannuation	Total
Non-executive directors				
P McClintock	2017	380,384	19,616	400,000
	2016	380,692	19,308	400,000
A Brennan	2017	162,900	17,100	180,000
	2016	162,900	17,100	180,000
I Cornell	2017	135,750	14,250	150,000
	2016	135,750	14,250	150,000
C Froggatt	2017	156,113	16,387	172,500
	2016	156,113	16,387	172,500
J Stephenson ⁽¹⁾	2017	80,730	8,474	89,204
	2016	-	-	-
R Thorn	2017	135,750	14,250	150,000
	2016	135,750	14,250	150,000
D Whittle	2017	135,750	14,250	150,000
	2016	79,188	8,312	87,500
Former non-executive directors				
R Myer	2017	-	-	-
	2016	70,734	6,718	77,452
Total non-executive directors	2017	1,187,377	104,327	1,291,704
	2016	1,121,127	96,325	1,217,452

(1) Ms Stephenson was appointed as a Director on 28 November 2016.

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 29 JULY 2017

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CONSOLIDATED INCOME STATEMENT
for the period ended 29 July 2017

	Notes	2017 52 weeks \$'000	2016 53 weeks \$'000
Total sales value	A2	3,201,866	3,289,568
Concession sales		(701,678)	(610,553)
Sale of goods	A2	2,500,188	2,679,015
Sales revenue deferred under customer loyalty program		(34,847)	(38,861)
Revenue from sale of goods	A2	2,465,341	2,640,154
Other operating revenue	A2	176,485	161,689
Cost of goods sold		(1,421,394)	(1,527,552)
Operating gross profit		1,220,432	1,274,291
Other income		-	71
Selling expenses		(819,055)	(842,217)
Administration expenses		(292,212)	(318,039)
Share of net profit/(loss) of equity-accounted associate	G4	(1,176)	(620)
Dilution of investment in equity-accounted associate	G4	(1,338)	-
Restructuring and store exit costs, onerous lease expense and impairment of assets	A3	(65,615)	(18,250)
Earnings before interest and tax		41,036	95,236
Finance revenue	A2	436	906
Finance costs	A3	(11,259)	(15,447)
Net finance costs		(10,823)	(14,541)
Profit before income tax		30,213	80,695
Income tax expense	A4	(18,274)	(20,152)
Profit for the period attributable to owners of Myer Holdings Limited		11,939	60,543
Earnings per share attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	A5	1.5	7.7
Diluted earnings per share	A5	1.4	7.7

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 29 July 2017

	Notes	2017 52 weeks \$'000	2016 53 weeks \$'000
Profit for the period		11,939	60,543
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cash flow hedges	F2	547	(14,486)
Exchange differences on translation of foreign operations	F2	329	(221)
Other comprehensive income for the period, net of tax		876	(14,707)
Total comprehensive income for the period attributable to owners of Myer Holdings Limited		12,815	45,836

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

CONSOLIDATED BALANCE SHEET

as at 29 July 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	D1	30,591	45,207
Trade and other receivables and prepayments	B1	27,602	37,883
Inventories	B2	372,374	396,297
Derivative financial instruments	E2	-	351
Total current assets		430,567	479,738
Non-current assets			
Property, plant and equipment	C1	460,211	445,379
Intangible assets	C2	985,657	1,019,671
Derivative financial instruments	E2	-	80
Investment in associate	G4	-	9,203
Other non-current assets		2,094	2,271
Total non-current assets		1,447,962	1,476,604
Total assets		1,878,529	1,956,342
LIABILITIES			
Current liabilities			
Trade and other payables	B3	379,740	400,590
Provisions	C3	87,295	94,228
Deferred income	C4	9,817	10,812
Derivative financial instruments	E2	7,944	7,127
Current tax liabilities		1,627	7,033
Other liabilities		591	795
Total current liabilities		487,014	520,585
Non-current liabilities			
Borrowings	D3	143,367	147,273
Provisions	C3	13,821	19,754
Deferred income	C4	75,927	69,702
Deferred tax liabilities	A4	84,574	88,444
Derivative financial instruments	E2	958	2,819
Total non-current liabilities		318,647	327,992
Total liabilities		805,661	848,577
Net assets		1,072,868	1,107,765
EQUITY			
Contributed equity	F1	739,329	739,338
Retained earnings	F2	342,146	379,483
Reserves	F2	(8,607)	(11,056)
Total equity		1,072,868	1,107,765

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 29 July 2017

	Notes	Contributed equity \$'000	Retained earnings \$'000	Reserves \$'000	Total \$'000
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
Net profit for the period		-	11,939	-	11,939
Other comprehensive income for the period		-	-	876	876
Total comprehensive income for the period		-	11,939	876	12,815
Transactions with owners in their capacity as owners:					
Acquisition of treasury shares	F1	(196)	-	-	(196)
Issue of treasury shares to employees	F1	187	-	-	187
Dividends paid	F3	-	(49,276)	-	(49,276)
Employee share schemes	F2	-	-	1,573	1,573
		(9)	(49,276)	1,573	(47,712)
Balance as at 29 July 2017		739,329	342,146	(8,607)	1,072,868

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 29 July 2017

	Notes	2017 52 weeks \$'000	2016 53 weeks \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,931,853	3,101,149
Payments to suppliers and employees (inclusive of goods and services tax)		(2,744,651)	(2,915,467)
		187,202	185,682
Other income		-	71
Interest paid		(10,165)	(15,894)
Tax paid		(27,759)	(20,369)
Net cash inflow from operating activities	D2	149,278	149,490
Cash flows from investing activities			
Payments for property, plant and equipment		(88,452)	(40,479)
Payments for intangible assets		(24,217)	(11,891)
Payment for acquisition of assets, under business combination	G1	(13,000)	-
Lease incentives and contributions received		16,758	1,856
Net investment in associate		(966)	(8,680)
Interest received		421	943
Net cash outflow from investing activities		(109,456)	(58,251)
Cash flows from financing activities			
Repayment of borrowings, net of transaction costs		(5,000)	(295,000)
Dividends paid to equity holders of the parent	F3	(49,276)	(16,426)
Payment for acquisition of treasury shares		(196)	-
Proceeds from the issue of shares, net of transaction costs		-	212,011
Other		34	60
Net cash outflow from financing activities		(54,438)	(99,355)
Net (decrease)/increase in cash and cash equivalents		(14,616)	(8,116)
Cash and cash equivalents at the beginning of the financial period		45,207	53,323
Cash and cash equivalents at end of period	D1	30,591	45,207

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 29 July 2017

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

	2017 52 weeks \$'000	2016 53 weeks \$'000
<i>Sales revenue</i>		
Total sales value	3,201,866	3,289,568
Concession sales	(701,678)	(610,553)
Sale of goods	2,500,188	2,679,015
Sales revenue deferred under customer loyalty program	(34,847)	(38,861)
Revenue from sale of goods	2,465,341	2,640,154
<i>Other operating revenue</i>		
Concessions revenue	158,055	140,416
Other	18,430	21,273
	176,485	161,689
<i>Finance revenue</i>		
Interest revenue	436	906
Total revenue	2,642,262	2,802,749

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 29 July 2017

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 29 July 2017

A3 EXPENSES

	2017 52 weeks \$'000	2016 53 weeks \$'000
Profit before income tax includes the following specific expenses:		
<i>Employee benefits expenses</i>		
Defined contribution superannuation expense	38,313	39,528
Other employee benefits expenses	426,161	456,174
Total employee benefits expenses	464,474	495,702
<i>Depreciation, amortisation and write-off expense</i>		
<i>Finance costs</i>		
Interest and finance charges paid/payable	9,071	13,146
Fair value losses on interest rate swap cash flow hedges, transferred from equity	2,188	2,301
Finance costs expensed	11,259	15,447
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	227,468	228,955
Contingent rentals	2,607	4,522
Total rental expense relating to operating leases	230,075	233,477
<i>Net foreign exchange gains</i>	(12,632)	(5,737)

Restructuring and store exit costs, onerous lease expense and impairment of assets

The following individually significant items are included within restructuring and store exit costs, onerous lease expense and impairment of assets in the consolidated income statement:

Restructuring and redundancy costs ¹	6,347	5,754
Store exit costs and other asset impairments ²	48,058	12,496
Support office onerous lease expense and impairment of assets ³	11,210	-
	65,615	18,250
Income tax benefit	(9,606)	(9,531)
Restructuring and store exit costs, onerous lease expense and impairment of assets, net of tax	56,009	8,719

- The Group has completed several restructuring programs during the period resulting in redundancy and other costs being incurred or committed but not yet paid. Refer to note C3 for more information.
- Store exit costs and other asset impairments includes net costs associated with store and distribution centre space optimisation during or after the end of the period that have been committed to prior to the end of the period (2016: net costs associated with announcement of Brookside, Orange, Wollongong and Logan store closures, new store terminations and space optimisation). The Group also recognised an impairment of the sass & bide goodwill and brand name totalling \$38.8 million and a write-down of the investment in Austradia Pty Limited of \$6.8 million. Refer to note C1, C2, C3 and G4 for more information.
- In March 2017, the Group entered into an agreement to hand back surplus space in the support office. A portion of this space was provided for as part of the onerous lease provision recorded in FY15, with further excess space subsequently identified due to ongoing restructuring completed. The Group has recognised a \$9.1 million onerous lease provision relating to further surplus space identified. This provision expense is 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, C3 and C4 for more information.

Accounting policy

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

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

Individually Significant Items

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

A4 INCOME TAX

	2017 52 weeks \$'000	2016 53 weeks \$'000
(a) Income tax expense		
<i>(i) Income tax expense</i>		
Current tax	23,925	26,740
Deferred tax	(5,651)	(6,588)
Income tax expense ¹	18,274	20,152
Deferred income tax expense included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets	2,359	1,094
(Decrease)/Increase in deferred tax liabilities	(8,010)	(8,065)
	(5,651)	(6,971)
<i>(ii) Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit before income tax expense	30,213	80,695
Tax at the Australian tax rate of 30% (2016: 30%)	9,064	24,208
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible asset impairments	10,156	-
Non-deductible losses	754	880
Applied capital losses not previously recognised	-	(4,038)
Sundry items	(278)	(383)
	19,696	20,667
Adjustments for current tax of prior periods	(1,422)	(515)
Income tax expense ¹	18,274	20,152

1. Income tax expense includes an income tax benefit of \$9.6 million (2016: \$9.5 million) attributable to the restructuring and store exit costs, onerous lease expense 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 29 July 2017

A4 INCOME TAX (CONTINUED)

	2017 \$'000	2016 \$'000
(b) Deferred tax assets		
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits	15,744	18,202
Non-employee provisions and accruals	18,692	17,763
Amortising deductions	2,543	3,304
Trading stock	5,306	4,374
Tax losses	1,147	1,709
Total deferred tax assets	43,432	45,352
Set off of deferred tax assets pursuant to set off provisions	(43,432)	(45,352)
Net deferred tax assets	-	-
Movement		
Carrying amount at beginning of period	45,352	44,377
Credited/(charged) to income statement	(2,359)	(1,596)
Credited/(charged) to other comprehensive income	(31)	-
Credited/(charged) to contributed equity	-	2,571
Business combination	470	-
Carrying amount at end of period	43,432	45,352
(c) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Property, plant, equipment and software	421	6,985
Brand names	122,424	123,965
Deferred income	4,524	2,121
Sundry items	637	725
	128,006	133,796
Set off of deferred tax assets pursuant to set off provisions	(43,432)	(45,352)
Net deferred tax liabilities	84,574	88,444
Movement		
Carrying amount at beginning of period	133,796	141,861
Charged/(credited) to income statement	(8,010)	(8,065)
Acquisition of brand name	2,220	-
Carrying amount at end of period	128,006	133,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

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.

Deferred tax measurement of indefinite life intangible assets

In November 2016, the IFRS Interpretations Committee published an agenda decision relating to the expected manner of recovery of indefinite life intangible assets for the purpose of measuring deferred taxes, in accordance with AASB 112 *Income Taxes*. The Interpretations Committee noted that the fact that an entity does not amortise an intangible asset with an indefinite useful life does not mean that the entity will recover the carrying amount of that asset only through sale and not through use. Based on this agenda decision, the Group determines that the expected recovery of the carrying amount will be through use and has retrospectively changed its accounting policy for deferred tax liabilities recorded in relation to intangible assets with an indefinite useful life.

The impact of this change on the Consolidated Balance Sheet is a retrospective increase of \$115.5 million to goodwill (refer to note C2) and deferred tax liabilities. There was no other impact from this accounting policy change.

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

	2017 cents	2016 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	1.5	7.7
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	1.4	7.7
	2017 \$'000	2016 \$'000
(c) Reconciliation of earnings used in calculating earnings per share		
Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders	11,939	60,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

A5 EARNINGS PER SHARE (CONTINUED)

	2017 Number	2016 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	821,278,815	786,845,842
Adjustments for calculation of diluted earnings per share - performance rights	3,167,034	2,216,778
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	824,445,849	789,062,620

(e) Information concerning the classification of securities

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 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 29 July 2017.

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.

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

	2017 \$'000	2016 \$'000
Trade receivables	5,586	11,565
Provision for impairment	(763)	(1,546)
	4,823	10,019
Other receivables	12,273	18,925
Prepayments	10,506	8,939
	22,779	27,864
	27,602	37,883

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

B1 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

Accounting policy

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

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

B2 INVENTORIES

	2017	2016
	\$'000	\$'000
Retail inventories	372,374	396,297

Provision for write-down of inventories to net realisable value amounted to \$10.6 million (2016: \$12.7 million). This was recognised as an expense during the period and included in cost of sales 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

	2017	2016
	\$'000	\$'000
Trade payables	181,917	188,511
Other payables	197,823	212,079
	379,740	400,590

Trade and other payables are non-interest bearing.

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

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 25 July 2015						
Cost	9,600	19,500	444,954	408,411	9,394	891,859
Accumulated depreciation	-	(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
Period ended 29 July 2017						
Carrying amount at beginning of period	9,600	14,542	169,034	223,300	28,903	445,379
Additions	-	-	18,000	13,450	53,967	85,417
Transfer between classes	-	-	16,558	16,385	(33,077)	(134)
Assets written off – cost	-	-	(3,725)	(7,525)	-	(11,250)
Assets written off – accumulated depreciation	-	-	3,515	5,197	-	8,712
Impairment ¹	-	-	(4,542)	-	-	(4,542)
Depreciation charge	-	(488)	(33,333)	(29,199)	-	(63,020)
Exchange differences	-	-	(302)	(47)	(2)	(351)
Carrying amount at end of period	9,600	14,054	165,205	221,561	49,791	460,211
At 29 July 2017						
Cost	9,600	19,500	470,619	450,537	49,791	1,000,047
Accumulated depreciation and impairment	-	(5,446)	(305,414)	(228,976)	-	(539,836)
Net book amount	9,600	14,054	165,205	221,561	49,791	460,211

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

C2 INTANGIBLE ASSETS

	Goodwill \$'000	Brand names and trademarks \$'000	Software \$'000	Lease rights \$'000	Total \$'000
At 25 July 2015					
Cost	492,131	429,958	236,335	25,786	1,184,210
Accumulated amortisation	-	(3,683)	(123,133)	(25,786)	(152,602)
Net book amount	492,131	426,275	113,202	-	1,031,608
Period ended 30 July 2016					
Carrying amount at beginning of period	492,131	426,275	113,202	-	1,031,608
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 ³	-	(8)	(23,483)	-	(23,491)
Exchange differences	-	-	(21)	-	(21)
Carrying amount at end of period	492,131	426,267	101,273	-	1,019,671
At 30 July 2016					
Cost	492,131	429,958	247,759	25,786	1,195,634
Accumulated amortisation	-	(3,691)	(146,486)	(25,786)	(175,963)
Net book amount	492,131	426,267	101,273	-	1,019,671
Period ended 29 July 2017					
Carrying amount at beginning of period	492,131	426,267	101,273	-	1,019,671
Additions ¹	-	7,400	23,220	-	30,620
Transfer between classes	-	-	134	-	134
Assets written off – cost	-	-	(2,632)	-	(2,632)
Assets written off – accumulated amortisation	-	-	2,312	-	2,312
Impairment ²	(27,097)	(11,714)	-	-	(38,811)
Amortisation charge ³	-	-	(25,602)	-	(25,602)
Exchange differences	-	-	(35)	-	(35)
Carrying amount at end of period	465,034	421,953	98,670	-	985,657
At 29 July 2017					
Cost	492,131	437,358	268,445	25,786	1,223,720
Accumulated amortisation and impairment	(27,097)	(15,405)	(169,775)	(25,786)	(238,063)
Net book amount	465,034	421,953	98,670	-	985,657

1. Additions includes the acquisition of the Marcs and David Lawrence brand names. Refer to note G1 for more information.

2. Impairment of the sass & bide goodwill and brand name. Refer below for more information.

3. Amortisation of \$25.6 million (2016: \$23.5 million) is included in administration and selling expenses in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 29 July 2017

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 \$465 million (2016: \$465 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 (2016: \$402.8 million) have been allocated to the Myer business as a whole. A separate assessment is also completed over the sass & bide goodwill and brand name.

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% (2016: 14.4%)
- > terminal growth rate 2.5% (2016: 2.5%)
- > average EBITDA margin 7% (2016: 7.7%)

Management has determined an excess of future cash flows over asset carrying values of the Myer CGU. Management are continually monitoring and responding to the rapidly changing retail environment and update the impact these changes have on key assumptions used to estimate the carrying value of the CGU.

During the period, a review of the carrying value of the assets for each Myer store was undertaken and if indicators of impairment are identified, the recoverable amount of these store assets would be 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.

sass & bide

The goodwill arising on the acquisition of the sass & bide business was \$27.1 million (2016: \$27.1 million) and the sass & bide brand name, which has an indefinite useful life, was \$23.5 million (2016: \$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.

During the period, the carrying value of the sass & bide CGU exceed the recoverable amount and an impairment charge of \$38.8 million has been recognised in respect of its goodwill (\$27.1 million) and brand name (\$11.7 million).

The key assumptions to which the valuation outcome is most sensitive relates to sales growth and operating gross profit margin. Given sass & bide's recoverable amount approximates its carrying value, any adverse movements in these key assumptions may lead to further impairment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 29 July 2017

C2 INTANGIBLE ASSETS (CONTINUED)

Accounting policy (continued)

(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

C3 PROVISIONS

	2017 \$'000	2016 \$'000
Current		
Employee benefits	48,959	56,405
Support office onerous lease (i)	10,359	3,185
Restructuring (ii)	13,848	18,948
Workers' compensation (iii)	10,429	10,882
Sales returns (iv)	2,249	2,030
Other	1,451	2,778
	87,295	94,228
Non-current		
Employee benefits	3,869	4,317
Support office onerous lease (i)	2,098	6,138
Fixed lease rental increases (v)	7,805	9,247
Other	49	52
	13,821	19,754

(i) Support office onerous lease

The support office onerous lease provision relates to excess office space identified, due to changes completed during the period and prior periods, 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 and the costs associated with the implementation of our store and distribution centre optimisation program committed but not yet paid. 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. Due to the provision for support office onerous lease recognised during the period, a portion of this provision has been written-back to reflect the realigned total future expense expected over the remaining lease term. Refer to note A3 for more information.

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
2017							
Carrying amount at beginning of period	9,323	18,948	10,882	2,030	9,247	2,830	53,260
Additional provisions recognised	9,048	9,282	2,565	2,249	303	15,073	38,520
Provisions reversed	-	-	-	-	(1,095)	-	(1,095)
Amounts utilised	(5,914)	(14,382)	(3,018)	(2,030)	(650)	(16,403)	(42,397)
Carrying amount at end of period	12,457	13,848	10,429	2,249	7,805	1,500	48,288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

C3 PROVISIONS (CONTINUED)

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.

	2017	2016
	\$'000	\$'000
Current long service leave obligations expected to be settled after 12 months	20,635	23,610

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

C3 PROVISIONS (CONTINUED)

Accounting policy (continued)

(iii) Profit sharing and bonus plans

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

(iv) Termination benefits

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

C4 DEFERRED INCOME

	2017 \$'000	2016 \$'000
Current		
Lease incentives and contributions	9,817	10,812
Non-current		
Lease incentives and contributions	75,927	69,702
	85,744	80,514

During the period, an onerous lease provision was recognised relating to further surplus support office space identified under a non-cancellable lease. This lease agreement included cash landlord contributions that the Group recorded as deferred income and has been amortising on a straight line basis over the term of the lease. The deferred income relating to the onerous space has been written-back as part of the net support office onerous lease expense. Refer to note A3 for more information.

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

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 29 July 2017 and 30 July 2016 is as follows:

	2017 \$'000	2016 \$'000
Total borrowings	143,367	147,273
Less: cash and cash equivalents	(30,591)	(45,207)
Net debt	112,776	102,066

D1 CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
Cash on hand	2,824	2,800
Cash at bank	27,767	42,407
	30,591	45,207

Accounting policy

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

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

	2017 52 weeks \$'000	2016 53 weeks \$'000
Profit for the period	11,939	60,543
Depreciation, amortisation and impairment, including lease incentives and contributions	133,853	93,896
Interest income	(436)	(906)
Interest expense	1,094	1,094
Share-based payments expense	1,782	1,080
Share of net (profit)/loss of equity-accounted associate	1,176	620
Dilution of investment in equity-accounted associate	1,338	-
Net exchange differences	329	(221)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	5,720	(3,457)
(Increase)/decrease in inventories	28,449	(14,622)
Decrease/(increase) in deferred tax asset	(4,079)	(6,792)
Decrease/(increase) in derivative financial instruments	2,281	5,717
(Decrease)/increase in trade and other payables	(15,880)	(964)
(Decrease)/increase in current tax payable	(5,406)	6,521
(Decrease)/increase in provisions	(12,679)	7,057
(Decrease)/increase in other liabilities	(203)	(76)
Net cash inflow from operating activities	149,278	149,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

D3 BORROWINGS

(a) Structure of debt

The debt funding of the Group at 29 July 2017 comprised of a revolving cash advance syndicated facility of \$500 million, which contains three tranches. 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:

	2017 \$'000	2016 \$'000
Bank loans	145,000	150,000
Less: transaction costs	(1,633)	(2,727)
Borrowings	143,367	147,273

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	\$80 million	2 years	21 August 2017
Revolving cash advance facility - Tranche C	\$275 million	4 years	21 August 2019

During the period ended 29 July 2017, the Tranche B component of the revolving cash advance facility was reduced from \$180 million to \$80 million resulting in the total facility reducing from \$600 million to \$500 million. Subsequently on 21 August 2017, Tranche B has expired and the total facility has reduced to \$420 million.

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

(b) Security

The revolving cash advance facility in place at 29 July 2017 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 29 July 2017

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:

	2017			2016		
	USD \$'000	EURO \$'000	NZD \$'000	USD \$'000	EURO \$'000	NZD \$'000
Trade payables	16,770	540	43	11,147	413	121
Forward exchange contracts	163,851	7,773	-	209,151	12,587	-

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 29 July 2017, 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 \$12.1 million lower/\$14.8 million higher (2016: \$16.6 million lower/\$20.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(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 by \$50 million 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:

	2017		2016	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans - variable	3.0%	145,000	3.1%	150,000
Interest rate swaps (notional principal amount)	5.2%	(100,000)	4.8%	(150,000)
Net exposure to cash flow interest rate risk		45,000		-

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 29 July 2017, if interest rates had changed by +/- 10% from the period end rates with all other variables held constant, the impact on post-tax profit for the period would have been \$0.1 million (2016: nil), mainly as a result of higher/lower interest expense on borrowings.

Other components of equity would not be impacted (2016: \$0.2 million higher/\$0.2 million lower) as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

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

(b) Credit risk

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

	2017 \$'000	2016 \$'000
Cash at bank and short term bank deposits		
AAA	-	-
AA	30,591	45,207
A	-	-
	30,591	45,207
Derivative financial assets		
AAA	-	-
AA	-	431
A	-	-
	-	431

(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:

	2017 \$'000	2016 \$'000
Floating rate		
Expiring within one year (revolving cash advance facility)	-	-
Expiring beyond one year (revolving cash advance facility)	355,000	450,000
	355,000	450,000

Refer to note D3 for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

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
2017							
Non-derivatives							
Non-interest bearing	286,113	-	-	-	-	286,113	286,113
Variable rate	46,543	1,537	51,941	50,391	-	150,412	145,000
Total non-derivatives	332,656	1,537	51,941	50,391	-	436,525	431,113
Derivatives							
Net settled (interest rate swaps)	595	91	147	34	-	867	527
Gross settled							
- (inflow)	(83,949)	(57,827)	(20,170)	-	-	(161,946)	-
- outflow	89,230	61,258	21,137	-	-	171,625	8,375
Total derivatives	5,876	3,522	1,114	34	-	10,546	8,902
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

(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements (continued)

The following tables present the Group's assets and liabilities measured and recognised at fair value at 29 July 2017 and 30 July 2016:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2017				
Assets				
Derivatives used for hedging	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Derivatives used for hedging	-	8,902	-	8,902
Total liabilities	-	8,902	-	8,902
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

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

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

Accounting policy

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held to maturity investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

E2 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 \$'000	2016 \$'000
Current assets		
Forward foreign exchange contracts (i)	-	351
Total current derivative financial instrument assets	-	351
Non-current assets		
Forward foreign exchange contracts (i)	-	80
Total non-current current derivative financial instrument assets	-	80
Current liabilities		
Forward foreign exchange contracts (i)	7,417	6,969
Interest rate swap contracts (ii)	527	158
Total current derivative financial instrument liabilities	7,944	7,127
Non-current liabilities		
Forward foreign exchange contracts (i)	958	288
Interest rate swap contracts (ii)	-	2,531
Total non-current derivative financial instrument liabilities	958	2,819

(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.

(ii) Interest rate swap contracts

Bank loans of the Group currently bear an average variable interest rate of 3.00% (2016: 3.09%). 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 69% (2016: 100%) 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 3.31% and 3.90% (2016: 2.61% and 3.90%) 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 29 July 2017, \$2.2 million was reclassified in profit and loss (2016: \$2.3 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 29 July 2017

E2 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Accounting policy

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

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

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

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

(i) Fair value hedge

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

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

(ii) Cash flow hedge

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

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

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

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

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

(iii) Derivatives that do not qualify for hedge accounting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

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

	2017 Number of shares	2016 Number of shares	2017 \$'000	2016 \$'000
Opening balance	821,278,815	585,689,551	779,963	564,258
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	-	1,122
	821,278,815	821,278,815	779,963	779,963
Treasury shares				
Opening balance	(4,200)	(4,200)	(40,625)	(39,503)
Shares issued to Myer Equity Plans Trust at market value	-	(927,604)	-	(1,122)
Shares acquired by Myer Equity Plans Trust on market at \$1.31	(150,000)	-	(196)	-
Shares issued under short term incentive plan	114,617	-	150	-
Shares issued for performance rights granted	28,355	927,604	37	-
Closing balance of Treasury shares	(11,228)	(4,200)	(40,634)	(40,625)
Closing balance	821,267,587	821,274,615	739,329	739,338

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

F1 CONTRIBUTED EQUITY (CONTINUED)

Capital risk management (continued)

The gearing ratios at 29 July 2017 and 30 July 2016 were as follows:

	2017 \$'000	2016 \$'000
Total borrowings (note D3)	143,367	147,273
Less: cash and cash equivalents (note D1)	(30,591)	(45,207)
Net debt	112,776	102,066
Total equity	1,072,868	1,107,765
Total capital	1,185,644	1,209,831
Gearing ratio	9.5%	8.4%

The increase in the gearing ratio during 2017 was primarily driven by an increase in net debt and a decrease in equity associated with dividends paid during the year being higher than profits following the decline in profit for the year.

Accounting policy

Ordinary shares are classified as equity.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

F2 RETAINED EARNINGS AND RESERVES

	2017 \$'000	2016 \$'000
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of period	379,483	335,366
Profit for the period	11,939	60,543
Dividends	(49,276)	(16,426)
Balance at end of period	342,146	379,483
(b) Reserves		
Share-based payments (i)	27,186	25,613
Cash flow hedges (ii)	(6,894)	(7,441)
Other reserve (iii)	(25,621)	(25,621)
Foreign currency translation (iv)	(3,278)	(3,607)
	(8,607)	(11,056)
Movements in reserves were as follows:		
<i>Share-based payments</i>		
Balance at beginning of period	25,613	24,857
Share-based payments expense recognised (note H4)	1,782	1,080
Income tax (note A4)	(209)	(324)
Balance at end of period	27,186	25,613
<i>Cash flow hedges</i>		
Balance at beginning of period	(7,441)	7,045
Net gain/(loss) on revaluation	(1,632)	(21,512)
Transfer to net profit	2,179	7,026
Balance at end of period	(6,894)	(7,441)
<i>Foreign currency translation</i>		
Balance at beginning of period	(3,607)	(3,386)
Currency translation differences arising during the period	329	(221)
Balance at end of period	(3,278)	(3,607)

(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

for the period ended 29 July 2017

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

	2017 \$'000	2016 \$'000
(a) Ordinary shares		
Final fully franked dividend for the period ending 30 July 2016 of 3.0 cents (25 July 2015: nil) per fully paid share paid 10 November 2016	24,638	-
Interim fully franked dividend for the period ended 29 July 2017 of 3.0 cents (2016: 2.0 cents) per fully paid share paid 4 May 2017 (2016: 5 May 2016)	24,638	16,426
Total dividends paid	49,276	16,426
(b) Dividends not recognised at the end of the reporting period		
The directors have determined the payment of a final dividend of 2.0 cents (2016: 3.0 cents) per fully paid ordinary share fully franked based on tax paid at 30% payable on 9 November 2017		
The aggregate amount of the proposed dividend expected to be paid after period end, but not recognised as a liability at period end, is:	16,426	24,638
(c) Franked dividends		
The franked portions of the final dividends recommended after 29 July 2017 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 28 July 2018.		
Franking credits available for subsequent financial periods based on a tax rate of 30% (2016: 30%)	32,690	28,585

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 \$7 million (2016: \$11 million).

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

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	Equity
				holdings ⁽⁴⁾ 2017	holdings ⁽⁴⁾ 2016
				%	%
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	(2), (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	(1), (3)	Australia	Ordinary	100	100
sass & bide Retail Pty Ltd	(1), (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 ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

(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.

Business combination

On 12 April 2017, FSS Retail Pty Ltd (FSS) completed an asset acquisition with the appointed administrators of M. Webster Holdings Pty Limited (Webster), a fashion retailer selling the Marcs and David Lawrence brands in the Australian market. The acquisition included the brands, intellectual property, fixed assets and inventory relating to Marcs and David Lawrence and supports the Group's ongoing wanted brands strategy. The issued share capital of Webster was not acquired, however the acquisition met the definition of a business combination.

The net assets were acquired for a net consideration totalling \$11.9 million, with \$13 million fully paid in cash less monies owed from Webster. The fair value of the net assets recognised as a result of the acquisition is \$11.9 million, including the Marcs and David Lawrence brand names of \$7.4 million (refer to note C2) and a deferred tax liability of \$2.2 million recognised for the Marcs and David Lawrence brands acquired (refer to note A4).

From the date of acquisition, the contribution from FSS to the net profit after-tax of the Group and the direct costs relating to the acquisition were not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 29 July 2017

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 29 July 2017 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 to 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 with note reference 1 in note G1 have been relieved from the requirements to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The above companies represent a 'closed group' for the purposes of the ASIC Legislative Instrument, 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 29 July 2017

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 29 July 2017:

	2017 52 weeks \$'000	2016 53 weeks \$'000
Income statement		
Total sales value	3,201,427	3,288,717
Concession sales	(701,678)	(610,553)
Sale of goods	2,499,749	2,678,164
Sales revenue deferred under customer loyalty program	(34,847)	(38,861)
Revenue from sale of goods	2,464,902	2,639,303
Other operating revenue	176,487	161,689
Cost of goods sold	(1,423,209)	(1,527,069)
Operating gross profit	1,218,180	1,273,923
Other income	-	68
Selling expenses	(819,100)	(841,199)
Administration expenses	(292,178)	(317,975)
Share of net profit/(loss) of equity-accounted associate	(1,176)	(620)
Dilution of investment in equity-accounted associate	(1,338)	-
Restructuring and store exit costs, onerous lease expense and impairment of assets	(65,615)	(18,250)
Earnings before interest and tax	38,773	95,947
Finance revenue	436	905
Finance costs	(11,259)	(15,447)
Net finance costs	(10,823)	(14,542)
Profit before income tax	27,950	81,405
Income tax expense	(17,520)	(20,146)
Profit for the period attributable to Deed of Cross Guarantee group	10,430	61,259
Statement of comprehensive income		
Profit for the period	10,430	61,259
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Cash flow hedges	547	(14,486)
Exchange differences on translation of foreign operations	(180)	1,832
Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the period, net of tax	367	(12,654)
Total comprehensive income for the period	10,797	48,605
Summary of movements in retained earnings		
Opening balance	386,254	341,421
Profit for the period	10,430	61,259
Dividends paid	(49,276)	(16,426)
Closing balance	347,408	386,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

G2 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 29 July 2017 of the closed group:

	2017 \$'000	2016 \$'000
ASSETS		
Current assets		
Cash and cash equivalents	29,507	44,306
Trade and other receivables and prepayments	38,655	51,079
Inventories	369,685	392,441
Derivative financial instruments	-	351
Total current assets	437,847	488,177
Non-current assets		
Property, plant and equipment	460,211	445,299
Intangible assets	985,263	1,019,111
Derivative financial instruments	-	80
Investment in associate	-	9,203
Other non-current assets	3,560	3,819
Total non-current assets	1,449,034	1,477,512
Total assets	1,886,881	1,965,689
LIABILITIES		
Current liabilities		
Trade and other payables	379,233	398,224
Provisions	87,145	93,998
Deferred income	9,817	12,114
Current tax liabilities	1,992	7,424
Derivative financial instruments	7,944	7,127
Other liabilities	591	794
Total current liabilities	486,722	519,681
Non-current liabilities		
Borrowings	143,367	147,273
Provisions	13,772	19,702
Deferred income	75,927	68,401
Deferred tax liabilities	86,016	90,779
Derivative financial instruments	958	2,819
Total non-current liabilities	320,040	328,974
Total liabilities	806,762	848,655
Net assets	1,080,119	1,117,034
EQUITY		
Contributed equity	739,330	739,339
Retained earnings	347,408	386,254
Reserves	(6,619)	(8,559)
Total equity	1,080,119	1,117,034

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for the period ended 29 July 2017

G3 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2017 \$'000	2016 \$'000
Balance sheet		
Current assets	87,283	149,318
Total assets	1,013,906	1,076,467
Current liabilities	17,713	27,243
Total liabilities	161,080	177,047
Shareholders' equity		
Issued capital	739,329	739,338
Reserves		
Cash flow hedges	(543)	(2,705)
Other reserve	(2,653)	(2,653)
Share-based payments	21,320	19,538
Retained earnings	95,373	145,902
Profit/(loss) for the period	(1,253)	7
Total comprehensive income	909	2,072
(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 29 July 2017 or 30 July 2016.

(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 29 July 2017 or 30 July 2016.

(e) Event subsequent to balance date

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 29 July 2017

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. On 30 November 2016, the Company's interest in the equity accounted investment decreased from 25% to 20%, as a result of a share issue by Austradia that the Group elected not to participate in, resulting in a \$1.3 million loss on dilution of investment. The Group accounts for its investment in associates using the equity accounting method.

On 24 May 2017, Austradia appointed administrators and subsequent to this have exited all Myer concession stores and a number of their standalone speciality retail stores. Given this, the carrying value of the investment in Austradia of \$6.8 million has been written-down to nil. Refer to note A3 for more information.

The Group's share of Austradia's net loss for the period ended 29 July 2017 recognised as part of the equity accounted investment is \$1.2 million (2016: \$0.6 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 29 July 2017

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 29 July 2017 in respect of:

Guarantees

The Group has issued bank guarantees amounting to \$36.3 million (2016: \$41.3 million), of which \$17.6 million (2016: \$22.6 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.

Myer Chadstone store

On 23 December 2016, legal proceedings were served against Myer Pty Ltd by Perpetual Limited and Bridgehead Pty Ltd, the landlords of the Myer Chadstone store. The proceedings are in relation to alleged unpaid outgoings under the lease provisions of the Myer Chadstone store for the period FY01 to FY16 totalling \$19.14 million plus GST, interest and costs. The Group believes the claim has no proper basis, denies any liability under it and will vigorously defend it. Given this, no provision has been recognised at 29 July 2017 in respect of this matter.

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:

	2017 \$'000	2016 \$'000
<i>Property, plant, equipment and software</i>		
Payable:		
Within one year	22,118	9,702
Later than one year but not later than five years	-	-
Later than five years	-	-
	22,118	9,702

(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.

	2017 \$'000	2016 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	227,135	228,574
Later than one year but not later than five years	817,980	854,132
Later than five years	1,703,269	1,857,764
	2,748,384	2,940,470

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

H2 COMMITMENTS (CONTINUED)

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.

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 29 July 2017 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.

	2017 \$	2016 \$
Short term employee benefits	4,859,166	6,157,605
Post employment benefits	183,825	172,387
Long term benefits	(280)	15,314
Termination and other payments	-	-
Share-based payments	1,085,146	738,205
	6,127,857	7,083,511

Detailed remuneration disclosures are provided in the Remuneration Report on pages 38 to 57.

(ii) Loans

In 2017 and 2016 there were no loans made to directors of Myer Holdings Limited and other Key Management Personnel of the Group, including their related parties.

(iii) Other transactions

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

(d) Transactions with other related parties

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

H4 SHARE-BASED PAYMENTS

(a) Long Term Incentive Plan

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

H4 SHARE-BASED PAYMENTS (CONTINUED)

(a) Long Term Incentive Plan (continued)

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:

2017	Balance 30 July 2016	Granted	Exercised	Expired and lapsed	Balance 29 July 2017
Total	6,997,530	4,714,871	(28,355)	(1,038,663)	10,645,383
Weighted average exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

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

The weighted average remaining contractual life of share rights outstanding at the end of the period was 1.5 years (2016: 2.9 years).

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:

	2017 LTIP Rights (TSR)	2017 LTIP Rights (EPS)	2017 LTIP Rights (ROFE)	2017 LTIP Rights (Service)
(a) Fair value of performance rights granted	\$0.84	\$1.25	\$1.25	\$1.34
(b) Grant date	22-Dec-16	22-Dec-16	22-Dec-16	22-Dec-16
(c) Expiry date	31-Oct-19	31-Oct-19	31-Oct-19	31-Oct-19
(d) Share price at grant date	\$1.37	\$1.37	\$1.37	\$1.37
(e) Expected price volatility of the Group's shares	38%	38%	38%	38%
(f) Expected dividend yield	3.7%	3.7%	3.7%	3.7%
(g) Risk-free interest rate	1.96%	1.96%	1.96%	1.96%

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:

	2017 \$'000	2016 \$'000
Rights issued under the LTIP	1,782	1,080

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 29 July 2017

H4 SHARE-BASED PAYMENTS (CONTINUED)

(b) Expenses arising from share-based payment transactions (continued)

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.

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:

	2017 \$	2016 \$
(a) PwC Australia		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	374,848	594,600
<i>Other assurance services</i>		
Audit of rent certificates	46,002	48,000
Total remuneration for audit and other assurance services	420,850	642,600
(ii) Taxation services		
Tax compliance services	2,100	2,000
(iii) Other services		
Legal services	9,026	-
Total remuneration of PwC Australia	431,976	644,600
(b) Overseas practices of PwC		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	65,797	84,617
(ii) Taxation services		
Tax compliance services	27,852	35,314
Total remuneration for overseas practices of PwC	93,649	119,931

H6 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividends on the Company's ordinary shares

The directors have determined to pay a final dividend of 2.0 cents per share, fully franked at the 30% corporate income tax rate, payable on 9 November 2017 for the period ended 29 July 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 29 July 2017

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 2018 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 A2, B2 and C2.

(b) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and, except where otherwise stated, amounts in the consolidated 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 29 July 2017

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 31 July 2016:

- > AASB 1057 *Application of Australian Accounting Standards*
- > 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*

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 29 July 2017 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.
- > AASB 16 *Leases* was released in February 2016 by the Australian Accounting Standards Board. This standard 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. There are also changes in accounting over the life of the lease. This will result in the recognition of a front-loaded pattern of expense for most leases, even when constant annual rentals are paid.

The standard is applicable from 1 January 2019 with early adoption permitted if, and only if, AASB 15 is also early adopted. As a lessee with a substantial portfolio of operating leases, the implementation of AASB 16 is expected to have a material impact on the Group's consolidated financial statements at transition and in future years 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 in the process of performing an assessment of the impact of the new standard and will provide an estimate of the financial impact once complete.

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 58 to 106 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 29 July 2017 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 1.(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and 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, 13 September 2017.



Independent auditor's report

To the shareholders of Myer Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Myer Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 29 July 2017 and of its financial performance for the period then ended
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 29 July 2017
- the consolidated income statement for the period then ended
- the consolidated statement of comprehensive income for the period then ended
- the consolidated statement of changes in equity for the period then ended
- the consolidated statement of cash flows for the period then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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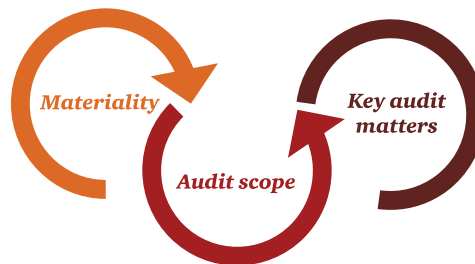
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$4.9 million, which represents approximately 5% of the Group's profit before tax, adjusted for individually material items separately disclosed as restructuring, store exit costs, onerous lease expense and impairment of assets. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose Group profit before tax and individually material items separately disclosed because, in our view, it is the metric against which the performance of the Group is most commonly measured by users. We adjusted for individually material items as they are unusual or infrequently occurring items impacting profit and loss. We selected 5% based on our professional judgement noting that it is also within the range of commonly acceptable profit related materiality thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. The Group is principally involved in retailing through department stores across Australia and online. The accounting processes are structured around a Group corporate finance function at the Group's support office in Melbourne. Our audit procedures were mostly performed at the Group support office, along with visits to the Altona Distribution Centre, three department stores across Australia and one sass & bide store to perform audit procedures over inventory. 	<p>Amongst other relevant topics, we communicated the following key audit matters to the Audit, Finance and Risk Committee:</p> <ul style="list-style-type: none"> Impairment of intangible assets Accounting estimates and disclosures relating to the New Myer strategy implementation Inventory valuation and provisions Supplier rebates <p>They are further described in the <i>Key audit matters</i> section of our report.</p>



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter

How our audit addressed the key audit matter

Impairment of Intangible Assets (refer note C2)

As described in note C2 to the financial statements, the Group held \$465 million of goodwill and \$422 million of brand names and trademarks at 29 July 2017. The goodwill, brand names and trademarks arose on the acquisitions of the Myer, sass & bide and Marcs and David Lawrence businesses.

As required by Australian Accounting Standards, the Group assesses annually whether goodwill and other intangible assets that have an indefinite useful life should continue to be recognised or if any impairment is required. Where the carrying value of an intangible asset is higher than its recoverable amount, Australian Accounting Standards require the carrying value of the intangible asset to be written down (impaired).

Indicators of impairment identified by the Group during the financial period/at balance sheet date included:

- The market capitalisation of the Group (the value of the Group derived by multiplying the number of shares currently issued by the share price at period-end) being lower than the net assets of the Group at 29 July 2017
- The competitive retail environment in which the Group operates.

The Group considers the Myer and sass & bide businesses to be two separate cash generating units (CGUs) for the purposes of impairment testing of goodwill and other intangible assets. An impairment assessment was performed by the Group for each CGU. This involved determining the recoverable amount of the intangible assets based on a value in use calculation for each CGU. An impairment of \$38.8 million of goodwill and brands was recognised in relation to the sass & bide business. No impairment of Myer's goodwill or brands was identified. We considered this a key audit matter because of the magnitude of the intangible assets balance and because value in use calculations require significant judgement by the Group in estimating the future trading cash flows of the CGUs.

We considered the methodology applied by the Group in performing the impairment assessment and the judgements applied by the Group in determining the CGUs of the business. We considered whether the division of the Group into CGUs, which is the smallest identifiable group of assets that can generate cash inflows, was consistent with our knowledge of the Group's operations and internal reporting.

We developed an understanding of the key relevant internal controls over the impairment assessment process.

To assess the Group's impairment models and calculations we performed the following procedures, amongst others:

- Performed testing over the mathematical accuracy of the impairment models.
- We compared the discount rate and long term growth rate applied to the impairment assessments for each CGU to our benchmark data. We found the rates utilised by the Group were consistent with our benchmark data.
- Compared the Group's forecast annual growth rates and cash flow forecasts to Board approved budgets and forecasts, externally available economic data and historical actual results.
- Considered the forecast financial data such as sales, cost of sales, salaries and occupancy costs included in the impairment models, noting the consistency with our knowledge and understanding of the business.
- Performed sensitivity analysis over the key assumptions including average EBITDA margin, discount rate and long term growth rate to consider the extent of change in those assumptions that either individually or in combination would be required for the intangible assets to be impaired.
- Evaluated the extent of the sass & bide impairment charge recognised with reference to key assumptions



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
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Accounting estimates and disclosures relating to the New Myer strategy implementation
(refer note A3 and C3)

In September 2015 the Group implemented the “New Myer” strategy which involved the execution of a five-year transformation agenda. During FY2017 the execution of the New Myer strategy involved the closure of stores, changes to store sizes following various landlord negotiations, voluntary redundancies and cost reduction within the Group’s support office in Melbourne.

The FY2017 strategic decisions resulted in restructuring, redundancy, store exits and onerous lease costs of \$20 million which were recognised in the period to 29 July 2017 in accordance with Australian Accounting Standards. The restructuring activity was incomplete at period end, with further judgements and assumptions made by the Group regarding the nature and quantum of restructuring activity anticipated in future periods; this activity required the recognition of estimated restructuring and onerous lease provisions of \$26 million at 29 July 2017.

We considered this a key audit matter because of the judgements and assumptions applied by the Group in estimating the level of provisioning required to be recognised at 29 July 2017.

including forecast operating margins, discount rate and long term growth rates.

- Considered the allocation of the impairment charge to sass & bide assets.

We considered the disclosures made in note C2, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.

To assess the Group’s accounting policies for calculating the New Myer related provisions we performed the following procedures amongst others:

- Considered the judgements and assumptions applied by the Group to determine the recognition of provisions based on the status of committed and Board approved strategic action plans.
- Compared the Group’s judgements and assumptions used to calculate the New Myer provision to:
 - Board minutes
 - landlord agreements
 - historic data, including prior store closures and restructuring experience
 - other supporting audit evidence.

We assessed whether there were other provisions which met the Group’s recognition criteria, and if they had been recognised at 29 July 2017, by making inquiries of management responsible for the New Myer strategy and by reading minutes of Board meetings for the full financial period.

We considered the disclosures made in note A3 and C3, in light of the requirements of Australian Accounting Standards.



Key audit matter

How our audit addressed the key audit matter

Inventory valuation and provisions (refer note B2)

The Group held inventory of \$372 million (2016: \$396 million) at 29 July 2017. As described in note B2 to the financial statements, inventories are valued at the lower of cost and net realisable value.

The Group recognises a provision where it expects the net realisable value of inventory to fall below its cost price. This will occur where inventory becomes aged, damaged or obsolete and will be sold below its cost price in order to clear. Inventory provisioning is also required where inventory no longer exists due to theft and processing errors.

We considered this a key audit matter because the Group applies judgements and assumptions in:

- Forecasting sell through rates of inventory on hand at period end to estimate the value of inventory likely to sell below cost in the future.
- Estimating inventory shrinkage based on actual losses realised as a result of cycle inventory counts.

To assess the Group's judgements and assumptions applied in calculating the value of inventory provisions, we performed the following procedures, amongst others:

- Considered the design and effective operation of relevant key inventory controls.
- Attended inventory counts at a distribution centre and retail stores.
- Assessed the Group's inventory provisioning policy by considering the levels of aged inventory and the Group's inventory clearance strategy.
- Considered the historical accuracy of the Group's inventory provisioning by comparing the prior period inventory provision to inventory sold below cost or written off in the current period.

We considered the disclosures made in note B2, in light of the requirements of Australian Accounting Standards.

Supplier rebates (refer note B2)

As described in note B2 to the financial statements, the Group recognises amounts from suppliers (primarily comprising supplier promotional rebates) as a reduction in the cost of inventory purchased and a reduction in the cost of goods sold.

The majority of supplier rebates tend to be small in unit value but high in volume and span relatively short periods of time, although promotional rebates and sell through of related inventory can run across the financial period end.

We considered this to be a key audit matter because:

- Supplier arrangements are complex in nature and variable between suppliers.
- Judgement is needed by the Group to determine the amount of supplier rebates that should be recognised in the income statement and the amounts that should be deferred to inventory. This requires a detailed understanding of contractual arrangements with suppliers and accurate purchase and sell through information.

Our procedures over supplier rebate income included:

- Agreeing a sample of supplier rebates recorded to the relevant supplier agreements.
- Comparing a sample of rebate terms used in the Group's supplier rebate calculations to relevant supplier arrangements and the Group's inventory purchase volume data.
- Interviewing a range of the Group's buyers to develop an understanding of:
 - the nature of the rebates negotiated with suppliers
 - their awareness of company buying policies.

We evaluated the recoverability of the rebates receivables at period end by assessing the ageing of amounts outstanding at 29 July 2017.

We considered the disclosures made in note B2, in light of the requirements of Australian Accounting Standards.



Other information

The directors are responsible for the other information. The other information included in the Group's Annual Report for the period ended 29 July 2017 comprises the Directors' Report and ASX Additional Information (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We expect other information to be made available to us after the date of this auditor's report, including the Chairman and CEO Report, Performance Review, Company Review, Sustainability Report, Shareholder Information and Corporate Directory.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 38 to 57 of the Directors' Report for the period ended 29 July 2017.

In our opinion, the remuneration report of Myer Holdings Limited for the period ended 29 July 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink that reads 'JP'.

Jason Perry
Partner

Melbourne
13 September 2017

SHAREHOLDER INFORMATION

As at 27 September 2017.

Myer has one class of shares on issue (being ordinary shares). All the Company's shares are listed on the Australian Securities Exchange.

	Number
Issued Capital	821,278,815
Number of shareholders	48,946
Minimum parcel price	\$0.775
Holders with less than a marketable parcel	17,150 (6,323,415 shares)

Distribution of shareholders and shareholdings

Range	Units	%	Holders	%
100,001 and Over	599,846,009	73.04	385	0.79
10,001 to 100,000	142,449,431	17.34	5,081	10.38
5,001 to 10,000	30,314,837	3.69	3,840	7.85
1,001 to 5,000	37,099,269	4.52	16,173	33.04
1 to 1,000	11,569,269	1.41	23,467	47.94
Total	821,278,815	100.00	48,946	100.00

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.775 per unit	646	17,150	6,323,415

Twenty largest shareholders

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	194,083,938	23.63
2	PERSHING AUSTRALIA NOMINEES PTY LTD	88,450,664	10.77
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	64,951,084	7.91
4	CITICORP NOMINEES PTY LIMITED	47,615,413	5.80
5	NATIONAL NOMINEES LIMITED	19,641,026	2.39
6	UBS NOMINEES PTY LTD	14,500,122	1.77
7	CITICORP NOMINEES PTY LIMITED	13,973,451	1.70
8	BNP PARIBAS NOMINEES PTY LTD	8,370,293	1.02
9	BAINPRO NOMINEES PTY LIMITED	6,279,879	0.76
10	GLENN HARGRAVES INVESTMENTS PTY LTD	5,250,000	0.64
11	BNP PARIBAS NOMINEES PTY LTD	5,100,000	0.62
12	SPACETIME PTY LTD	4,820,000	0.59
13	BNP PARIBAS NOMS PTY LTD	4,515,390	0.55
14	MR BERNARD JOSEPH BROOKES	3,800,000	0.46
15	CS THIRD NOMINEES PTY LIMITED	3,502,354	0.43
16	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,439,212	0.42
17	SANDHURST TRUSTEES LTD	2,815,000	0.34
18	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,813,194	0.34
19	MR PAT O'NEILL	2,235,790	0.27
20	MR BERNARD JOSEPH BROOKES & MRS SUSIE HEIDI BROOKES	2,096,060	0.26
Total		498,252,870	60.67
Balance of register		323,025,945	39.33
Grand total		821,278,815	100.00

SHAREHOLDER INFORMATION

Continued

Substantial shareholders

As at 27 September 2017, there are three substantial shareholders that Myer is aware of:

	Date of most recent notice	Number of securities	%
Premier Investments	29 March 2017	88,450,664	10.77
Investors Mutual	19 May 2017	80,897,018	9.85
Dimensional Fund Advisors	2 December 2016	57,539,611	7.01
Total			27.63

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 27 September 2017, there were 16 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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MYER CUSTOMER SERVICE CENTRE

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Melbourne VIC 3001
Phone: 1800 811 611 (within Australia)

AUDITOR

PricewaterhouseCoopers
Level 19, Freshwater Place
2 Southbank Boulevard
Southbank VIC 3006

SECURITIES EXCHANGE LISTING

Myer Holdings Limited (MYR) shares are listed on the Australian Securities Exchange (ASX)

WEBSITES

myer.com.au
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