MYER HOLDINGS LIMITED

ABN 14 119 085 602

APPENDIX 4E

PRELIMINARY FINAL REPORT

ASX Listing Rule 4.3A

Current reporting period:	**52 weeks ended 25 July 2020**
Previous corresponding period:	52 weeks ended 27 July 2019

Results for announcement to the market				**$m**
Total sales from ordinary activities	down	(15.8%)	to	2,519.4
Profit/(loss) attributable to members of Myer Holdings Limited	down	nm*	to	(172.4)
Net profit/(loss) after tax before restructuring, impairment of assets and other significant items	down	nm*	to	(13.4)

*not meaningful

Dividends	**Amount per security**	**Franked amount per security**
Current reporting period		
2020 final dividend	Nil	Nil
2020 interim dividend	Nil	Nil
Previous corresponding period		
2019 final dividend	Nil	Nil
2019 interim dividend	Nil	Nil
Record date for determining entitlements to the final dividend		Not applicable

Commentary on results for the period
For an explanation of the results refer to the ASX and media release and the notes to the Annual Financial Report.

Net tangible assets per ordinary security	**25 July 2020[1]**	**27 July 2019**
Net tangible assets per ordinary security	($0.32)	$0.23

1. Includes right-of-use assets and lease liabilities recognised in accordance with AASB 16 *Leases*

This report is based on the Annual Financial Report which has been audited. Additional Appendix 4E disclosure requirements can be found in the Annual Financial Report attached, which contains the Directors' Report (including the audited Remuneration Report), the Directors' Declaration and the 25 July 2020 consolidated financial statements and accompanying notes.

ANNUAL FINANCIAL REPORT

FOR THE PERIOD ENDED 25 JULY 2020

MY STORE

Myer Holdings Limited

ABN 14 119 085 602

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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 25 July 2020.

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
Garry Hounsell	Independent Non-Executive Director Deputy Chairman from 20 September 2017 Chairman from 24 November 2017 and from 4 June 2018 Executive Chairman from 14 February 2018 to 3 June 2018	20 September 2017
John King	CEO and Managing Director	4 June 2018
Lyndsey Cattermole AM	Independent Non-Executive Director	15 October 2018
Julie Ann Morrison	Independent Non-Executive Director	17 October 2017
Jacquie Naylor	Independent Non-Executive Director	27 May 2019
JoAnne Stephenson	Independent Non-Executive Director	28 November 2016
Dave Whittle	Independent Non-Executive Director	30 November 2015
Ian Cornell	Independent Non-Executive Director	6 February 2014

Ian Cornell retired from the Board with effect from 30 October 2019. All directors other than Mr Cornell 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 set out below.

GARRY HOUNSELL
Chairman

- Independent Non-Executive Director
- Member of the Board since 20 September 2017
- Chairman from 24 November 2017 and from 4 June 2018
- Executive Chairman from 14 February 2018 to 3 June 2018
- Chairman – Nomination Committee
- Chairman – Human Resources and Remuneration Committee
- Member – Audit, Finance and Risk Committee

Garry has been Chairman of Spotless Holdings Limited, PanAust Limited and eMitch Limited and Deputy Chairman of Mitchell Communications Group Limited. He has also been a Director of Qantas Airways Limited, Orica Limited, Nufarm Limited, Integral Diagnostics Limited and Dulux Group Limited. Garry was also a Director of the Burnet Institute Limited and Methodist Ladies' College Limited. He was an Advisory Board member of PanAust Limited and Rothschild Australia Limited.

Garry is a former Chief Executive Officer and Country Managing Partner of Arthur Andersen and a Senior Partner of Ernst & Young. He is a Fellow of Australian Institute of Company Directors and a Fellow of Chartered Accountants Australia and New Zealand. Garry resides in Victoria.

Other current directorships
Garry is the Chairman of Helloworld Travel Limited and a Director of Treasury Wine Estates Limited. He is also a Director of Commonwealth Superannuation Corporation Limited and Findex Group Limited.

JOHN KING
Chief Executive Officer & Managing Director

- Member of the Board since 4 June 2018

John was appointed CEO & Managing Director on 4 June 2018. In this role, John has overall accountability for Myer strategy and performance. John brings to the role more than 30 years' retail experience in merchandising and management roles across a variety of retail sectors, including department stores, value retail and wholesale apparel. Most recently John led the successful turnaround of House of Fraser from 2006 to 2015. During his tenure he improved the product differentiation, decreased debt, improved EBITDA and repositioned the business as one of the leading premium department stores in the UK.

John also successfully led Matalan from 2003 - 2006, an apparel and housewares retailer based in the UK. In this role, John launched new brands, opened 20 new stores and successfully sold the company back to the founder. He started his career at Sainsbury's and also worked for Marks & Spencer before taking senior roles in the manufacturing and wholesale sector in the UK and the USA. John resides in Victoria.

LYNDSEY CATTERMOLE AM
Independent Non-Executive Director

- Member of the Board since 15 October 2018
- Member – Nomination Committee
- Member – Human Resources and Remuneration Committee

Lyndsey founded one of Australia's largest and most successful IT businesses, Aspect Computing, which operated for almost thirty years before being sold to the ASX listed company KAZ Group. Aspect Computing specialised in IT consulting, program development and product development, including retail and training. Aspect Computing developed international award winning systems and created one of Australia's biggest software product exports, LANSA. In 2002, Lyndsey became a Non-Executive Director of KAZ Group following its purchase of Aspect Computing.

Lyndsey has significant board experience including at Foster's Group Ltd, Treasury Wine Estates Ltd, Tatts Group Ltd and the Victorian Major Events Corporation. Lyndsey also has extensive experience on State and Federal Government committees and boards, including the Federal Government's Electronic, Electrical and Information Industry Board and the Prime Minister's Science and Engineering Council. In Victoria, she was a member of the Premier's Business Round Table.

Lyndsey was a Director of the Heide Museum for Modern Art, the Melbourne Theatre Company and has spent over ten years involved with community health, including at the Royal Children's Hospital Foundation and as Chairman for the Women's and Children's Health Care Network. She was instrumental in merging the Royal Children's Hospital Research Institute and the Murdoch Research Institute to form the Murdoch Children's Research Institute; which is now one of Australia's largest biomedical research institutes.

For her significant community involvement Lyndsey has been awarded an Order of Australia (**AM**). She is also a Fellow of the Australian Computer Society recognising her distinguished contribution to the Australian IT industry. Lyndsey resides in Victoria.

Other current directorships
Lyndsey is a director of PACT Group Holdings Ltd, Florey Neurosciences, and the Melbourne Rebels.

JULIE ANN MORRISON
Independent Non-Executive Director

- Member of the Board since 17 October 2017
- Member – Nomination Committee
- Member – Human Resources and Remuneration Committee

Julie Ann has over 30 years' retail experience in brands, fashion and cosmetics from the sales floor through to buying, marketing, HR and as a managing director.

Julie Ann was Managing Director of Bulgari UK (2012 to 2014) concurrent with being Managing Director of Bulgari Australia (2007 to 2014), part of the LVMH Group. She was also the Managing Director of FJB Australia, the then largest luxury goods company in Australia, which had franchise rights for brands including Gucci, Guess, Moschino, Lanvin and Fendi in South East Asia and Australia. While at FJB, she established and headed up an international licensing business for local and US brands overseeing offices in Italy and New York with production in China. Julie Ann was a finalist in the BRW/Qantas Business Woman of the Year and went on to establish a management consulting business specialising in retail and brands. She holds a Master of Arts, Creative Media from RMIT University and a Diploma of Arts, RMIT University. She has been a member of the Institute of Directors (UK) and is currently a member of the Australian Institute of Company Directors.

From February 2017 to June 2018, Julie Ann was Non-Executive Chair of Myer subsidiary boards overseeing the sass & bide, Marcs and David Lawrence brands where she set brand and business strategies. In June 2018 she handed responsibility for overseeing these brands to the incoming CEO, John King.

Julie Ann is an advisory board member and consultant to Carla Zampatti Pty Ltd. She also consults on projects specialising in fashion, retail, brands and the arts. Julie Ann resides in Victoria.

Other current directorships
Julie Ann is an Independent Non-Executive Director of Food + Wine Victoria.

JACQUIE NAYLOR
Independent Non-Executive Director

- Member of the Board since 27 May 2019
- Member – Nomination Committee
- Member – Human Resources and Remuneration Committee

Jacquie was appointed as a Non-Executive Director on 27 May 2019. Jacquie brings to the role a wealth of experience and knowledge of both women's and men's apparel, homewares and outdoor brands. She has been an owner, director and executive at some of the most iconic Australian retailers including as an Executive Director and Non-Executive Director at The PAS Group. In addition, Jacquie was a Non-Executive Director of one of the world's most trusted outdoor brands, Macpac, which is sold in more than thirty countries.

At the Just Jeans Group, Jacquie was a Group Executive Director and responsible for driving the merchandise, marketing and brand strategies of five of their key brands including Just Jeans, Jay Jays, Portmans, Jacqui E and Dotti.

Jacquie brings to the Myer Board considerable eCommerce experience from her retail career and as a strategic adviser at Practicology, a digital marketing and eCommerce agency.

Jacquie was a Non-Executive Director of the Virgin Australia Melbourne Fashion Festival for more than 12 years and remains committed to showcasing the fashion industry as well as new and emerging talent. Jacquie is also a member of the Australian Institute of Company Directors and of the International Women's Forum. Jacquie resides in Victoria.

Other current directorships
Jacquie is a Non-Executive Director of Cambridge Clothing Ltd and Michael Hill International Limited.

JOANNE STEPHENSON
Independent Non-Executive Director

- Member of the Board since 28 November 2016
- Chairman – Audit, Finance and Risk Committee
- Member – Nomination 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 Chartered Accountants in Australia and New Zealand. JoAnne resides in Victoria.

Other current directorships
JoAnne is an Independent Non-Executive Director of Challenger Limited, Asaleo Care Limited and Japara Healthcare Limited. She is also Chair of the Victorian Major Transport Infrastructure Board.

DAVE WHITTLE
Independent Non-Executive Director

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

Dave has considerable brand, data, technology, omni-channel retail and digital transformation experience. Over the last five years Dave has led Lexer, a global software company helping brands and retailers 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 a director of Lexer Pty Ltd.

2. DIRECTORSHIPS OF OTHER LISTED COMPANIES

The following table shows, for each director, all directorships of companies that were listed on the ASX, other than the Company, since 25 July 2017, and the period during which each directorship has been held.

Director	Listed entity	Period directorship held
Garry Hounsell	Helloworld Travel Limited	4 October 2016 – present
	Treasury Wine Estates Limited	1 September 2012 – present
	Spotless Group Holdings Limited	20 March 2014 – 31 August 2017
	DuluxGroup Limited	8 July 2010 – 31 December 2017
John King	-	-
Lyndsey Cattermole AM	PACT Group Holdings Limited	November 2013 – present
Julie Ann Morrison	-	-
Jacquie Naylor	Michael Hill International Limited	15 July 2020 – present
JoAnne Stephenson	Challenger Limited Asaleo Care Limited Japara Healthcare Limited	October 2012 – present May 2014 – present September 2015 – present
Dave Whittle	-	-

3. MEETINGS OF DIRECTORS AND BOARD COMMITTEES

The number of meetings of the Board and of each Board Committee held during the period ended 25 July 2020 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**
Garry Hounsell	18	18	5	5	2	2	2	2
John King	18	17	-	-	-	-	-	-
Lyndsey Cattermole AM	18	17	-	-	4	3	2	1
Julie Ann Morrison	18	18	-	-	2	2	2	2
Jacquie Naylor	18	17	1	1	3	3	2	2
JoAnne Stephenson	18	18	6	6	1	1	2	2
Dave Whittle	18	18	6	6	-	-	2	2
Ian Cornell**	4	4	-	-	2	2	1	1

* Number of meetings held during the time the director held office or was a member of the Committee during the period.
** Ian Cornell retired from the Board with effect from 30 October 2019.

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**	**Performance Rights**	**Performance Options**
Garry Hounsell	1,400,000	Nil	Nil
John King	1,000,000	2,432,432	14,631,014
Lyndsey Cattermole AM	1,023,232	Nil	Nil
Julie Ann Morrison	146,788	Nil	Nil
Jacquie Naylor	121,000	Nil	Nil
JoAnne Stephenson	185,000	Nil	Nil
Dave Whittle	66,666	Nil	Nil

5. COMPANY SECRETARY AND OTHER OFFICERS

Paul Morris was appointed as General Counsel and Company Secretary of the Company effective 3 February 2020. Prior to joining Myer, Paul Morris was General Counsel and Company Secretary of Spotless Group.

Nigel Chadwick acted as interim Company Secretary of the Company from 19 December 2019 to 3 February 2020. Prior to this, Jonathan Garland was Company Secretary of the Company from 31 July 2018 to 18 December 2019, and General Counsel of the Company from 1 September 2018 to 18 December 2019.

Myer's Chief Financial Officer is Nigel Chadwick. Details of Nigel Chadwick's experience and background are set out in the Executive Management Team section of Myer's Investor Centre website.

6. PRINCIPAL ACTIVITIES

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

7. OPERATING AND FINANCIAL REVIEW

The Directors' Report includes references to non-IFRS financial measures which represents the financial performance of the Group excluding the impact of the new lease accounting standard AASB 16 and excluding implementation costs and individually significant items. Refer to Non-IFRS Financial Measures section below.

SUMMARY OF FINANCIAL RESULTS (PRE-AASB 16) FOR 52 WEEKS ENDED 25 JULY 2020:

- Total sales[2] declined by 15.8% to $2,519.4 million; reflecting widespread store closures
- Group online sales[3] of $422.5 million, up 61.1%, representing 17% of total sales
- Operating Gross Profit (**OGP**) declined by 17.6% to $957.3 million. OGP margin decreased by 85 basis points to 38.0%, unwinding the 62-basis point improvement that was achieved in 1H20. This was due to several impacts of COVID-19 in 2H20 including a higher mix of clearance sales and a mix that was skewed to lower margin products.
- Cost of Doing Business[1] decreased by 13.8% to $863.8 million, reflecting net cost reduction achieved in 1H20 as well as actions taken in response to COVID-19. The JobKeeper Payment Scheme allowed the business to retain stood down staff
- Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**) of $93.5 million[1]
- Implementation costs and individually significant items (**ISIs**) $159.0 million ($221.4 million pre-tax), including impairments of lease right-of-use (ROU) assets and brand names totalling $184.4 million ($133.0 million pre-tax)
- The adoption of AASB 16 *Leases* resulted in a net loss after tax of $2.1 million before ISIs
- Statutory net loss after tax of $172.4 million (post-AASB 16)
- Net cash position of $7.9 million, an improvement of $46.6 million compared to FY19, due to a prudent approach to preserving cash, disciplined cost control, support from the Australian Government and other payment deferrals, and despite the loss of revenue and earnings as a result of the store closures and reduced foot traffic.
- No final dividend will be paid

[1] *Excluding implementation costs and individually significant items*

[2] *Revenue from sale of goods excluding concession sales and sales revenue deferred under customer loyalty program was $2,047.9 million (FY19: $2,345.1 million)*

[3] *Group online sales includes sass & bide and Marcs and David Lawrence. Excludes sales via in-store iPads*

INCOME STATEMENT FOR THE 52 WEEKS TO 25 JULY 2020

	2020 (Statutory) $m	2020 (Pre-AASB 16) $m	2019 (Pre-AASB 16) $m	Change (Pre-AASB 16)
Total sales***	**2,519.4**	**2,519.4**	2,991.8	(15.8%)
Operating gross profit	**958.2**	**957.3**	1,162.4	(17.6%)
Cost of doing business	**(652.9)**	**(863.8)**	(1,002.4)	(13.8%)
EBITDA*	**305.3**	**93.5**	160.1	(41.6%)
Depreciation*	**(226.8)**	**(99.6)**	(101.6)	(1.9%)
EBIT*	**78.5**	**(6.1)**	58.5	nm**
Net finance costs	**(98.2)**	**(10.6)**	(11.5)	7.9%
Tax*	**6.3**	**5.4**	(13.8)	nm**
Profit/(Loss) after tax*	**(13.4)**	**(11.3)**	33.2	nm**
Implementation costs and individually significant items (post-tax)	**(159.0)**	**(120.1)**	(8.7)	nm**
Statutory profit/(loss) after tax	**(172.4)**	**(131.4)**	24.5	nm**

* Excluding implementation costs and individually significant items
** Not meaningful
*** Revenue from sale of goods excluding concession sales and sales revenue deferred under customer loyalty program was $2,047.9 million (FY19: $2,345.1 million)

BALANCE SHEET AS AT 25 JULY 2020

	July 2020 (Statutory) $m	July 2020 (Pre-AASB 16) $m	July 2019 (Pre-AASB 16) $m
Inventory	**256.0**	**256.0**	346.9
Creditors	**(354.2)**	**(383.5)**	(372.6)
Other assets	**182.4**	**70.6**	41.2
Other liabilities	**(62.5)**	**(154.7)**	(225.8)
Right-of-use assets	**1,272.6**	**-**	-
Lease liabilities	**(1,794.7)**	**-**	-
Property	**22.2**	**22.2**	22.7
Fixed assets	**324.8**	**324.8**	360.8
Intangibles – Brands	**240.2**	**240.2**	371.6
Intangibles - Software	**79.4**	**79.4**	96.0
Total Funds Employed	**166.2**	**455.0**	640.8
Debt	**(78.6)**	**(78.6)**	(86.1)
Less Cash	**86.5**	**86.5**	47.4
Net (Debt) / Cash	**7.9**	**7.9**	(38.7)
Equity	**174.1**	**462.9**	602.1

CASH FLOW FOR THE 52 WEEKS TO 25 JULY 2020

	2020 (Statutory) $m	**2020 (Pre-AASB 16) $m**	2019 (Pre-AASB 16) $m
EBITDA*	**305.3**	**93.5**	160.1
Less Implementation costs and ISIs	**(221.4)**	**(165.8)**	(12.5)
Add Non-cash asset impairments	**185.2**	**132.2**	3.4
Working capital movement	**29.2**	**47.2**	(12.5)
Operating cash flow (before interest and tax)	**298.3**	**107.1**	138.5
Conversion	***110.9%***	***178.8%***	*91.7%*
Tax paid	**(8.1)**	**(8.1)**	(13.6)
Interest paid	**(8.9)**	**(8.9)**	(9.2)
Interest – lease liabilities	**(89.3)**	**-**	-
Operating cash flow	**192.0**	**90.1**	115.7
Capex paid**	**(40.3)**	**(40.3)**	(44.8)
Free cash flow	**151.7**	**49.8**	70.9
Principle portion of lease liabilities paid	**(101.9)**	**-**	-
Other	**(0.7)**	**(0.7)**	(0.4)
Net cash flow	**49.1**	**49.1**	70.5

* Excluding implementation costs and individually significant items
** Net of landlord contributions

SHARES AND DIVIDENDS

	2020	2019
Shares on issue	**821.3 million**	821.3 million
Basic earnings per share*	**(1.6) cents**	4.0 cents
Dividend per share	**Nil**	Nil

* Calculated on weighted average number of shares of 820.1 million (FY19: 821.0 million) and based on NPAT pre implementation costs and individually significant items

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**	**INTEREST**	**TAX**	**NPAT**
Statutory reported result	**(142.9)**	**(98.2)**	**68.7**	**(172.4)**
Add back: implementation costs and individually significant items				
Restructuring and redundancy costs	11.9	-	(3.6)	8.3
Clearance floor closure and brand exit costs and related asset impairments	18.5	-	(5.4)	13.1
Store exit costs/(reversals) and other asset impairments/(reversals)	(0.3)	-	0.1	(0.2)
Impairment of assets	184.4	-	(51.4)	133.0
Myer one loyalty program change	6.9	-	(2.1)	4.8
Result: post-AASB 16*	**78.5**	**(98.2)**	**6.3**	**(13.4)**
Impact from adoption of AASB 16	(84.6)	87.6	(0.9)	2.1
Result: pre-AASB 16*	**(6.1)**	**(10.6)**	**5.4**	**(11.3)**

* Excluding implementation costs and individually significant items

IMPACT OF COVID-19

The COVID-19 pandemic and subsequent Government actions have had a significant impact on the Company during 2H20.

Early impacts on the Company were generally limited to delays in supply chain and sourcing private label product, primarily from China. However, as the COVID-19 pandemic progressed, the impact on the Company's business began to increase, as Government bodies announced the implementation of various isolation and distancing measures, and restrictions.

On 29 March 2020 the Company temporarily closed all 60 of its physical stores to protect the health and wellbeing of its customers, team members, their families and the broader communities in which it operates. From this time, the Company ceased to generate any revenue or cash inflows from its physical store network. Stores were progressively re-opened from 8 May 2020, with all physical stores open for trade by 30 May 2020. Significant reductions in foot traffic, in particular in CBD locations, has continued to impact sales after the re-opening of stores. Following the announcement of Stage 4 restrictions by the Victorian Government on 3 August 2020, 11 stores in metropolitan Melbourne were again temporarily closed from 5 August 2020 (**Stage 4 Restriction Period**).

The Company stood down approximately 10,000 team members across the store network and store support office without pay from 30 March 2020 as a result of the closure of physical stores. The Company qualified for the Federal Government JobKeeper Payment Scheme, which ensured a significant number of roles could be maintained during this period. Most team members returned to work progressively in subsequent months before further team members in Victoria were stood down during the Stage 4 Restriction Period.

The Company has continued to operate all online businesses during store closure periods (including contactless click and collect in selected Victorian stores during the Stage 4 Restriction Period). Strong online performance during 2H20, with sales up 98.8% in this period compared to 2H19, saw the Company achieve record online sales in FY20. Investment in significant enhancements to the website over the past two years, together with improved fulfilment, ensured peak volumes were handled successfully during this period, and underpinned the significant growth in sales, a 50-basis point improvement in conversion, and improved gross profit for the online channel.

In response to the temporary cessation of trade in physical stores, deterioration in trading conditions, and other impacts of the COVID-19 pandemic, the Company took decisive actions to reduce operating expenses, defer non-essential services and manage inventory levels. As a result of this prudent approach to preserving cash, disciplined cost control, support from the Federal Government and other payment deferrals, and despite the loss of revenue and earnings as a result of the store closures and reduced foot traffic, the Company finished the period with a net cash position of $7.9 million, representing a $46.6 million improvement on the prior year.

Throughout the COVID-19 pandemic, the Company's primary focus has been the health and wellbeing of team members, customers, and the broader communities in which it operates. The Company's response in this regard was driven by the specially formed COVID-19 Management Operations Committee as well as the EGM team, with regular oversight by the Board. Additional health and safety measures that were implemented across the Company's stores, distribution centres and store support office (as appropriate) to protect team members, customers and visitors to these sites, included:

- Increased frequency and intensity of cleaning
- Contactless payment
- Social distancing practices at POS and change rooms
- Installation of protective screens at POS
- Introduction of personal protective items, including hand sanitiser stations
- Mandating the wearing of personal protective equipment (face coverings) in Victoria and strongly recommending this practice in New South Wales, in line with Government requirements
- Implementation of temperature testing on entry to site for all team members, suppliers and contractors who attend stores, distribution centres and store support office in Victoria
- Implementation of COVID Safe Plans and COVID safe training for team members in line with Government requirements
- Implementation of "Please be Kind" signage at POS in store to remind customers that inappropriate behaviour directed to team members is not accepted
- Restrictions on team member travel and meetings
- Increased remote working arrangements for store support office team members
- Increased support for the health and wellbeing of team members through the Company's employee assistance programs

Despite the challenges of the COVID-19 pandemic for team members, the Company is pleased to note that in-store customer satisfaction has increased following the re-opening of stores.

FY20 OPERATIONS

In addition to the Company's actions during the COVID-19 pandemic as noted above, the Company achieved the following during FY20:

- Group online sales* of $422.5 million, representing 17% of total sales
- Continued simplification of operations, resulting in a 17% reduction in headcount in the Store Support Office at the end of FY20 compared to the end of FY19
- Inventory down 26% to $256.0 million at the end of the period
- Exit of the Hornsby store (January 2020) and the Emporium level at Myer Melbourne (May 2020)
- Commencement of store refurbishments at Belconnen (due for completion November 2020), Cairns (due for completion November 2020), and Karrinyup (due for completion August 2021)
- Destination upgrades in key stores including Melbourne Handbags, Parramatta Beauty Hall and Sydney Homewares Floor
- Closure of the Clearance floor concept

** Group online sales includes sass & bide and Marcs and David Lawrence. Excludes sales via in-store iPads*

Further to these matters, section 9 provides an outline of the Company's corporate developments and strategy. These should be read in conjunction with section 10, which describes factors that could impact the Company's results.

8. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS IN FY20

In addition to the matters described in section 7 above, the following significant changes occurred during FY20:

- Ian Cornell resigned from the Board with effect from 30 October 2019

There were no new Board or Executive appointments during the period.

9. BUSINESS STRATEGIES AND FUTURE DEVELOPMENTS

The Board and the Executive Management Group continue to focus on delivery against the Customer First Plan as follows:

Focus areas:

- Transform customer experience in store;
- 'Only at Myer' brands and categories; value for money; and
- Continue enhancing myer.com.au.

Efficiency levers:

- Simplified business processes;
- Efficient from factory to customer; and
- Accelerated cost reduction.

The Board and the Executive Management Group have considered the future operating environment and consumer trends as COVID-19 restrictions are eased in the future. The Customer First Plan remains 'fit for purpose' but COVID-19 has escalated the change required, and the Company's response reflects this. The Company has adjusted its Customer First Plan initiatives by accelerating, re-sequencing or expanding areas in response to the changing market context.

The Company's COVID-19 response is an overlay to the Customer First Plan and elevates the following areas:

- Accelerate Online: following the step-change in online sales mix in FY20, online investments brought forward enhancing Myer's omni-channel experience and positioning Myer to translate customer loyalty developed offline to the online business
- Accelerate Factory to Customer (F2C) change: centralised online fulfilment to commence in FY21 to deliver an improved experience to online customers
- Merchandise: improving our range for the new customer in key categories, and a more disciplined approach to purchasing and inventory, focusing on core lines and supplier relationships
- Adapting our in store experience and engagement: enhancements to our loyalty program and in-store experience provide a safe and compelling proposition especially during key sale and gifting periods
- Realign Costs: proactively realign our cost base to manage profitability and increase flexibility as the change to our markets and channels accelerates.

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 a 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.

COVID-19

The future impact of the COVID-19 pandemic on the Company's operations (including any requirement for further temporary store closures), domestic and global economic conditions, and consumer behaviour remains uncertain, and may adversely affect the Company's financial position and performance. The Company has implemented measures to mitigate these future risks, including the implementation of a COVID-19 Management Operations Committee to manage and adapt to changes in ongoing risks and Government requirements. In addition, the Company continues to remain agile to adapt to changing market conditions (including adjusting its strategic initiatives in response to the changing market context), whilst maintaining its focus on the disciplined management of costs and preservation of cash to ensure it is well placed to deal with any future impacts.

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, national strike or pandemic; transition to a lower carbon economy; physical impacts of climate change and weakness in the global economy could adversely impact the Company's ability to achieve financial and trading objectives. Myer regularly analyses and monitors economic and other available data to help mitigate the future impact on sales, and has implemented conservative hedging, capital management, and marketing and merchandise initiatives to address 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 select optimal merchandise assortment with the right categories and brands.

SUPPLIER RISKS

Myer monitors its supplier relationships and quality standards via a range of means, including implementation of its quality assurance and compliance policies and rigorous procurement and contracting processes. Recent headwinds in the retail sector, exacerbated by the impact of the COVID-19 pandemic, have created particular financial and other challenges for some of Myer's suppliers, but these risks are mitigated by the size and diversity of the supplier base and Myer's ability to expand its product ranges 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, a cyber-security violation or a data breach of personal information could have a detrimental effect on Myer's 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.

STRATEGIC AND BUSINESS PLAN RISKS

A failure to deliver our strategic plan could impact sales, profitability, share price, and our reputation. The cornerstone of our strategic plan is the 'customer' and ensuring every decision made puts the customer first. It includes that all team members, brand partners and suppliers provide our customers with the service, brands and products they desire and expect, both in store and online.

PEOPLE MANAGEMENT RISKS

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 impact Myer's ability to deliver on its strategic imperatives. During the year, we made a new appointment to our Executive Management Group, and we provided our team members with access to training and development to further develop their skills.

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.

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**), the Australian Securities Exchange (**ASX**) and Federal and State work, health and safety authorities. The outcome of any such investigations or disputes may have a material adverse effect on Myer's operating and financial performance. Myer has an established governance framework to monitor, assess and report on such occurrences to senior management when they arise.

LITIGATION

The Company is required to maintain compliance with applicable laws and regulations. Failure to comply could result in enforcement action and claims, which may have a material adverse impact on the Company's reputation, financial performance and profitability. Legal proceedings and claims may also arise in the ordinary course of the Company's business and could result in high legal costs, adverse monetary judgements, reputational damage and other adverse consequences. The Company has an established governance framework to monitor, assess and report to management on litigation risks when they arise, and seeks to minimise risk through appropriate compliance training for team members and management.

11. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Following the end of the financial year:

- 11 Myer stores were temporarily closed to customers from 5 August 2020, following the Victorian Government's announcement of Stage 4 restrictions in metropolitan Melbourne in response to the ongoing COVID-19 pandemic;
- the Company completed an amendment and extension of its bank facility until August 2022; and
- the Company entered into a multi-year agreement with Australia Post to provide warehousing and online fulfilment services, to enhance the Company's ability to provide an efficient and fast online experience for customers.

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

The Board determined that no final dividend would be paid for the period ending 27 July 2019.

The Board determined that no interim dividend would be paid for the period ending 25 January 2020.

The Board determined that no final dividend would be paid for the period ending 25 July 2020.

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

13. PERFORMANCE RIGHTS AND OPTIONS 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 options in FY19 and FY20, and rights in previous years 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 options and 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).

Performance options are exercised on a net settlement basis, the executive is allocated the total number of shares that would have been allocated upon exercise, less the number of shares equal to the value of the aggregated exercise price payable (and the exercise price is not required to be paid). The number of shares delivered by the Company represents the value above the exercise price in accordance with the formula below:

(A - B) / C, where:

A = Aggregate value of vested performance options (based on the market value of a share)

B = Aggregate exercise price payable

C = Market value of a share

The net settlement method ensures that executive reward is aligned to shareholder value creation by only rewarding executives if there is a growth to share price and material reward can be earned only if there is a significant growth to share price.

During the financial period ended 25 July 2020, the Company granted a total of 29,361,640 performance options under the LTIP: 5,598,756 performance options to the CEO and 23,762,884 performance options to other selected senior executives. The performance options and rights granted under each offer are subject to different performance conditions. No performance options or rights have been granted since the end of the financial period ended 25 July 2020.

In September 2019, a total of 1,148,812 performance rights granted under the LTIP in FY17 lapsed following testing against the performance criteria.

During FY18, the Company granted 2,432,432 alignment rights to the CEO, and 555,555 alignment rights to the Chief Merchandise Officer. These rights vest on a monthly basis in 36 equal tranches and will convert to Myer ordinary shares at the end of the three year period. During FY20, 810,804 alignment rights vested to the CEO and 185,184 rights vested to the Chief Merchandise Officer. During FY19, the company granted 192,307 alignment rights to a person who was not a Key Management Personnel (**KMP**). These 192,307 rights lapsed in FY20. No shares were issued under the alignment rights plan.

The table in section 14 sets out the details of performance options and rights that have been granted under the LTIP and the alignment rights plan and which remain on issue as at the date of this Directors' Report.

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

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

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

From time to time, the Company issues fully paid ordinary shares in the Company to the Myer Equity Plans Trust (**Trust**) for the purpose of meeting anticipated exercises of securities granted under the LTIP. To calculate the issue price of shares issued to the Trust, the Company uses the five-day volume weighted average price of the Company's shares as at the close of trading on the date of issue.

During the financial period ended 25 July 2020, 504,356 fully paid ordinary shares were purchased on market by the Trust. No shares were transferred from the Trust in relation to any performance rights or options issued. Since 25 July 2020, 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.

Date performance rights and options granted	Expiry date	Issue price	Number of performance rights and options remaining on issue[(1)]
21 December 2017 (rights grant to senior executives under the FY18 LTIP offer)	31 Oct 2020	Nil	4,061,254
4 June 2018 (rights grant to CEO under Alignment Equity offer)[(2)]	4 Jun 2021	Nil	2,432,432
25 June 2018 (rights grant to senior executive under Alignment Equity offer[(3)]	25 Jun 2021	Nil	555,555
24 December 2018 (options grant to CEO under the FY19 LTIP offer)	31 Oct 2021	Nil	9,032,258
24 December 2018 (options grant to senior executives under the FY19 LTIP offer)	31 Oct 2021	Nil	22,755,711
21 November 2019 (options grant to CEO under the FY20 LTIP offer)	31 Oct 2022	Nil	5,598,756
21 November 2019 (options grant to senior executives under the FY20 LTIP offer)	31 Oct 2022	Nil	20,058,223
Closing balance of performance rights and options			**64,494,189**

[(1)] Each performance right entitles the holder to receive one fully paid ordinary share in the Company, subject to the satisfaction of the relevant performance outcomes. Performance options vest and are automatically exercised on a net settlement basis. The executive is allocated the total number of shares that would have been allocated upon exercise, less the number of shares equal to the value of the aggregated exercise price payable (and the exercise price is not required to be paid). The number of shares delivered by the Company represents the value above the exercise price in accordance with the formula below:

(A - B) / C, where:

A = Aggregate value of vested performance options (based on the market value of a share)

B = Aggregate exercise price payable

C = Market value of a share

The number of performance options or rights that a holder is entitled to receive on the exercise of a performance option or 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.

[(2)] Mr King was appointed as CEO and Managing Director on 4 June 2018. The performance rights referred to in this table were rights granted upon his appointment. These rights vest in equal monthly instalments over the period 4 June 2018 to 4 June 2021.

[(3)] Mr Winstanley was appointed as Chief Merchandise Officer on 25 June 2018. The performance rights referred to in this table were rights granted upon his appointment. These rights vest in equal monthly instalments over the period 25 June 2018 to 25 June 2021.

15. REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 16.

16. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's Constitution requires the Company to indemnify current and former directors, alternate directors, executive officers and officers of the Company on a full indemnity basis and to the full extent permitted by 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 period, 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 period 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*.

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 11th report to the Clean Energy Regulator in October 2019 and is due to submit its 12th report by 2 November 2020. 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 13th annual report in June 2020.

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 financial period 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 and, except where otherwise stated, amounts in the Directors' Report have been rounded off to the nearest hundred thousand dollars.

22. ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Thursday 29 October 2020.

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

Garry Hounsell
Chairman

Melbourne, 9 September 2020

Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the period 28 July 2019 to 25 July 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Jason Perry
Partner
PricewaterhouseCoopers

Melbourne
9 September 2020

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

Dear Shareholder,

On behalf of the Board, I present to you the Remuneration Report for FY20. This report sets out the remuneration information for the Non-Executive Directors and Executive KMP. It describes our Executive remuneration framework and pay outcomes for FY20 in a simple and transparent way.

Firstly, it is important to highlight the exceptional circumstances we have encountered during the year – the extreme bushfire season that occurred during our peak trading period and the COVID-19 pandemic – both of which have deeply affected the communities we serve. Through this time, I have been proud of the significant effort of our team members, to maintain our Company's focus and agility in this difficult period; I am particularly proud of the support that we have provided to communities impacted by the devastating bushfires, and our team's COVID-19 response to protect the health and wellbeing of our people and customers.

Our financial results and remuneration outcomes reflect this challenging operating environment. They should be viewed in the context of a year in which we took hard but necessary steps to reduce our cost base and preserve cash.

Executive Remuneration outcomes in FY20

This year's remuneration outcomes reflect the FY20 results.

Despite a net cash improvement of $46.6 million compared to the prior year, the following remuneration outcomes were delivered:

- No awards were made under the FY20 STI.
- There was no vesting of awards under the FY18 Long Term Incentive (LTI) plan.
- A freeze on Executive pay was in place throughout the year, given our ongoing focus on prudent cost management.

For a period during April, when all stores were closed due to COVID-19, the CEO and Managing Director, and Executive Management Team elected to forego their base salaries, or access their existing leave entitlements, and the Chairman and other Non-Executive Directors elected to forego their annual Director fees. Additionally, for a period in May and June, the CEO and Managing Director, and Executive Management Team elected to work at reduced base salaries and the Non-Executive Directors elected to receive reduced Director fees.

Furthermore, from 1 July 2020, the Chairman and Non-Executive Directors also elected to reduce their annual base fee to $250,000 (from $300,000) and $100,000 (from $120,000) respectively. This represents the third reduction to Chairman and Non-Executive Director fees since FY18.

These reductions to Executive KMP base salaries and Non-Executive Director fees were in response to the impact COVID-19 has had on our shareholders, customers, team members and the communities in which we operate.

FY21 Executive Remuneration Framework

Due to the impact of the COVID-19 pandemic and resulting business performance, a decision was made not to implement any salary increases for the Executive Management Team for FY21. The Human Resources and Remuneration Committee debated the appropriateness of this decision and believes, in the context of wider macroeconomic factors and the experience of the business with a large number of team members being stood down during COVID-19, that this is the right decision for Myer.

The Board also reviewed the Executive reward framework and as part of this review has introduced a Transformation Incentive (TI) plan that will replace the normal STI plan for a period of two years, starting from FY21. The TI plan places significant importance on transforming the business and adapting to the new challenges presented by COVID-19, whilst simultaneously promoting longer-term shareholder interests. The TI plan has been designed to:

1. **Focus Executive effort on transforming the business:** Performance measures under the TI plan are transformational in nature, in line with the accelerated Customer First Plan. It immediately aligns Executive effort behind the turn-around strategy of the business. The performance measures are quantifiable and heavily focused on financial performance.
2. **Increase alignment to shareholder value creation:** An increased portion of the award, compared to the normal STI plan, is to be delivered in deferred equity and the cash portion of the award has been reduced.
3. **Focus on long-term sustainable performance:** The equity component will be delivered in equal instalments over a longer two-year deferral period, taking the overall life of the plan to three years, as compared to two years under the normal STI plan.

After taking into account market feedback, the FY21 LTI plan will be granted in performance rights and includes the introduction of a positive absolute Total Shareholder Return (TSR) gateway measure. The performance hurdles of relative TSR and Earnings Per Share (EPS) have been retained. Replacing the LTI plan with rights, will address shareholder concerns on the dilutive effect of the leveraged design of the FY20 options plan, particularly in an environment where COVID-19 has affected the Myer share price, as it has for many companies across many industries.

The Board is mindful of shareholder feedback that, where the share price has fallen significantly compared to prior years, it will be taken into account when determining the LTI grant price. FY21 LTI awards are not due to be granted until after the AGM and this year careful consideration will be given to ensure that grant sizes are appropriate.

In addition to the above, the pay mix for the CEO and Managing Director, and the Executive Management Team for FY21 and FY22 has been changed by direction of the Board. There will be an increase in the weighting towards the TI and a decrease in the weighting toward LTI. It is important to note that this is a pay mix change only; there is no increase in the overall 'maximum' opportunity. This change in pay mix will apply for FY21 and FY22 only and aligns the entire Executive Management Team with the immediate priority of transforming the business over the next two years. The larger equity component and longer deferral period will provide a meaningful retention hook and promote longer-term shareholder value creation.

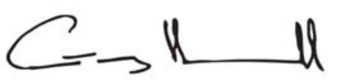
It is our intention that this reward framework will stay in place for the transformation period in FY21 and FY22 and the normal STI plan will be replaced after this time.

Under both the TI and LTI plans, clawback provisions that apply to equity have been strengthened, to include unsustainable performance with regard to non-financial risk.

These changes to the executive reward framework demonstrate our ongoing commitment to creating a strong link between transforming business performance and Executive remuneration outcomes in a sustainable way.

Finally, I would like to acknowledge the many stakeholders who have shared their feedback with us over the past year. I can assure you that the Board remains committed to ensuring the views of our shareholders are fully considered in the development of the remuneration framework.

Yours faithfully,



Garry Hounsell
Chairman, Human Resources and Remuneration Committee

CONTENTS

1. INTRODUCTION

The Directors of the Company present the Remuneration Report for the financial period ended 25 July 2020 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 Executive KMP and Non-Executive Directors, and details the role and accountabilities of the Board and relevant Committees that support the Board on these matters.

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 Executive KMP and Non-Executive Directors during FY20:

All KMP were in their roles for the full year, unless otherwise stated.

Name	Role
Non-Executive Directors	
G Hounsell	Chairman, Independent Non-Executive Director
J Morrison	Independent Non-Executive Director
J Stephenson	Independent Non-Executive Director
D Whittle	Independent Non-Executive Director
L Cattermole AM	Independent Non-Executive Director
J Naylor	Independent Non-Executive Director
Former Non-Executive Directors	
I Cornell(1)	Independent Non-Executive Director
Executive Directors	
J King	Chief Executive Officer and Managing Director
Executive KMP	
N Chadwick	Chief Financial Officer
A Sutton	Executive General Manager Stores
A Winstanley	Chief Merchandise Officer

(1) Mr Cornell retired as a Non-Executive Director on 30 October 2019.

2. SNAPSHOT OF REMUNERATION REPORT

2.1 OBJECTIVE AND GUIDING PRINCIPLES

Our remuneration objective is to support Executive KMP in delivering a business strategy that will put our customers first and ultimately deliver value to our shareholders.

Business priorities – focus areas & efficiency levers

Transform customer experience in store	'Only at Myer' brands & categories; value for money	Continue enhancing myer.com.au	Simplified business processes 'Work smarter'	Efficient from factory to customer 'Move product at lowest total cost'	Accelerated cost reduction 'Spend prudently'

Remuneration Principles

Reward outcomes that **reinforce our Customer First Plan**	Build our capability by **attracting and retaining high calibre talent**	Align the interests of our executives to those of our shareholders - **think like owners**	**Drive sustainable long term performance** of the business	**Be simple and transparent**

2.2 REMUNERATION STRUCTURE FOR FY20

	Strategic objectives & performance link	Performance measures
Total Fixed Compensation (TFC)	> To attract and retain high calibre talent. > Provides 'predictable' base level of reward. > Set with reference to market using external benchmark data.	> Varies based on employee's experience, skills and performance. > Consideration is given to both internal and external relativities across retail and other relevant sectors.
Short Term Incentive	> Sixty percent of the award is delivered in cash, and 40 percent is deferred. > Deferral is made in rights for the CEO and Managing Director. For other members of the Executive Management Team, deferral is split equally between cash and restricted shares. > Designed to drive the short-term financial and strategic objectives of the Company and aligned to creating shareholder value. > An NPAT gateway ensures a minimum acceptable level of Company profit before Executive KMP receive any STI award. > Supports retention and encourages focus on long-term value in addition to annual results, through the deferred component.	> NPAT 'gateway' – minimum threshold performance level below which no STI is paid. > Once the gateway is achieved, performance is assessed against a set of measures outlined below: • Company EBITDA accounts for up to 60 percent of the maximum STI. • Business unit objectives, relevant to the specific role, account for 40 percent of the maximum STI. Individual objectives are aligned to the strategy by including measures related to inventory management, customer experience, cash flow, cost of doing business, online EBIT and occupancy costs.
Long Term Incentive	> Delivered in equity, in the form of performance options, to align Executive KMP with shareholder interests. Options ensure that Executives are only rewarded for a growth in share price from the grant date. > Focused on delivery of long-term business strategy and shareholder value. > Measures complement those in the STI to provide a holistic and aligned reward offer. > Supports ongoing, sustainable performance and the retention of key talent.	> Performance measures: • Relative TSR (50 percent of award) against a retail and consumer services peer group • EPS compound annual growth(50 percent of award) > Performance measured over a 3-year performance period (FY20 – FY22) > Shares provided on vesting subject to restriction for 1 year, making the total alignment period with shareholders 4 years. For the CEO and Managing Director performance is measured over 3 years, but the vesting period is 4 years and no further restriction period applies.

2.3 COMPANY PERFORMANCE AND REMUNERATION OUTCOMES FOR FY20

The Company's remuneration structure aligns Executive KMP remuneration with shareholder interests over the short and long term and provides an appropriate reward on delivering our strategy.

Key aspects of the FY20 performance (pre-AASB 16) include:

- Total sales[2] declined by 15.8% to $2,519.4 million; reflecting widespread store closures
- Group online sales[3] of $422.5 million, up 61.1%, representing 17% of total sales
- Operating Gross Profit (**OGP**) declined by 17.6% to $957.3 million. OGP margin decreased by 85 basis points to 38.0%, unwinding the 62-basis point improvement that was achieved in 1H20. This was due to several impacts of COVID-19 in 2H20 including a higher mix of clearance sales and a mix that was skewed to lower margin products.
- Cost of Doing Business[1] decreased by 13.8% to $863.8 million, reflecting net cost reduction achieved in 1H20 as well as actions taken in response to COVID-19. The JobKeeper Payment Scheme allowed the business to retain stood down staff
- Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**) of $93.5 million[1]
- Implementation costs and individually significant items (**ISIs**) $159.0 million ($221.4 million pre-tax), including impairments of lease right-of-use (ROU) assets and brand names totalling $184.4 million ($133.0 million pre-tax)
- The adoption of AASB 16 *Leases* resulted in a net loss after tax of $2.1 million before ISIs
- Statutory net loss after tax of $172.4 million (post-AASB 16)
- Exit of the Hornsby store (January 2020), and the Emporium level at Myer Melbourne (May 2020)
- Commencement of store refurbishments at Belconnen (due for completion November 2020), Cairns (due for completion November 2020), and Karrinyup (due for completion August 2021)

[1] *Excluding implementation costs and individually significant items*

[2] *Revenue from sale of goods excluding concession sales and sales revenue deferred under customer loyalty program was $2,047.9 million (FY19: $2,345.1 million)*

[3] *Group online sales includes sass & bide and Marcs and David Lawrence. Excludes sales via in-store iPads*

The table below presents the Company's annual performance against key financial metrics since 2016.

	FY16(1)	FY17	FY18	FY19	FY20
Basic EPS (cents)	7.7	1.5	(59.2)	3.0	(21.0)
Basic EPS (cents) – adjusted(2)	8.8	8.3	4.0	4.0	(1.6)
NPAT (pre implementation costs and individually significant items) ($m)	69.3	67.9	32.5	33.2	(13.4)
NPAT (post implementation costs and individually significant items) ($m)	60.5	11.9	(486.0)	24.5	(172.4)
Dividends (cents per share)	5.0	5.0	-	-	-
Share price at beginning of year ($)	1.18(3)	1.34	0.77	0.46	0.53
Share price at end of year ($)	1.34(4)	0.77	0.46	0.53	0.21
Market capitalisation ($m)	1,100.5	632.4	377.8	435.3	172.5

(1) FY16 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) Basic EPS is adjusted to exclude implementation costs and individually significant items. Refer to section 7 of the Directors' Report for further details. The Directors believe this metric is more relevant as it excludes individually significant items that may not recur and may not be predictive of future performance.
(3) Share price before the Entitlement Offer completed in September 2015.
(4) Share price after the Entitlement Offer completed in September 2015.

Remuneration outcomes for FY20

Executive KMP and TFC	Short Term Incentive	Long Term Incentive
There was no change to the TFC for Executive KMP effective in FY20. In addition, the CEO and Executive Management Team elected to forego 12 percent of their annual base salary in response to COVID-19.	The NPAT gateway condition was not achieved in FY19, and accordingly no STI was paid during FY20 to the Executive Management Team, including Executive KMP.	The LTI awards under the FY17 plan did not meet the required performance hurdles and hence no performance rights under that plan have vested.

2.4 PAYMENTS TO EXECUTIVE KMP IN FY20

The table below sets out the actual remuneration received by Executive KMP in FY20. The table has not been prepared in accordance with accounting standards but has been provided to outline clearly the remuneration outcomes for Executive KMP. Remuneration outcomes prepared in accordance with the accounting standards are provided in Section 7.

			Short Term Incentive		Long Term Incentive		
Name	Cash salary(1) $	Super-annuation(2) $	FY2020 STI(3) $	STI deferred from prior year(4) $	Vested & exercised LTIP(5) $	Termination and other payments $	Actual FY20 Remuneration $
Executive Directors							
J King(6)	1,058,225	-	-	-	-	-	1,058,225
Executive KMP							
N Chadwick	670,186	21,060	-	-	-	-	691,246
A Sutton	614,274	21,060	-	-	-	-	635,334
A Winstanley(7)	701,074	-	-	-	-	-	701,074

(1) Cash salary includes short-term compensated absences, including any leave taken during the COVID-19 store closure period, any salary sacrifice arrangement implemented by the Executive KMP, including additional superannuation contributions.
(2) Executive KMP 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 FY19 performance and conditions, but paid during FY20. Includes only the non-deferred component.
(4) Deferred STI relating to FY18 performance and conditions, paid during FY20.
(5) The number of performance rights vested and exercised under the FY17 LTI plan multiplied by the Myer share price at vesting. Mr King and Mr Winstanley had rights vest under their alignment equity plans; these rights are not exercisable until the end of the three-year performance period.
(6) Mr King does not receive superannuation contributions due to his tax status. As per the terms of his employment contract, and consistent with market practice, Mr King is entitled to ongoing expatriate support. This support has not been included in this table. More details can be found in Section 7.
(7) Mr Winstanley does not receive superannuation contributions due to his tax status. As per the terms of his employment contract, and consistent with market practice, Mr Winstanley is entitled to ongoing expatriate support. This support has not been included in this table. More details can be found in Section 7.

2.5 EQUITY VESTED IN FY20

Following the release of our financial results in September 2019, the performance rights granted to Executive KMP in December 2016 were tested against the hurdles of ROFE, EPS and relative TSR. The hurdles were not met, and accordingly the rights granted to Executive KMP under the FY17 LTI plan lapsed.

On commencement of their employment, Mr King and Mr Winstanley were granted share rights, creating an immediate alignment between them and shareholders. These rights vest on a monthly basis, in 36 equal tranches and will convert to ordinary Myer shares at the end of the three-year period. Mr King was granted 2,432,432 share rights worth $900,000 at the time of announcement of his appointment and Mr Winstanley was granted 555,555 share rights worth $250,000 at the time of announcement of his appointment. During FY20, Mr King and Mr Winstanley had rights vest under their alignment equity plans; these rights are not exercisable until the end of the three-year performance period.

3. EXECUTIVE KMP REMUNERATION

Executive KMP remuneration is delivered through a mix of fixed and variable (or 'at risk') pay, and a blend of short and longer-term incentives. As outlined in the Remuneration Structure in Section 2.2, Executive KMP remuneration is made up of three components:

- Total Fixed Compensation;
- Short Term Incentives; and
- Long Term Incentives.

The combination of these components comprises an Executive KMP's total remuneration.

3.1 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 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 KMP are set with reference to the market, the scope and nature of each role, the incumbent's experience and individual performance. The Human Resources and Remuneration Committee (**Committee**) typically reviews and makes recommendations to the Board regarding TFC for Executive KMP annually, having regard to Company and individual performance and relevant comparative remuneration in the market. However, given current financial performance, the Board decided not to increase TFC as part of the annual remuneration review in FY20. The Board may also consider adjustments to Executive KMP remuneration outside the annual remuneration review process as recommended by the CEO and Managing Director, such as on promotion or as a result of additional duties performed by the Executive KMP. Where new Executive KMP join the Company or existing Executive KMP 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 Executive KMP is considered in the context of the skills and experience being sought and the global Senior Management 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. Mr King's package was set with reference to the skills and experience required to turn around the company's performance in what is a very challenging time in the retail industry. It must also be noted that Myer is competing for talent in a very small pool of international candidates and the current package was necessary to attract and retain a high quality, experienced CEO of Mr King's calibre. Mr King's fixed remuneration was set at the same level as the previous CEO, which had not been reviewed since 2015. Some of Mr King's significant achievements have been: • Marked improvements to the customer's digital shopping experience, including enhanced systems and processes and improved search and checkout functionality. Together with improved fulfilment, these enhancements have underpinned the significant growth in online sales as well as a 50-basis point improvement in conversion, and an improved gross profit. • An agreement with existing lenders to amend and extend the banking facility until August 2022. The amended facility of $340m (which will amortise by $30m during 2021 and by $60m during 2022), compared to the existing facility of $360m. The reduced size in part reflects the Company's success in deleveraging the balance sheet during the past two years. • A net cash position of $7.9 million representing an improvement of $46.6 million on prior year. This was achieved through simplified business processes and prudent financial management, which was escalated during the COVID-19 pandemic period, along with support from the federal government and other payment deferrals, despite the loss of revenue and earnings as a result of store closures and reduced foot traffic. Mr King did not receive an increase to his Fixed Remuneration in FY20.

3.2 SHORT TERM INCENTIVE PLAN

Myer's STI plan for Executive KMP and other Senior Executives operates on an annual basis subject to Board review and approval. The FY20 STI applied to all eligible Executives, including Executive 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 KMP's reward opportunity, designed to put a meaningful part of the Executive KMP's remuneration at risk. Payment under the STI is subject to achieving pre-determined Company and individual performance criteria. All Senior Managers, including Executive KMP, participate in the STI.
What is the value of the STI opportunity?	STI targets are set as a percentage of the Executive KMP's TFC. The current maximum levels for Executive KMP are set out below. • CEO and Managing Director – 80 percent of TFC. • Other Executive KMP – 60 percent of TFC.
Does the STI include a deferred component?	40 percent of any award payable to members of the Executive Management Team is deferred for 12 months following the end of the performance period. The deferred component supports share ownership and is also a risk management lever to facilitate the clawback policy application during the deferral period. The deferred component of the CEO and Managing Director's STI is provided in deferred rights, which vest after 12 months. The deferred component of other members of the Executive Management Team is provided equally in cash, and restricted shares. Restricted shares carry a 12-month restriction period. Participants are entitled to receive a dividend during the restriction period. The CEO and Managing Director award is provided in deferred rights rather than restricted shares due to his tax considerations. Since deferred rights do not carry an entitlement to dividends, additional shares are granted on vesting of CEO and Managing Director rights to ensure that his benefit is equivalent to any dividends earned by other participants during their one-year restriction period. This ensures that all participants under the plan are treated fairly and consistently.
Gateway and performance measures	
Is there a performance 'gateway' and how is it determined?	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.
What were the FY20 performance measures?	The FY20 STI was structured around two key components: • Company EBITDA accounts for 60 percent of the STI scorecard for Executive KMP. • Key business unit financial and strategic objectives aligned to the strategy account for the remaining 40 percent of the STI scorecard. It includes measures related to inventory management, customer experience, cash flow, cost of doing business, online EBIT and occupancy costs.
Why were the performance measures selected?	Overall performance measures are selected to align with annual and long-term business plans. Details of the FY20 performance measures, and the strategic objectives they are aligned to, are set out in Section 2.2. The Board believes that a large component of an Executive KMP's STI award should be driven by the financial performance of the Company, and accordingly 60 percent of the STI is dependent on Company EBITDA, providing close alignment with shareholder outcomes. Other financial and strategic objectives in the performance scorecard are set by the CEO and Managing Director (and approved by the Human Resources and Remuneration Committee (the Committee) and the Board), and, combined with the Company EBITDA measure, are intended to drive strategy and deliver financial results. These objectives and their targets align with key financial metrics and strategic goals, and the measures selected for each Executive KMP are determined by reference to the specific objectives of their role for the financial period.
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 that 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.
Governance	
When are performance targets set and reviewed?	Performance objectives and targets are set at the beginning of the financial period, while performance against these targets is reviewed following the end of the financial period.

How is performance measured?	The Committee determines whether, or the extent to which, each target is satisfied following the end of the financial period, once the Company's annual accounts are audited and have been approved by the Directors. If the gateway is satisfied, an STI may be paid to participating Executive 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 Managing Director, Executive KMP and other Executives. The Committee is responsible for assessing whether the performance criteria are met. To help make this assessment, the Committee receives reports on the Company's performance from management. All proposed STI awards are only made once the Company's financial performance has been verified by internal and external audit. The Committee has the discretion to recommend to the Board an adjustment to any award in light of unexpected or unintended circumstances.
When are incentives paid?	The component of the STI awards approved by the Board that is not subject to deferral is paid to participating Executive KMP and other Executives in the month following the release of the Company's results to the ASX. The deferred component of the CEO and Managing Director's STI is provided in deferred rights, which he will not be able to trade during the 12-month deferral period. The deferred component of other Executive KMP is paid equally in cash and restricted shares, following the end of the 12-month deferral period.

Cessation of employment, clawback or change of control

If an individual ceases employment during the performance year, will they receive a payment?	Participants leaving employment during the performance year are generally not eligible to receive an award under the STI. In certain circumstances (such as redundancy), the Board may consider eligibility for a pro rata payment.
Does a 'clawback' apply?	The STI Plan allows the Board to take any steps that it determines appropriate to recover from the individual Executives any STI reward that was determined to have been an 'unfair benefit' as a result of a material misstatement in, or omission from, the Company's financial statements or concerning the satisfaction of KPI applicable to the STI. The provision applies only to those who were Executives of the Company at the time the financial statements were approved by the Board and issued by the Company. The Board may also adjust the award in cases of fraud, or dishonest or gross misconduct, unsustainable performance involving high-risk actions and bringing the company into disrepute.
How would a change of control affect 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 and Managing Director notice that the restriction period for any restricted shares will end if certain change of control events occur.

FY20 Outcome

The NPAT gateway was not met and accordingly no STI was payable to the Executives, including Executive KMP.

3.3 FY20 LONG TERM INCENTIVE PLAN

Features of the LTI plan applicable in respect of FY20 are outlined in the table below. In FY20, the Board granted performance options under the LTI plan to Executive KMP and other Senior Executives.

Form and purpose of the plan

What is the LTI plan?	The LTI plan is an incentive that is intended to promote alignment between Executives and shareholder interests over the longer term. Under the LTI plan, performance options may be offered annually to the CEO and Managing Director and nominated Executives, including Executive 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.
How is the LTI plan delivered?	The LTI plan is delivered via a grant of performance options. The number of performance options that vest is not determined until after the end of the performance period.

	The performance options will therefore not provide any value to the holder between the dates the performance options are granted and the end of the vesting period and restriction period (if applicable), and then only if the performance hurdles are satisfied and there has been share price growth over the exercise price. Performance options do not carry entitlements to ordinary dividends or other shareholder rights until the performance options vest and shares are provided. Accordingly, participating Executives do not receive dividends during the vesting Period.
How was the number of performance options determined?	The number of performance options for each Executive was determined as part of the calculation of total remuneration for an Executive role. The Committee determined LTI plan awards by assessing the quantum required to provide a market competitive total remuneration level, for on target performance. The number of performance options granted was determined by reference to the maximum value of the grant. The maximum value was determined by a fixed percentage of the Executive's TFC. The CEO and Managing Director was entitled to a maximum value of 90 percent of TFC in FY20. Executive KMP are entitled to a maximum value of 60 percent of TFC. The maximum value divided by the value attributed to the performance option was used to determine the exact number of performance options granted. The value attributed to the performance option was calculated using the Black-Scholes option valuation approach as at the grant date. The exercise price was set based on the volume weighted average price (VWAP) of the Company's shares over the five trading days up to and including the day before the closing date of the grant.
Vesting and performance hurdles	
What is the performance period?	The performance period commences at the beginning of the financial period in which the performance options are granted. For the performance options granted under the FY20 LTI plan, the performance period started on 28 July 2019 and ends after three years on 30 July 2022. Following the end of the performance period and after the Company has lodged its audited financial results for FY22 with the ASX, the Board will test the performance hurdles that apply to the FY20 LTI plan offer and will determine how many performance options (if any) are eligible to vest.
What are the performance hurdles?	The performance measures approved by the Board for the FY20 LTI plan offer were EPS and relative TSR: • 50 percent of the award is subject to the EPS hurdle; and • 50 percent of the award is subject to the relative TSR hurdle.
Why were the performance hurdles chosen?	The hurdles were chosen to align shareholder returns with Executive reward outcomes over the three-year performance period and to complement the STI plan measures. The Board considers EPS the most effective measure for determining the underlying profitability of the business. When determining normalised EPS for LTI purposes statutory earnings is adopted as the base and the Board will allow adjustments to be made for significant items on a case-by-case basis. To the extent a write-down occurs that is considered to have been within management's control, it will form a part of the EPS calculation. The TSR hurdle was selected 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.

What is the vesting framework?

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

For the FY20 LTI plan offer, the following vesting hurdles apply:

Performance options subject to the EPS hurdle (50 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 FY19 as the base year. The resulting growth rate will be used to determine the level of vesting for the performance options subject to the EPS Hurdle.

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

Growth in EPS from base year EPS	% of performance options subject to the EPS Hurdle that will vest (rounded down to the nearest whole number)
Below 5% compound annual growth	Nil
At 5% compound annual growth	50%
Between 5% and 12% (inclusive) compound annual growth	Straight line pro-rata vesting between 50% and 100%
At or above 12% compound annual growth	100%

When determining normalised EPS for LTI purposes statutory earnings is adopted as the base and the Board will allow adjustments to be made for significant items on a case-by-case basis. To the extent a write-down occurs that is considered to have been within management's control, it will form a part of the EPS calculation.

The EPS targets were lowered by 8 percent from the FY19 LTI plan. The board believes that the FY20 targets provide an appropriate ambition and stretch for Myer that has experienced negative EPS growth in prior years.

Performance options subject to the TSR Hurdle (50 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 for the FY20 Grant was amended to include a more relevant base of listed companies from the retail and the consumer services sector. The constituents are: Accent Group, Adairs, AP Eagers, Automotive Holdings, Baby Bunting, Bapcor, Beacon Lighting, Coles Group, Collins Foods, Corporate Travel Management, Domino's Pizza Enterprises, Flight Centre Travel Group, Harvey Norman Holdings, Helloworld Travel, JB Hi-Fi, Kogan, Lovisa Holdings, Metcash, Michael Hill International, Motorcycle Holdings, National Tyre & Wheel, Nick Scali, Noni B, Premier Investments, Super Retail Group, Webjet, Wesfarmers and Woolworths Group. The comparator group may, at the discretion of the Board, be adjusted to take into account events during the performance period including, but not limited to, takeovers, mergers, de-mergers and de-listings.

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 relative to peer group	% of performance options subject to the TSR Hurdle that will vest (rounded down to the nearest whole number)
Below the 50th percentile	Nil
At the 50th percentile	50%
Between the 50th percentile and the 75th percentile	Straight line pro-rata vesting between 50% and 100%
At or above the 75th percentile	100%

For the CEO and Managing Director, the performance period is three years, but the vesting period is 4 years during which a continuous service condition applies.

Are the performance hurdles subject to retesting?

No. Each performance hurdle is only tested once at the end of the performance period.

How are shares allocated?	Under the plan, following vesting, shares are allocated on a net settlement basis, where the Executive is allocated the total number of shares that would have been allocated upon exercise less the number of shares equal to the value of the aggregated exercise price. The number of shares delivered by the Company represents the value above the exercise price in accordance with the formula below: (A - B) / C, where: A = Aggregate value of vested performance options (based on the market value of a share) B = Aggregate exercise price payable C = Market value of a share This approach ensures that Executives are only rewarded for the increase to share price from the grant date, thereby strengthening the alignment between Executive remuneration and growth in shareholder value. The exercise price of $0.55 for the FY20 LTI plan was calculated using the VWAP of a share over the five trading days up to and including the day before the closing date of the grant.
Do any restrictions apply once the options vest?	Any shares provided on vesting of the performance options will be subject to a restriction period of one year, during which they cannot be sold, transferred or otherwise dealt with. A continuous service restriction will also apply during the restriction period. For the CEO and Managing Director performance is measured over 3 years, but the vesting period is 4 years and there is no additional restriction period following the vesting.
Cessation of employment, change of control, clawback, forfeiture, participation in future issues and hedging arrangements	
Cessation of employment	The treatment of performance options 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 options. If employment ceases on or before the end of the restriction period for other reasons, the Executive KMP will retain a pro-rata interest in the vested shares. The calculation is determined based on time elapsed between the start of the performance period and cessation of employment. Subject to applicable law, the Board has the discretion to allow a different treatment (although the discretion is only likely to be exercised in exceptional circumstances).
How would a change of control impact LTI plan entitlements?	The Board has absolute discretion to allow full or pro-rated accelerated vesting of performance options in the event of certain change of control events, and would exercise this discretion in the best interests of the Company.
Does a 'clawback' and/or forfeiture apply?	The LTI Plan allows the Board to take any steps that it determines appropriate to recover from the individual Executives any LTI award that vests or may vest if it was determined to have been an 'unfair benefit' as a result of a material misstatement in, or omission from, the Company's financial statements or concerning the satisfaction of KPI applicable to the LTI. The provision applies only to those who were Executives of the Company at the time the financial statements were approved by the Board and issued by the Company. The Board may also adjust the award in cases of fraud, or dishonest or gross misconduct, unsustainable performance involving high-risk actions and bringing the company into disrepute.
How would a bonus or rights issue impact performance options under the LTI plan?	The options and entitlements attaching to performance options 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 the exercise of performance options may be changed in a manner determined by the Myer Board and consistent with the ASX Listing Rules.
Do performance options expire?	The expiry date for performance options under the FY20 LTI plan is 21 November 2023.
Do any other restrictions apply to performance options prior to vesting or subject to restriction?	Executives are forbidden from entering into any hedging arrangements affecting their economic exposure to performance options or restricted shares. Executives are also forbidden from entering into transactions or arrangements prohibited under the Company's Securities Dealing Policy.

In FY20, Executive KMP and other Senior Executives received a grant of performance options. 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 below.

The following table summarises the FY20 performance options granted to Executive KMP:

Name	Number of performance options granted	Valuation of each performance option at grant date[1] $	Exercise price $	Applicable hurdles	End of performance period
J King	2,799,378	0.1781	0.55	EPS	30 July 2022
	2,799,378	0.1576	0.55	TSR	30 July 2022
N Chadwick	1,236,392	0.1517	0.55	EPS	30 July 2022
	1,236,392	0.1452	0.55	TSR	30 July 2022
A Sutton	1,026,439	0.1517	0.55	EPS	30 July 2022
	1,026,439	0.1452	0.55	TSR	30 July 2022
A Winstanley	1,236,392	0.1517	0.55	EPS	30 July 2022
	1,236,392	0.1452	0.55	TSR	30 July 2022

(1) The valuation is calculated in accordance with AASB 2 Share Based Payment.

4. EXECUTIVE KMP SERVICE AGREEMENTS

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

Name	Contract type	Termination notice period initiated by Executive KMP	Termination notice period, or payment in lieu of notice, initiated by Company
J King	Rolling contract	12 months	12 months
N Chadwick	Rolling contract	6 months	6 months
A Sutton	Rolling contract	3 months	6 months
A Winstanley	Rolling contract	6 months	6 months

The agreements also provide for an Executive KMP's participation in the STI and LTI plans subject to Board approval of their eligibility and in accordance with the terms and conditions of the respective plans.

In addition, Mr King and Mr Winstanley have been provided with support relating to their relocations, and are entitled to the following benefits:

- Coverage of costs associated with moving personal and household items, tax services and rental assistance for the first year of their assignments; and
- Health care coverage and two return flights for self and spouse to and from the USA or the United Kingdom annually, and other costs related to their Australian residency.

The cost to the Company in providing this support for the period ended 25 July 2020 is summarised in Section 7.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

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

- Chairman's fees and payments;
- Non-Executive Directors' fees and payments; and
- Payments made in relation to the Chairman of committees or for other specific tasks that may be performed by Directors.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit as approved from time to time by Myer shareholders at the AGM. 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.

In FY18, the Chairman and Non-Executive Directors' fees had been reduced to align them with market benchmarks for companies with a similar market capitalisation. The Chairman fee was initially reduced from $400,000 in FY17 to $350,000 from the start of FY18. From 21 March 2018, the Chairman fee was subsequently further reduced from $350,000 to $300,000, Non-Executive Directors' fees were reduced from $150,000 to $120,000, the Audit Finance and Risk Committee Chairman fees were reduced from $30,000 to $20,000 and Human Resources and Remuneration Committee Chairman fees were reduced from $22,500 to $20,000.

A further reduction of 16.7 percent to the Chairman and Non-Executive Director fees was made effective from 1 July 2020, in response to the impact of COVID-19 on Myer's investors, customers, team members and the community more broadly.

Base Annual Fees	**28 July 2019 – 30 June 2020**	**1 July 2020 – 25 July 2020**
Chairman (all inclusive)	300,000	250,000
Other Non-Executive Directors	120,000	100,000
Additional annual fees		
Audit Finance and Risk Committee – Chairman	20,000	20,000
Audit Finance and Risk Committee – member	-	-
Human Resources and Remuneration Committee – Chairman	20,000	20,000
Human Resources and Remuneration Committee – member	-	-
Nomination Committee – Chairman	-	-
Nomination Committee – member	-	-

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.

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.

Each Non-Executive Director will target the purchase of a shareholding in the Company that, as at the date of the last purchase, is equivalent to at least one year's Non-Executive Director's base fees, progressively over three years from the date of their appointment, for new Non-Executive Directors, and within three years from April 2018 for Non-Executive Directors appointed before this date.

In FY20, the Chairman and other Non-Executive Directors, elected to forego 17 percent of their annual Director fees in response to COVID-19. The table below shows the remuneration amounts recorded in the financial statements in the period for Non-Executive Directors:

Name	FY	Myer Holdings Limited Board & Committee Fees $	Superannuation $	Total $
Non-Executive Directors				
G Hounsell(1)	2020	227,649	18,185	245,834
	2019	279,429	20,571	300,000
J Morrison	2020	92,199	9,342	101,541
	2019	108,600	11,400	120,000
J Stephenson	2020	104,075	10,925	115,000
	2019	126,700	13,300	140,000
D Whittle	2020	88,992	9,342	98,334
	2019	108,600	11,400	120,000
L Cattermole AM(2)	2020	88,992	9,342	98,334
	2019	86,565	9,087	95,652
J Naylor(3)	2020	88,992	9,342	98,334
	2019	20,067	2,107	22,174
Former Non-Executive Directors				
I Cornell(4)	2020	31,216	3,277	34,493
	2019	126,700	13,300	140,000
C Froggatt(5)	2020	-	-	-
	2019	35,567	-	35,567
B Thorn(6)	2020	-	-	-
	2019	61,540	6,460	68,000
Total Non-Executive Directors	**2020**	**722,115**	**69,755**	**791,870**
	2019	953,768	87,625	1,041,393

(1) Mr Hounsell assumed the role of Chairman of the Human Resources and Remuneration Committee since 1 November 2019. He has opted not to receive the additional Committee Chairman fee for FY20.
(2) Ms Cattermole AM was appointed as a Non-Executive Director on 15 October 2018.
(3) Ms Naylor was appointed as a Non-Executive Director on 27 May 2019.
(4) Mr Cornell retired as a Non-Executive Director on 30 October 2019.
(5) Ms Froggatt retired as a Non-Executive Director on 30 November 2018.
(6) Mr Thorn retired as Non-Executive Director on 24 February 2019.

6. REMUNERATION GOVERNANCE

6.1 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 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 consider the Company's internal succession plan and capability profile.

Mr Ian Cornell served as Chairman of the Committee for the period July 2018 to October 2019. Mr Garry Hounsell has assumed the role of Chairman since then. Ms JoAnne Stevenson stepped down from the Committee on 13 August 2019 and Ms Julie Ann Morrison was appointed as a member from the same date. Ms Jacquie Naylor was appointed as a member from 3 September 2019. Ms Lyndsey Cattermole AM was a member of the Committee throughout FY20.

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

- Non-Executive Director fees;
- Executive remuneration (for the CEO and Managing Director, 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, suitable succession coverage, 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 CEO and Managing Director, and the Executive General Manager Human Resources are regular attendees at the Committee meetings. The CEO and Managing Director was not present during any Committee or Board meetings when his remuneration was considered or discussed during the financial period.

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 he is not available, a Committee member, will attend the AGM and be available to answer any questions from shareholders about the Committee's activities or, if appropriate, the Company's remuneration arrangements.

6.2 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 a remuneration consultant is free from undue influence by the Executive KMP to whom any recommendations may relate.

During FY20, the Human Resources and Remuneration Committee engaged KPMG to provide various remuneration advice regarding market practice and trends and assistance with other ad-hoc matters. KPMG did not provide any remuneration recommendations as defined in the Corporations Act 2001 (Cth) to the Committee during FY20.

7. EXECUTIVE KMP STATUTORY DISCLOSURES

The following table 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 period in accordance with relevant accounting standards and accordingly this does not necessarily reflect the amount actually paid to the individual during the period, which may be more or less than the amount shown in the following tables.

		Short-term employee benefits			Post employment benefits[4]		Long-term benefits		Total remuneration expense				
Name	**FY**	**Cash salary[1] $**	**STI[2] $**	**Other[3] $**	**Super-annuation[5] $**	**Subtotal $**	**Long service leave[6] $**	**Termination & other payments $**	**Excluding share based payments $**	**Share-based payment expense[7] $**	**Total $**	**% of Performance related remuneration**	**% of Remuneration consisting of rights and/or options**
Executive Directors													
J King[8]	2020	1,058,225	-	143,815	-	1,202,040	9,483	-	1,211,523	379,752	1,591,275	24%	24%
	2019	1,200,000	-	153,239	-	1,353,239	3,243	-	1,356,482	508,246	1,864,728	27%	27%
Executive KMP													
N Chadwick	2020	670,186	-	22,838	21,060	714,084	6,796	-	720,880	115,063	835,943	14%	14%
	2019	755,679	-	(12,084)	20,571	764,166	2,560	-	766,726	88,298	855,024	10%	10%
A Sutton	2020	614,274	-	(18,525)	21,060	616,809	(14,928)	-	601,881	99,740	701,621	14%	14%
	2019	639,429	-	16,089	20,571	676,089	11,489	-	687,578	96,520	784,098	12%	12%
A Winstanley[9]	2020	701,074	-	69,301	-	770,375	6,168	-	776,543	128,221	904,764	14%	14%
	2019	795,000	-	207,655	-	1,002,655	2,076	-	1,004,731	150,820	1,155,551	13%	13%
Former Disclosed Executives													
M Cripsey[10]	2020	-	-	-	-	-	-	-	-	-	-	-	-
	2019	156,980	-	(4,240)	5,133	157,873	(4,740)	334,734	487,867	25,982	513,849	5%	5%
R Umbers[11]	2020	-	-	-	-	-	-	-	-	-	-	-	-
	2019	-	-	-	3,462	3,462	-	753,178	756,640	-	756,640	-	-
Total KMP Remuneration													
	2020	**3,043,759**	-	**217,429**	**42,120**	**3,303,308**	**7,519**	-	**3,310,827**	**722,776**	**4,033,603**		
	2019	3,547,088	-	360,659	49,737	3,957,484	14,628	1,087,912	5,060,024	869,866	5,929,890		

Footnotes

(1) Cash salary includes short-term compensated absences, including any leave taken during the COVID-19 store closure period, any salary sacrifice arrangement implemented by the Executive KMPs, 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) Other short-term employee benefits include the movement in annual leave accrual, and Fringe Benefits Tax paid by the Company in respect of Company provided car parking up to the end of March 2020 (in accordance with the FBT year), mobile phone expenses and expatriate support for Mr King and Mr Winstanley.
(4) There were no post-employment benefits other than superannuation.
(5) Executive KMPs receive a statutory superannuation contribution up to a threshold limit in line with the ATO published maximum superannuation contribution base, with the exception of Mr King and Mr Winstanley, who do not receive superannuation due to their tax status.
(6) This benefit includes the movement in long service leave accrual.
(7) 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 and options expected to vest. Where expectations change in relation to vesting, adjustment is made in the current period to reflect this change. As the equity grant may fully vest, partially vest or not vest at all, the benefit that the Executive KMP ultimately realises is likely to be different to the amount disclosed in a particular year. The amount disclosed does not represent cash payments received in the period, and if vesting conditions are not met, may result in reversal of the remuneration amount in a future period. There were no other equity-settled share-based payments and there were no cash-settled share based payments.
(8) Mr King's other short-term benefits include annual leave accrual, a health insurance allowance, relocation expenses for spouse, and return flights home under the expatriate terms of his employment contract.
(9) Mr Winstanley's other short-term benefits include annual leave accrual, a health insurance allowance, and return flights home under the expatriate terms of his employment contract.
(10) Mr Cripsey stepped down as Chief Operating Officer on 31 October 2018 and was paid the minimum payment required under the terms of his employment.
(11) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and his notice period concluded on 31 July 2018. His termination payment consists of all payments made post 14 February 2018, which were the minimum payments required under the terms of his employment.

7.1 UNVESTED PERFORMANCE RIGHTS AND OPTIONS

Details of performance rights and options granted to Executive KMP under the previous equity incentive plans that remain unvested as at 25 July 2020 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)
Rights (ROFE hurdle)	21-Dec-17	640,909	$0.47	End of performance period
Rights (EPS hurdle)	21-Dec-17	320,455	$0.21	End of performance period
Rights (TSR hurdle)	21-Dec-17	320,454	$0.47	End of performance period
Rights (CEO only service hurdle)	4-Jun-18	743,257	$0.29	End of performance period
Rights (CMO only service hurdle)	25-Jun-18	169,755	$0.35	End of performance period
Options (EPS hurdle)(1)	24-Dec-18	8,870,968	$0.12	End of vesting period
Options (TSR hurdle)(1)	24-Dec-18	8,870,968	$0.12	End of vesting period
CEO Options (EPS hurdle)(2)	21-Nov-19	2,799,378	$0.18	End of vesting period
Other Executive KMP Options (EPS hurdle)(2)	21-Nov-19	3,499,223	$0.15	End of vesting period
CEO Options (TSR hurdle)(2)	21-Nov-19	2,799,378	$0.16	End of vesting period
Other Executive KMP Options (TSR hurdle)(2)	21-Nov-19	3,499,223	$0.15	End of vesting period
Total		**32,533,968**		

(1) Performance options granted on 24 December 2018 will expire on 24 December 2022.
(2) Performance options granted on 21 November 2019 will expire on 21 November 2023.

Details of performance rights or options over ordinary shares in the Company currently provided as remuneration and granted during FY20 to Executive KMP are set out overleaf. Further information on the LTI plan is set out in note H4 of the Financial Statements.

7.2 EQUITY INSTRUMENTS GRANTED TO EXECUTIVE KMP IN FY20

Name	Vesting Date	Number of performance options granted[1]	Value of performance options at grant date[2] $	Number of rights vested during the period
J King[3]	16-Sep-23	5,598,756	1,080,000	810,804
N Chadwick	16-Sep-22	2,472,784	477,000	-
A Sutton	16-Sep-22	2,052,878	396,000	-
A Winstanley[4]	16-Sep-22	2,472,784	477,000	185,184

(1) No performance rights were granted to Non-Executive Directors during the reporting period.
(2) The Black Scholes valuation for determining the face value for allocating options under the FY20 LTI plan was $0.193.
(3) Mr King was appointed as CEO and Managing Director on 4 June 2018. The number of performance rights vested refer to rights granted on his commencement. This plan vests monthly in 36 equal tranches.
(4) Mr Winstanley was appointed as Chief Merchandise Officer on 25 June 2018. The number of performance rights vested refer to rights granted on his commencement. This plan vests monthly in 36 equal tranches.

7.3 SHARES PROVIDED ON EXERCISE OF RIGHTS OR OPTIONS

No Non-Executive Directors of the company or Executive KMP were provided ordinary shares as a result of exercise of options or rights.

7.4 PERFORMANCE OPTIONS AND PERFORMANCE RIGHTS 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 period, 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	Equity Vehicle	Vested %	Forfeited %	Maximum total value of grant yet to be expensed [1]
J King[2]	21-Nov-19	Options[3]	-	-	783,126
	24-Dec-18	Options[4]	-	-	311,826
	4-Jun-18	Rights	33%	-	16,460
N Chadwick	21-Nov-19	Options[3]	-	-	290,609
	24-Dec-18	Options[4]	-	-	106,244
	29-Jan-18[5][6]	Rights	-	-	2,163
A Sutton	21-Nov-19	Options[3]	-	-	241,260
	24-Dec-18	Options[4]	-	-	88,202
	21-Dec-17[6]	Rights	-	-	1,903
	22-Dec-16[7]	Rights	-	100%	-
A Winstanley[8]	21-Nov-19	Options[3]	-	-	290,609
	24-Dec-18	Options[4]	-	-	106,244
	25-Jun-18	Rights	33%	-	4,572
M Cripsey	21-Dec-17[9]	Rights	-	100%	-
	22-Dec-16[7]	Rights	-	100%	-

(1) This represents the maximum remaining accounting value of the LTI plan awards (rights and options) as at their grant date.
(2) Mr King was appointed as CEO and Managing Director on 4 June 2018. The performance rights referred to in this table were rights granted upon his appointment. These rights vest monthly over the period 4 June 2018 to 4 June 2021.
(3) Performance options granted on 21 November 2019 will expire on 21 November 2023.
(4) Performance options granted on 24 December 2018 will expire on 24 December 2022.
(5) Mr Chadwick was appointed as Chief Financial Officer on 29 January 2018, and was granted performance rights upon his appointment.
(6) The grants under the FY18 LTI plan will be tested for vesting following the release of the FY20 results and details disclosed in the FY21 Remuneration Report.
(7) The grants under the FY17 LTI plan were tested following the release of the FY19 results. The performance hurdles were not met and hence no rights vested under this plan.
(8) Mr Winstanley was appointed as Chief Merchandise Officer on 25 June 2018. The performance rights referred to in this table were rights granted upon his appointment. These rights vest monthly over the period 25 June 2018 to 25 June 2021.
(9) Mr Cripsey voluntarily surrendered his unvested rights under the FY18 LTI plan.

7.5 TRANSACTIONS WITH KMP

Mr King is a director of Raging Bull Group Limited and has a relevant interest in 20 percent of the shares. During the period ended 25 July 2020, Myer Pty Ltd placed orders for apparel totalling $0.8m with Raging Bull Leisure Limited, whose ultimate parent is Raging Bull Group Limited.

The order has been placed on an arm's length basis under a standard wholesale agreement. As at 25 July 2020, the apparel product ordered had been received and $0.4 million was owing to Raging Bull Leisure Limited, in accordance with the terms under the wholesale agreement.

8. EQUITY

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

	Opening balance		Granted as compensation		Exercised		Lapsed		Closing balance	
	Options	*Rights*	*Options*	*Rights*	*Options*	*Rights*	*Options*	*Rights*	*Options*	*Rights*
2020										
J King	9,032,258	2,432,432	5,598,756	-	-	-	-	-	**14,631,014**	**2,432,432**
N Chadwick	3,077,420	681,818	2,472,784	-	-	-	-	-	**5,550,204**	**681,818**
A Sutton	2,554,838	896,429	2,052,878	-	-	-	-	(296,429)	**4,607,716**	**600,000**
A Winstanley	3,077,420	555,555	2,472,784	-	-	-	-	-	**5,550,204**	**555,555**
Former Disclosed Executives										
M Cripsey[1]	-	231,060	-	-	-	-	-	(231,060)	**-**	**-**
2019										
J King	-	2,432,432	9,032,258	-	-	-	-	-	**9,032,258**	**2,432,432**
N Chadwick	-	681,818	3,077,420	-	-	-	-	-	**3,077,420**	**681,818**
A Sutton	-	1,209,471	2,554,838	-	-	-	-	(313,042)	**2,554,838**	**896,429**
A Winstanley	-	555,555	3,077,420	-	-	-	-	-	**3,077,420**	**555,555**
Former Disclosed Executives										
M Cripsey[1]	-	554,545	-	-	-	-	-	(323,485)	**-**	**231,060**
R Umbers[2]	-	3,383,936	-	-	-	-	-	(3,383,936)	**-**	**-**
G Devonport[3]	-	858,695	-	-	-	(173,913)	-	(684,782)	**-**	**-**

(1) Mr Cripsey's performance rights relate only to the time he was considered as Executive KMP.
(2) Mr Umbers stepped down as CEO and Managing Director on 14 February 2018, and is no longer considered Executive KMP from this date. The performance rights held by Mr Umbers lapsed when his notice period concluded on 31 July 2018.
(3) Mr Devonport stepped down as Chief Financial Officer on 28 January 2018 and is no longer considered Executive KMP from this date. A portion of the performance rights referred to in this table held by Mr Devonport, granted on 5 January 2016, were linked to his continuous service, these rights vested in FY19. All other rights were forfeited.

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

	Opening balance	Received on exercise of rights and/or options to shares	Other changes during the year	Closing balance
2020				
Directors				
G Hounsell	1,000,000	-	400,000	1,400,000
J Morrison	124,788	-	22,000	146,788
J Stephenson	95,000	-	90,000	185,000
D Whittle	66,666	-	-	66,666
L Cattermole AM	659,996	-	363,236	1,023,232
J Naylor	-	-	121,000	121,000
Former Directors				
I Cornell(1)	266,000	-	-	-
Executive KMP				
J King	400,000	-	600,000	1,000,000
N Chadwick	200,000	-	150,000	350,000
A Sutton	-	-	26,086	26,086
A Winstanley	200,000	-	300,000	500,000
2019				
Directors				
G Hounsell	1,000,000	-	-	1,000,000
I Cornell	266,000	-	-	266,000
J Morrison	89,788	-	35,000	124,788
J Stephenson	95,000	-	-	95,000
D Whittle	12,345	-	54,321	66,666
L Cattermole AM	-	-	659,996	659,996
J Naylor	-	-	-	-
Former Directors				
C Froggatt(2)	24,056	-	-	-
R Thorn(3)	225,400	-	-	-
Executive KMP				
J King	50,000	-	350,000	400,000
N Chadwick	50,000	-	150,000	200,000
A Sutton	-	-	-	-
A Winstanley	-	-	200,000	200,000
Former Disclosed Executives				
M Cripsey(4)	-	-	-	-

(1) Mr Cornell retired as Non-Executive Director on 30 October 2019. His holdings for the end of the FY20 period have not been reported in the table above.
(2) Ms Froggatt retired as Non-Executive Director on 30 November 2018. Her holdings for the end of the FY19 period have not been reported in the table above.
(3) Mr Thorn retired as Non-Executive Director on 24 February 2019. His holdings for the end of the period FY19 have not been reported in the table above.
(4) Mr Cripsey stepped down as Executive KMP on 31 October 2018. His holdings for the end of the FY19 period have not been reported in the table above.

9. LOANS

There were no loans made to Executive KMP or entities related to them, including their personally related parties, or other transactions at any time during FY19 or FY20.

10. 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.

FINANCIAL STATEMENTS

for the period ended 25 July 2020

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CONSOLIDATED INCOME STATEMENT

for the period ended 25 July 2020

	Notes	**2020 52 weeks $m**	2019 52 weeks $m
Total sales	A2	**2,519.4**	2,991.8
Concession sales		**(445.2)**	(612.2)
Sale of goods	A2	**2,074.2**	2,379.6
Sales revenue deferred under customer loyalty program		**(26.3)**	(34.5)
Revenue from sale of goods	A2	**2,047.9**	2,345.1
Other operating revenue	A2	**111.5**	153.5
Cost of goods sold		**(1,201.2)**	(1,336.2)
Operating gross profit		**958.2**	1,162.4
Other income		**3.1**	-
Selling expenses		**(635.8)**	(822.8)
Administration expenses		**(247.0)**	(281.1)
Restructuring, impairment of assets and other significant items	A3	**(221.4)**	(12.5)
Earnings before interest and tax		**(142.9)**	46.0
Finance revenue	A2	**0.4**	0.6
Finance costs	A3	**(98.6)**	(12.1)
Net finance costs		**(98.2)**	(11.5)
Profit/(loss) before income tax		**(241.1)**	34.5
Income tax (expense)/benefit	A4	**68.7**	(10.0)
Profit/(loss) for the period attributable to owners of Myer Holdings Limited		**(172.4)**	24.5
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:		**Cents**	Cents
Basic earnings per share	A5	**(21.0)**	3.0
Diluted earnings per share	A5	**(21.0)**	3.0

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 25 July 2020

	Notes	**2020 52 weeks $m**	2019 52 weeks $m
Profit/(loss) for the period		**(172.4)**	24.5
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Cash flow hedges	F2	**(7.4)**	(1.9)
Exchange differences on translation of foreign operations	F2	**(0.1)**	(0.5)
Other comprehensive income/(loss) for the period, net of tax		**(7.5)**	(2.4)
Total comprehensive income/(loss) for the period attributable to owners of Myer Holdings Limited		**(179.9)**	22.1

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

CONSOLIDATED BALANCE SHEET

as at 25 July 2020

	Notes	2020 $m	2019 $m
ASSETS			
Current assets			
Cash and cash equivalents	D1	**86.5**	47.4
Trade and other receivables and prepayments	B1	**57.7**	31.2
Inventories	B2	**256.0**	346.9
Derivative financial instruments	E1	**0.3**	5.7
Current tax assets		**7.2**	-
Total current assets		**407.7**	431.2
Non-current assets			
Property, plant and equipment	C1	**347.0**	383.5
Right-of-use assets	C5	**1,272.6**	-
Intangible assets	C2	**319.6**	467.6
Deferred tax assets	A4	**115.5**	-
Derivative financial instruments	E1	**-**	0.1
Other non-current assets		**1.7**	4.2
Total non-current assets		**2,056.4**	855.4
Total assets		**2,464.1**	1,286.6
LIABILITIES			
Current liabilities			
Trade and other payables	B3	**354.2**	372.6
Borrowings	D3	**78.6**	-
Lease liabilities	C5	**167.5**	-
Provisions	C3	**55.0**	64.4
Deferred income	C4	**-**	8.3
Derivative financial instruments	E1	**3.5**	0.1
Current tax liabilities		**-**	5.3
Other liabilities		**0.2**	0.4
Total current liabilities		**659.0**	451.1
Non-current liabilities			
Borrowings	D3	**-**	86.1
Lease liabilities	C5	**1,627.2**	-
Provisions	C3	**3.6**	12.3
Deferred income	C4	**-**	80.1
Deferred tax liabilities	A4	**-**	54.9
Derivative financial instruments	E1	**0.2**	-
Total non-current liabilities		**1,631.0**	233.4
Total liabilities		**2,290.0**	684.5
Net assets		**174.1**	602.1
EQUITY			
Contributed equity	F1	**738.1**	738.8
Accumulated losses	F2	**(558.9)**	(138.6)
Reserves	F2	**(5.1)**	1.9
Total equity		**174.1**	602.1

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 25 July 2020

	Notes	Contributed equity $m	Accumulated losses $m	Reserves $m	Total $m
Balance as at 28 July 2018		739.0	(160.3)	5.3	584.0
Adjustment on initial application of AASB 15, net of tax		-	(2.8)	-	(2.8)
Restated balance as at 29 July 2018		739.0	(163.1)	5.3	581.2
Net profit/(loss) for the period		-	24.5	-	24.5
Other comprehensive income/(loss) for the period		-	-	(2.4)	(2.4)
Total comprehensive income/(loss) for the period		-	24.5	(2.4)	22.1
Transactions with owners in their capacity as owners:					
Acquisition of treasury shares	F1	(0.2)	-	-	(0.2)
Employee share schemes	F2	-	-	(1.0)	(1.0)
		(0.2)	-	(1.0)	(1.2)
Balance as at 27 July 2019		**738.8**	**(138.6)**	**1.9**	**602.1**
Adjustment on initial application of AASB 16, net of tax	I	**-**	**(247.9)**	**-**	**(247.9)**
Restated balance as at 28 July 2019		**738.8**	**(386.5)**	**1.9**	**354.2**
Net profit/(loss) for the period		**-**	**(172.4)**	**-**	**(172.4)**
Other comprehensive income/(loss) for the period		**-**	-	**(7.5)**	**(7.5)**
Total comprehensive income/(loss) for the period		**-**	**(172.4)**	**(7.5)**	**(179.9)**
Transactions with owners in their capacity as owners:					
Acquisition of treasury shares	F1	**(0.7)**	**-**	**-**	**(0.7)**
Employee share schemes	F2	**-**	**-**	**0.5**	**0.5**
		(0.7)	**-**	**0.5**	**(0.2)**
Balance as at 25 July 2020		**738.1**	**(558.9)**	**(5.1)**	**174.1**

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 25 July 2020

	Note	2020 52 weeks $m	2019 52 weeks $m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**2,396.0**	2,769.8
Payments to suppliers and employees (inclusive of goods and services tax)		**(2,098.4)**	(2,631.3)
		297.6	138.5
Other income		**0.7**	-
Interest paid		**(98.6)**	(9.8)
Tax paid		**(8.1)**	(13.6)
Net cash inflow from operating activities	D2	**191.6**	115.1
Cash flows from investing activities			
Payments for property, plant and equipment		**(31.3)**	(35.7)
Payments for intangible assets		**(13.7)**	(17.0)
Lease incentives and contributions received		**4.7**	7.9
Interest received		**0.4**	0.6
Net cash outflow from investing activities		**(39.9)**	(44.2)
Cash flows from financing activities			
Repayment of borrowings, net of transaction costs		**(10.0)**	(64.9)
Payments for principal portion of lease liabilities		**(101.9)**	-
Payment for acquisition of treasury shares	F1	**(0.7)**	(0.2)
Other		**-**	(0.2)
Net cash outflow from financing activities		**(112.6)**	(65.3)
Net increase in cash and cash equivalents		**39.1**	5.6
Cash and cash equivalents at the beginning of the period		**47.4**	41.8
Cash and cash equivalents at end of period	D1	**86.5**	47.4

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

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 Marcs and David Lawrence. On the basis that these subsidiaries represent less than 10% of the total Group's operations and have similar economic characteristics to the department store retail business, they have not been disclosed as separate reporting segments.

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

	2020 52 weeks $m	2019 52 weeks $m
Sales revenue		
Total sales	**2,519.4**	2,991.8
Concession sales	**(445.2)**	(612.2)
Sale of goods	**2,074.2**	2,379.6
Sales revenue deferred under customer loyalty program	**(26.3)**	(34.5)
Revenue from sale of goods	**2,047.9**	2,345.1
Other operating revenue		
Concessions revenue	**98.7**	136.8
Other[1]	**12.8**	16.7
	111.5	153.5
Finance revenue		
Interest revenue	**0.4**	0.6
Total revenue	**2,159.8**	2,499.2

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

Accounting policy
Total sales value presented in the consolidated 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 one customer loyalty program. Concession sales presented in the income statement represents the 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 sale of goods, excluding lay-by transactions, is recognised when the performance obligation has been fulfilled, which is principally at the point of sale after deducting taxes paid, and does not include concession sales. Goods are sold to the end customer with a right of return within a reasonable period at the Group's discretion and in accordance with legislative requirements. A refund liability (included in trade and other payables) and a right to returned goods (included in trade and other receivables) are recognised for the goods expected to be returned, with a corresponding adjustment to revenue from sale of goods and cost of goods sold. The assumptions and the estimated amount of returns are based on historical evidence and are reassessed at the end of each reporting period. Revenue from lay-by transactions is recognised as part of revenue from sale of goods at the date upon which the customer satisfies all payment obligations and control of the goods has transferred to the customer.

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.

Gift cards are considered a prepayment for goods or services to be delivered in the future, which creates a performance obligation for the Group. The Group recognises a liability for the amount received in advance for the gift card and recognises revenue when the customer redeems the gift card and the Group fulfils the performance obligation related to the transaction. The Group recognises revenue on the unredeemed value of gift cards and rewards cards (under the Myer one loyalty program), referred to as non-redemption income. The Group recognises the expected non-redemption amount as revenue in proportion to the pattern in which the gift card or reward card is utilised by the customer.

Interest revenue is recognised on a time proportion basis using the effective interest method.

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 recognised 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.

A3 EXPENSES

	2020 52 weeks $m	2019 52 weeks $m
Profit/(loss) before income tax includes the following specific expenses:		
Employee benefits expenses		
Defined contribution superannuation expense	**32.6**	36.6
Other employee benefits expenses	**403.2**	408.2
Government grant income - wage subsidies[1]	**(93.2)**	-
	342.6	444.8
Depreciation, amortisation and write-off expense		
Property, plant and equipment	**69.1**	66.8
Intangibles	**30.6**	34.7
Right-of-use assets[2]	**127.1**	-
	226.8	101.5
Finance costs		
Interest and finance charges paid/payable for lease liabilities and financial liabilities[2]	**98.5**	12.0
Fair value losses on interest rate swap cash flow hedges, transferred from equity	**0.1**	0.1
	98.6	12.1
Rental expense relating to operating leases		
Minimum lease payments[2]	**-**	226.0
Contingent rentals	**1.1**	2.3
	1.1	228.3
Net foreign exchange gains	**(3.8)**	(6.3)

1. The Group has determined that it is eligible to receive payments under the JobKeeper Payment Scheme (Australia) and Wage Subsidy (New Zealand). The payments received have been recognised as government grant income because the wage subsidy has been provided with the objective of keeping employees connected with the Group during the COVID-19 pandemic. During the period, the Group received or was entitled to receive government grant income totalling $93.2 million, with $41.1 million paid or to be paid to eligible employees whose remuneration was lower than the required income threshold under the JobKeeper Payment Scheme. These amounts have been included in administration and selling expenses in the consolidated income statement. As at 25 July 2020, $26.7m is owing to the Group and included in other receivables in the consolidated balance sheet.

2. On adoption of AASB 16 *Leases* on 28 July 2019, the rental expense relating to operating leases is recognised within depreciation and interest expense. Refer to note C5 and section I for more information.

Restructuring, impairment of assets and other significant items
The following individually significant items are included within restructuring, impairment of assets and other significant items in the consolidated income statement:

	2020 52 weeks $m	2019 52 weeks $m
Restructuring and redundancy costs[1]	**11.9**	7.8
Clearance floor closure and brand exit costs and related asset impairments[2]	**18.5**	-
Store exit costs/(reversals) and other asset impairments/(reversals)[3]	**(0.3)**	4.7
Impairment of assets[4]	**184.4**	-
Myer one loyalty program change[5]	**6.9**	-
	221.4	12.5
Income tax benefit[6]	**(62.4)**	(3.8)
Restructuring, impairment of assets and other significant items, net of tax	**159.0**	8.7

1. 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.

2. Clearance floor closure and brand exit costs and related asset impairments includes the write-down of inventories to reflect the accelerated liquidation of inventories and impairment of store assets associated with the closure of the clearance floor concept. Also included in this amount is the write-down of inventories for the exit of brands from category changes, as part of the Customer First Plan. Refer to note C1 for more information on asset impairments.

3. Store exit costs/(reversals) and other asset impairments/(reversals) includes the final closure costs associated with previously announced store closures and other store based asset impairments, offset by the reversal of previous asset impairments associated with surplus space identified at the support office as a sublease has been entered into for this space. In 2019, the Group recognised an onerous lease provision and asset impairment relating to surplus space identified at the support office, partially offset by the write-back of the fixed lease rental increase provision and deferred income associated with this space. Refer to note C1 and C3 for more information.

4. The Group has recognised an impairment of the Myer and associated brand names, the sass & bide brand name and an impairment of certain Myer store's right-of-use assets. Refer to note C2 for more information.

5. The Group has made changes to the Myer one loyalty program including a reduction in the threshold for the eligibility of a Myer one member to receive a reward card, resulting in a required increase to the Myer one loyalty program liability.

6. The income tax benefit includes a $35.5 million benefit relating to the unwind of the deferred tax liability as a result of the impairment of the Myer and associated brand names, and the sass & bide brand name. Refer to note C2 for more information.

A3 EXPENSES (CONTINUED)

Revision of useful lives of software assets
In accordance with the Group's accounting policies, a periodic asset useful life review was performed during the period and the estimated total useful lives of certain software assets were revised. The impact of the changes was a decrease in amortisation expense of $6.1 million.

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 E1
- 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.

Government Grants
Grants from the government are recognised where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to expenses are deferred and recognised in profit or loss over the period necessary to match them with the expenses that they are intended to compensate.

A4 INCOME TAX

	2020 52 weeks $m	2019 52 weeks $m
(a) Income tax expense/(benefit)		
(i) Income tax expense/(benefit)		
Current tax	**(11.8)**	14.6
Deferred tax	**(56.9)**	(4.6)
Income tax expense/(benefit)[1]	**(68.7)**	10.0
Deferred income tax expense included in income tax expense/(benefit) comprises:		
(Increase)/Decrease in deferred tax assets	**(21.4)**	(5.5)
Increase/(Decrease) in deferred tax liabilities	**(35.5)**	0.9
	(56.9)	(4.6)
(ii) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable		
Profit/(loss) before income tax expense/(benefit)	**(241.1)**	34.5
Tax at the Australian tax rate of 30% (2019: 30%)	**(72.3)**	10.4
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible asset impairments	**3.9**	-
Sundry items	**0.2**	(0.1)
	(68.2)	10.3
Adjustments for current tax of prior periods	**(0.5)**	(0.3)
Income tax expense/(benefit)[1]	**(68.7)**	10.0

1. Income tax includes an income tax benefit of $62.4 million (2019: $3.8 million) attributable to the restructuring, impairment of assets and other significant items recorded during the period. Refer to note A3 for more information.

A4 INCOME TAX (CONTINUED)

	2020 $m	2019 $m
(b) Deferred tax assets		
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits	**12.3**	14.5
Non-employee provisions and accruals	**10.7**	15.9
Amortising deductions	**0.4**	1.0
Property, plant, equipment and software	**23.6**	19.4
Leases	**127.0**	-
Trading stock	**5.7**	6.4
Tax losses	**7.6**	0.7
Total deferred tax assets	**187.3**	57.9
Set off of deferred tax liabilities/assets pursuant to set off provisions	**(71.8)**	(57.9)
Net deferred tax assets	**115.5**	-
Movement		
Carrying amount at beginning of period	**57.9**	51.1
Adjustment on initial application of AASB 15	**-**	1.2
Adjustment on initial application of AASB 16	**100.6**	-
Tax losses	**7.4**	-
Credited/(charged) to income statement	**21.4**	5.5
Credited/(charged) to other comprehensive income	**-**	0.1
Carrying amount at end of period	**187.3**	57.9

Deferred tax assets - tax losses

The deferred tax assets include an amount of $7.4 million which relates to tax losses incurred by the Australian tax consolidated group during the period. The Group has determined that the deferred tax associated with these carried forward tax losses will be recoverable using the estimated future taxable income based on approved business plans and budgets. The losses can be carried forward indefinitely and have no expiry date.

	2020 $m	2019 $m
(c) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Brand names	**71.8**	107.3
Deferred income	**-**	5.0
Sundry items	**-**	0.5
Total deferred tax liabilities	**71.8**	112.8
Set off of deferred tax liabilities/assets pursuant to set off provisions	**(71.8)**	(57.9)
Net deferred tax liabilities	**-**	54.9
Movement		
Carrying amount at beginning of period	**112.8**	112.1
Adjustment on initial application of AASB 16	**(5.5)**	-
Charged/(credited) to income statement	**(35.5)**	0.9
Charged/(credited) to other comprehensive income	**-**	(0.2)
Carrying amount at end of period	**71.8**	112.8

Accounting policy

The income tax expense or credit 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 and losses 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, which is dependent on the generation of future taxable profits. The assumptions regarding future taxable profits are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised.

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

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

A5 EARNINGS PER SHARE

	2020 cents	2019 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(21.0)**	3.0
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	**(21.0)**	3.0

	2020 $m	2019 $m
(c) Reconciliation of earnings used in calculating earnings per share		
Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders	**(172.4)**	24.5

	2020 Number	2019 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	**820,092,092**	821,026,706
Adjustments for calculation of diluted earnings per share - performance rights and options	**-**	5,795,213
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**820,092,092**	826,821,919

(e) Information concerning the classification of securities

Performance rights and options 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 and options granted have not been included in the determination of basic earnings per share. Details relating to performance rights and options are set out in note H4. The performance rights and options outstanding at period end have not been included in the calculation of diluted earnings per share because the rights and options outstanding are considered antidilutive for the period ended 25 July 2020.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares decreases earnings per share or increases loss per share.

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

	2020 $m	2019 $m
Trade receivables	**14.7**	9.5
Loss allowance	**(2.1)**	(1.7)
	12.6	7.8
Other receivables	**35.4**	11.1
Prepayments[1]	**9.7**	12.3
	45.1	23.4
	57.7	31.2

1. On adoption of AASB 16 *Leases* on 28 July 2019, the value of prepayments associated with operating leases was derecognised. Refer to section I for more information.

Fair value and risk exposure

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

Accounting policy

Trade receivables are non interest-bearing and are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less expected loss allowance. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade and other receivables based on all possible default events over the expected life of the receivable. The amount of the impairment loss is recognised as an expense in the consolidated income statement. Subsequent recoveries of amounts previously written off are credited against expenses in the consolidated income statement.

B2 INVENTORIES

	2020 $m	2019 $m
Retail inventories	**256.0**	346.9

Provision for write-down of inventories to net realisable value amounted to $10.4 million (2019: $10.5 million). This was recognised as an expense during the period and included in cost of sales in the consolidated 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

	2020 $m	2019 $m
Trade payables	**120.3**	187.5
Other payables	**233.9**	185.1
	354.2	372.6

Trade and other payables are non-interest bearing.

Accounting policy

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

C. CAPITAL EMPLOYED

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

C1 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $m	Freehold buildings $m	Fixtures and fittings $m	Plant and equipment $m	Capital works in progress $m	Total $m
At 28 July 2018						
Cost	9.6	19.5	509.0	447.0	14.2	999.3
Accumulated depreciation and impairment	-	(5.9)	(337.3)	(232.0)	-	(575.2)
Net book amount	9.6	13.6	171.7	215.0	14.2	424.1
Period ended 27 July 2019						
Carrying amount at beginning of period	9.6	13.6	171.7	215.0	14.2	424.1
Additions	-	-	10.4	11.7	8.5	30.6
Transfer between classes	-	-	6.2	4.7	(11.9)	(1.0)
Assets written off – cost	-	-	(2.9)	(2.5)	-	(5.4)
Assets written off – accumulated depreciation	-	-	2.2	1.6	-	3.8
Impairment[1]	-	-	(3.4)	-	-	(3.4)
Depreciation charge	-	(0.5)	(36.5)	(28.2)	-	(65.2)
Carrying amount at end of period	9.6	13.1	147.7	202.3	10.8	383.5
At 27 July 2019						
Cost	9.6	19.5	522.7	460.9	10.8	1,023.5
Accumulated depreciation and impairment	-	(6.4)	(375.0)	(258.6)	-	(640.0)
Net book amount	9.6	13.1	147.7	202.3	10.8	383.5
Period ended 25 July 2020						
Carrying amount at beginning of period	**9.6**	**13.1**	**147.7**	**202.3**	**10.8**	**383.5**
Additions	**-**	**-**	**7.8**	**6.6**	**21.8**	**36.2**
Transfer between classes	**-**	**-**	**5.2**	**1.5**	**(11.4)**	**(4.7)**
Assets written off – cost	**-**	**-**	**(13.3)**	**(8.6)**	**-**	**(21.9)**
Assets written off – accumulated depreciation	**-**	**-**	**13.4**	**5.6**	**-**	**19.0**
Impairment[1]	**-**	**-**	**1.1**	**-**	**-**	**1.1**
Depreciation charge	**-**	**(0.5)**	**(35.3)**	**(30.4)**	**-**	**(66.2)**
Carrying amount at end of period	**9.6**	**12.6**	**126.6**	**177.0**	**21.2**	**347.0**
At 25 July 2020						
Cost	**9.6**	**19.5**	**522.4**	**460.4**	**21.2**	**1,033.1**
Accumulated depreciation and impairment	**-**	**(6.9)**	**(395.8)**	**(283.4)**	**-**	**(686.1)**
Net book amount	**9.6**	**12.6**	**126.6**	**177.0**	**21.2**	**347.0**

1. Impairment relates to assets associated with previously announced space handbacks, store assets associated with closure of clearance floor concept, offset by reversal of asset impairments associated with surplus space identified at support office as a sublease has been entered into for this space. (2019: assets associated with store space hand backs and support office onerous lease provision). Refer to note A3 for more information.

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 (2019: 40 years)
- Fixtures and fittings — 3 – 12.5 years (2019: 3 – 12.5 years)
- Plant and equipment, including leasehold improvements — 10 – 20 years (2019: 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.

C2 INTANGIBLE ASSETS

	Goodwill $m	Brand names and trademarks $m	Software $m	Lease rights $m	Total $m
At 28 July 2018					
Cost	492.1	437.3	309.8	25.8	1,265.0
Accumulated amortisation and impairment	(492.1)	(65.7)	(196.3)	(25.8)	(779.9)
Net book amount	-	371.6	113.5	-	485.1
Period ended 27 July 2019					
Carrying amount at beginning of period	-	371.6	113.5	-	485.1
Additions	-	-	16.2	-	16.2
Transfer between classes	-	-	1.0	-	1.0
Assets written off – cost	-	-	-	(7.5)	(7.5)
Assets written off – accumulated amortisation	-	-	-	7.5	7.5
Amortisation charge[1]	-	-	(34.7)	-	(34.7)
Carrying amount at end of period	-	371.6	96.0	-	467.6
At 27 July 2019					
Cost	492.1	437.3	327.0	18.3	1,274.7
Accumulated amortisation and impairment	(492.1)	(65.7)	(231.0)	(18.3)	(807.1)
Net book amount	-	371.6	96.0	-	467.6
Period ended 25 July 2020					
Carrying amount at beginning of period	**-**	**371.6**	**96.0**	**-**	**467.6**
Additions	**-**	**-**	**9.3**	**-**	**9.3**
Transfer between classes	**-**	**-**	**4.7**	**-**	**4.7**
Assets written off – cost	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Assets written off – accumulated amortisation	**-**	**-**	**0.1**	**-**	**0.1**
Impairment[2]	**-**	**(131.4)**	**-**	**-**	**(131.4)**
Amortisation charge[1]	**-**	**-**	**(30.4)**	**-**	**(30.4)**
Carrying amount at end of period	**-**	**240.2**	**79.4**	**-**	**319.6**
At 25 July 2020					
Cost	**492.1**	**437.3**	**340.7**	**18.3**	**1,288.4**
Accumulated amortisation and impairment	**(492.1)**	**(197.1)**	**(261.3)**	**(18.3)**	**(968.8)**
Net book amount	**-**	**240.2**	**79.4**	**-**	**319.6**

1. Amortisation of $30.4 million (2019: $34.7 million) is included in administration and selling expenses in the consolidated income statement.
2. Impairment of Myer and associated brand names and sass & bide brand name. Refer below for more information.

Impairment of non-financial assets

AASB 136 *Impairment of Assets* requires goodwill and intangible assets with an indefinite useful life to be assessed at the end of each reporting period where there is any indication that an asset may be impaired. A review of indicators of impairment using both external and internal sources of information has been undertaken.

The brand names arising on the acquisition of the Myer business amounting to $352.5 million (2019: $352.5 million) cannot be allocated to the Group's individual cash generating units (CGU's) (the Group's stores), and hence has been allocated to the Myer business as a whole. The remaining brand names intangible assets with an indefinite useful life have been allocated to the sass & bide business totalling $11.7 million (2019: $11.7 million) and to the Marcs David Lawrence business totalling $7.4 million (2019: $7.4 million).

As at 25 July 2020, there are indicators of impairment due to the recent changes in market conditions associated with the COVID-19 pandemic, and the current market capitalisation position. As a result, the recoverable amount of the assets relating to this CGU have been assessed using a value-in-use discounted cash flow model. This model uses cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond five-year periods are extrapolated using a terminal growth rate.

During the period, the carrying value exceeded the recoverable amount and an impairment charge of $119.7 million has been recognised in respect of Myer and associated brand names. This has been included within restructuring, impairment of assets and other significant items in the consolidated income statement.

The decrease in the recoverable amount reflects a moderation of future cashflow expectations as the COVID-19 pandemic has impacted near term financial performance. The COVID-19 pandemic may lead to increased volatility in future years and impact the timing of improvement initiatives, which has been reflected in management's expectations of future cash flows. The key assumptions used in the model are outlined in the table below.

C2 INTANGIBLE ASSETS (CONTINUED)

Impairment of non-financial assets (continued)

Key assumption	2020	2019	Approach used to determine value
Weighted average discount rate (pre-tax)	**13.0%**	14.8%	The pre-tax discount rate is sourced from observable market information and is risk-adjusted relative to the risks associated with the net pre-tax cash flows being achieved. On adoption of AASB 16 *Leases* , the Group has recognised lease liabilities which are considered debt for the purposes of determining a discount rate, resulting in a decrease in the pre-tax discount rate compared to prior period.
Terminal growth rate	**1.7%**	1.7%	This is the weighted average growth rate used to extrapolate cash flows beyond the five-year forecast period.
Average EBITDA margin	**11.8%**	5.9%	Average annual EBITDA margin over the five-year forecast period, applied to sales forecast consistent with external market forecasts. The average annual EBITDA margin is based on external sources of information, past performance and management's expectations. This assumption incorporates anticipated market conditions, sales channel performance, and management's expectations of margin improvement and future cost saving initiatives. On adoption of AASB 16 *Leases* , the average EBITDA margin has increased compared to the prior period, with the rental expense relating to operating leases recognised within depreciation and interest expense.

As the recoverable amount approximates carrying value, any adverse movement in these key assumptions may lead to further impairment. The recoverable amount is based on operating and cashflow performance improving post the COVID-19 pandemic, however the timing of cashflow benefits arising from initiatives could be influenced by market conditions. The recoverable amount is highly sensitive to changes in all of the key assumptions. The impact of these changes in key assumptions is shown in the table below and has been calculated in isolation from other changes:

Key assumption	Sensitivity	Impact of Sensitivity
Weighted average discount rate (pre-tax)	+0.5%	Further impairment of $63 million
Terminal growth rate	-0.5%	Further impairment of $26 million
Average EBITDA margin	-0.5%	Further impairment of $127 million

During the period, a review of the carrying value of the assets for each Myer store was undertaken and if indicators of impairment were identified, the recoverable amount of these store assets were 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, the Group identified indicators of impairment in certain Myer stores and an impairment of these store's right-of-use assets has been recognised totalling $53.0 million. Refer to note C5 for more information.

sass & bide

The sass & bide brand name, which has an indefinite useful life, was $11.7 million (2019: $11.7 million) and cannot be allocated to the individual CGU's (the sass & bide stores), hence has been allocated to the sass & bide business as a whole. As a result, the recoverable amount of the assets relating to this CGU have been assessed using a value-in-use discounted cash flow model. This model uses cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond five-year periods are extrapolated using a terminal growth rate.

During the period, the carrying value of the sass & bide CGU exceeded the recoverable amount and an impairment charge of $11.7 million has been recognised in respect of its brand name. This has been included within restructuring, impairment of assets and other significant items in the consolidated income statement.

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

(ii) Goodwill

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

(iii) Brand names and trademarks

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.

C2 INTANGIBLE ASSETS (CONTINUED)

Accounting policy (continued)

(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, initially being up to 10 years. The assets' residual values and useful lives are reviewed annually and adjusted if appropriate, which may result in a useful life outside of this period.

(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.

Critical accounting estimates and judgements - impairment

Goodwill and intangible assets that have an indefinite life are tested annually for impairment, or more frequently if there are indicators of impairment, in accordance with the accounting policy noted above. The recoverable amount of cash generating units have been determined at a store level. Goodwill and certain intangibles are tested for impairment at the level of the Group as a whole, using value-in-use calculations.

The uncertainty surrounding the trading environment for the Group has impacted the approach to forecasting and modelling cash flows supporting the impairment assessment over non-financial assets. The financial modelling considers the impact of COVID-19 at a store level, which reflects an acceleration of sales mix towards the online channel and away from bricks and mortar stores. Uncertainty remains as to the timing and extent of the economic recovery generally, the recovery from store closures and the impact of possible future outbreaks of COVID-19 and the ability to operate bricks and mortar stores during these periods. Any adverse changes could lead to further impairments. The Group continues to closely monitor and respond to the situation.

C3 PROVISIONS

	2020 $m	2019 $m
Current		
Employee benefits	**40.8**	45.3
Support office onerous lease (i)	**-**	2.2
Restructuring (ii)	**4.1**	4.8
Workers' compensation (iii)	**9.4**	10.4
Other	**0.7**	1.7
	55.0	64.4
Non-current		
Employee benefits	**3.5**	3.3
Support office onerous lease (i)	**-**	3.5
Fixed lease rental increases (iv)	**-**	5.4
Other	**0.1**	0.1
	3.6	12.3

(i) Support office onerous lease

In 2019, the support office onerous lease provision related to excess office space identified. On adoption of AASB 16 Leases on 28 July 2019, the value of this provision was derecognised and recognised as an impairment against the respective right-of-use asset. Refer to section I for more information.

(ii) Restructuring

The restructuring provision relates to redundancy costs associated with restructuring of the organisational structure and the costs associated with store closures and space hand backs 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) Fixed lease rental increases

In 2019, this provision reflected the requirement for total rentals over an operating lease term to be expensed over the lease term on a straight-line basis, with some leases including fixed rental increases during their term. On adoption of AASB 16 Leases on 28 July 2019, the value of this provision was derecognised. Refer to section I 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 $m	Restructuring $m	Workers' compensation $m	Fixed lease rental increases $m	Other $m	Total $m
2020						
Carrying amount at beginning of period	**5.7**	**4.8**	**10.4**	**5.4**	**1.8**	**28.1**
Adjustment on initial application of AASB 16	**(5.7)**	**-**	**-**	**(5.4)**	**(0.2)**	**(11.3)**
Restated carrying amount at beginning of period	**-**	**4.8**	**10.4**	**-**	**1.6**	**16.8**
Additional provisions recognised	**-**	**2.6**	**3.0**	**-**	**7.5**	**13.1**
Amounts utilised	**-**	**(3.3)**	**(4.0)**	**-**	**(8.3)**	**(15.6)**
Carrying amount at end of period	**-**	**4.1**	**9.4**	**-**	**0.8**	**14.3**

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.

	2020 $m	2019 $m
Current long service leave obligations expected to be settled after 12 months	**17.8**	19.1

Accounting policy

Provisions

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

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

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

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

Employee benefits

(i) Short term obligations

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

(ii) Other long term employee benefit obligations

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

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

(iii) Profit sharing and bonus plans

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

(iv) Termination benefits

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

C4 DEFERRED INCOME

	2020 $m	2019 $m
Current		
Lease incentives and contributions	**-**	8.3
Non-current		
Lease incentives and contributions	**-**	80.1
	-	88.4

In 2019, the lease incentive or lease contribution presented as deferred income was released on a straight-line basis over the lease term. On adoption of AASB 16 *Leases* on 28 July 2019, the value of deferred income was derecognised and recognised as an adjustment to right-of-use assets. Refer to section I for more information.

C5 LEASES

The Group has lease agreements for properties and various items of equipment used in its operations. The Group has adopted AASB 16 Leases from 28 July 2019 by applying the modified retrospective method with no restatement of comparatives for the 2019 financial period. Refer to Section I for more information.

The carrying amounts of the right-of-use assets recognised on adoption of AASB 16 *Leases* and movements during the period are set out below:

	Property leases $m	Equipment leases $m	Total $m
At 28 July 2019	**1,449.6**	**0.7**	**1,450.3**
Additions, modifications and other reassessments	8.6	-	**8.6**
Depreciation	(132.9)	(0.4)	**(133.3)**
Impairment[1]	(53.0)	-	**(53.0)**
At 25 July 2020	**1,272.3**	**0.3**	**1,272.6**

1. An impairment on Myer store right-of-use assets has been recognised during the period. Refer to note A3 and C2 for more information.

The carrying amounts of the lease liabilities recognised on adoption of AASB 16 *Leases* and movements during the period are set out below:

	Property leases $m	Equipment leases $m	Total $m
At 28 July 2019	**1,899.3**	**0.8**	**1,900.1**
Additions, modifications and other reassessments	(3.5)	-	**(3.5)**
Cash payments	(190.7)	(0.5)	**(191.2)**
Interest expense	89.2	0.1	**89.3**
At 25 July 2020	**1,794.3**	**0.4**	**1,794.7**
Current	**167.1**	**0.4**	**167.5**
Non-current	**1,627.2**	**-**	**1,627.2**

The following amounts have been recognised in the consolidated income statement during the period:

	2020 52 weeks $m
Depreciation of right-of-use assets[1]	**127.1**
Interest expense on lease liabilities[1]	**87.6**
Short-term leases expense[2]	**7.3**
Variable lease payments[3]	**1.1**
	223.1

1. The depreciation and interest expense associated with certain leases is recognised in cost of sales in the consolidated income statement.
2. Short-term leases expense are included in selling and administration expenses in the consolidated income statement.
3. Some property leases contain variable payment terms that are linked to sales generated from a store and are recognised in selling expenses in the consolidated income statement in the period in which the condition that triggers those payments occurs.

COVID-19 related rent concessions
The Group has adopted the practical expedient for rent concessions and elected not to account for changes to lease payments negotiated as a consequence of COVID-19 as a lease modification. During the period, the total rent concessions recognised as a reduction in selling and administration expenses in the consolidated income statement was $11.3 million. This has been reflected as an adjustment to the carrying amount of the lease liabilities in additions, modifications and other reassessments in the movement table above.

Accounting policy
The Group leases various retail stores, distribution centres and offices. Rental contracts are typically made for fixed periods but may have extension options. Until the period ending 27 July 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and any estimated restoration costs, less any lease incentives received. The ROU asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term. The ROU asset can be reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise of fixed payments and variable payments that are based on an index or rate.

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Payments associated with short-term leases and leases of low-value assets, such as IT equipment, are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Critical accounting estimate - Determining the lease term
Extension options are included in a number of leases across the Group. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the control of the Group.

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/(cash) of the Group as at 25 July 2020 and 27 July 2019 is as follows:

	2020 $m	2019 $m
Borrowings	**78.6**	86.1
Less: cash and cash equivalents	**(86.5)**	(47.4)
Net debt/(cash) at end of period (excluding lease liabilities)	**(7.9)**	38.7
Plus: lease liabilities	**1,794.7**	-
Net debt at end of period	**1,786.8**	38.7

The movement in net debt/(cash) excluding lease liabilities is as follows:

Opening balance	**38.7**	107.4
Net increase in cash and cash equivalents	**(39.1)**	(5.7)
Repayment of borrowings, net of transaction costs	**(10.0)**	(64.9)
Other non-cash movements	**2.5**	1.9
Closing balance	**(7.9)**	38.7

D1 CASH AND CASH EQUIVALENTS

	2020 $m	2019 $m
Cash on hand	**1.9**	2.4
Cash at bank	**84.6**	45.0
	86.5	47.4

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 CASH FLOWS FROM OPERATING ACTIVITIES

	2020 52 weeks $m	2019 52 weeks $m
Profit/(loss) for the period	**(172.4)**	24.5
Depreciation, amortisation and impairment, including lease incentives and contributions	**406.0**	94.1
Interest income	**(0.4)**	(0.6)
Interest expense	**2.4**	1.9
Share-based payments expense	**0.6**	(1.3)
Net exchange differences	**(0.1)**	(0.5)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables and prepayments	**(31.3)**	(6.8)
Decrease/(increase) in inventories	**91.0**	21.3
(Decrease)/increase in deferred tax assets/liabilities	**(64.4)**	(5.7)
(Increase)/decrease in derivative financial instruments	**1.6**	(2.1)
(Decrease)/increase in trade and other payables	**(29.2)**	(5.4)
Increase/(decrease) in current tax receivable/payable	**(5.3)**	1.0
Increase/(decrease) in provisions	**(6.7)**	(5.2)
(Decrease)/increase in other liabilities	**(0.2)**	(0.1)
Net cash inflow from operating activities	**191.6**	115.1

D3 BORROWINGS

(a) Structure of debt
The debt funding of the Group at 25 July 2020 is a syndicated facility, which contains an amortising term loan tranche and a revolving tranche. This facility was established on 23 November 2018, and drawn down on 26 November 2018. As at 25 July 2020, the following amounts were drawn:

	2020 $m	2019 $m
Current		
Bank loans	**80.0**	-
Less: transaction costs	**(1.4)**	-
Non-current		
Bank loans	**-**	90.0
Less: transaction costs	**-**	(3.9)
Borrowings	**78.6**	86.1

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

	Amount	**Term**	**Expiry date**
Amortising term loan - Tranche A[1]	$80 million	2.25 years	28 February 2021
Revolving - Tranche B[2]	$280 million	2.25 years	28 February 2021

1. This tranche was $100 million when the facility was established and is fully drawn during its term. The limit steps down by $10 million every six months from 31 March 2019. The scheduled step down on 31 March 2020 did not occur as agreed with the financiers of the syndicated facility. The Group has the discretion to draw Tranche B to at least the equivalent of the step downs in Tranche A at all times.

2. This tranche is revolving and amounts repaid may be redrawn during their term. The tranche limit step down to $260 million from 23 May 2020 was amended to reflect a step down to $280 million as agreed with the financiers of the syndicated facility.

(b) Security
The syndicated facility in place at 25 July 2020 is secured. The syndicated facility is subject to various representations, undertakings, events of default and review events.

(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 borrowings are set out in note E1.

(e) Debt covenants
The Group agreed with the financiers of the syndicated facility that the financial covenants under the terms of the syndicated facility will not be required to be tested for the quarterly period ended 25 July 2020, due to the significant impact of the COVID-19 pandemic.

Refer to Note H6 for more information on the refinancing of the Group's syndicated facility subsequent to the end of the reporting period.

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.

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 foreign exchange and 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 forward foreign exchange contracts and interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes and are not used as trading or other speculative instruments.

The Group's financial risk management is predominantly controlled by the centralised Group Treasury function under the Group's financial risk management policies approved by the Board of Directors. The Group Treasury function is responsible for the identification and management of financial risks, with the co-operation of other Group functions. 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.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate borrowings and inventory at a fixed foreign currency rate for the hedged purchases.

Financial Instruments
The Group holds the following financial instruments, classified under the categories in the table below:

At 25 July 2020	Note	Total $m	Amortised cost $m	Fair value through OCI $m
Financial assets				
Cash and cash equivalents	D1	**86.5**	**86.5**	**-**
Trade and other financial receivables	B1	**47.5**	**47.5**	**-**
Derivative financial instruments	E1	**0.3**	**-**	**0.3**
Total financial assets		**134.3**	**134.0**	**0.3**
Financial liabilities				
Trade and other financial payables[1]	B3	**266.6**	**266.6**	**-**
Borrowings	D3	**78.6**	**78.6**	**-**
Lease liabilities	C5	**1,794.7**	**1,794.7**	**-**
Derivative financial instruments	E1	**3.7**	**-**	**3.7**
Total financial liabilities		**2,143.6**	**2,139.9**	**3.7**
At 27 July 2019				
Financial assets				
Cash and cash equivalents	D1	47.4	47.4	-
Trade and other financial receivables	B1	18.9	18.9	-
Derivative financial instruments	E1	5.8	-	5.8
Total financial assets		72.1	66.3	5.8
Financial liabilities				
Trade and other financial payables[1]	B3	282.1	282.1	-
Borrowings	D3	86.1	86.1	-
Derivative financial instruments	E1	0.1	-	0.1
Total financial liabilities		368.3	368.2	0.1

1. Trade and other financial payables comprise trade payables, other financial payables and accruals.

(a) Market risk
(i) Foreign exchange risk
The Group is exposed to foreign exchange risk when there is mismatch between the currencies in which future commercial transactions and assets and liabilities recognised are denominated, and the respective functional currency of the Group companies.

The focus of the Group's foreign exchange risk management activities is on the transaction exposures that arise on the sourcing and purchasing of inventory overseas, with these transactions primarily denominated in United States Dollar (USD) and some denominated in Euro (EUR). This risk is hedged with the objective of minimising the volatility of the Australian Dollar (AUD) cost of highly probably forecast inventory purchases.

The Group's treasury risk management policy is to hedge forecast USD and EUR cash flows for inventory purchases, up to 18 months in advance. The amount of hedging required is dependent on the timing of the settlement of the forecast inventory purchases, with a higher percentage required to be hedged for inventory purchases with an earlier settlement.

The Group uses forward foreign exchange contracts to hedge its exposure to foreign currency risk. The Group designates the forward rate of foreign currency forwards to hedge its currency risk. The Group's policy is for the critical terms of the forward foreign exchange contracts to align with the hedged item.

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)
(i) Foreign exchange risk (continued)
At the end of the reporting period, the Group is holding the following forward foreign exchange contracts:

	2020 $m	2019 $m
Carrying amount - Derivative Financial Instruments (Asset)	**0.3**	5.8
Carrying amount - Derivative Financial Instruments (Liability)	**3.7**	0.1
Notional amount	**147.7**	205.1
Maturity date	**Aug 2020 - Oct 2021**	Aug 2019 - Dec 2020
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	**(9.2)**	(1.2)
Change in value of hedged item used to determine hedge effectiveness	**9.2**	1.2
Weighted average hedged rate (AUD/USD)	**0.709**	0.700
Weighted average hedged rate (AUD/EUR)	**0.610**	0.618

Exposure
At the end of the reporting period, the Group's exposure to foreign exchange risk, expressed in AUD, was as follows:

	2020			2019		
	USD $m	**EURO $m**	**Other $m**	USD $m	EURO $m	Other $m
Cash and cash equivalents	**3.3**	**2.4**	**1.8**	2.3	0.9	2.5
Trade receivables	**-**	**-**	**-**	-	-	0.1
Trade payables	**9.7**	**-**	**-**	25.5	0.4	0.1
Forward exchange contracts	**145.3**	**2.4**	**-**	199.0	6.1	-

Sensitivity
As shown in the table above, the Group is primarily exposed to changes in USD/AUD and EUR/AUD exchange rates. The table below shows the impact of reasonably possible foreign exchange movements in the USD and EUR against the AUD and the effect this would have on the measurement of the financial instruments denominated in these currencies:

		Impact directly on equity	
Currency	**Sensitivity assumption**	**2020 $m**	2019 $m
United States Dollar	+10%	**12.8**	18.7
United States Dollar	-10%	**(10.5)**	(15.3)
Euro	+10%	**0.2**	1.5
Euro	-10%	**(0.2)**	(1.2)

(ii) Interest rate risk
The Group is exposed to interest rate risk from floating rate long-term bank borrowings. The Group's policy is to maintain an appropriate mix between fixed and floating rate borrowings through the use of interest rate swap contracts. This risk is managed through the forecasting of expected borrowings to determine the level of exposure to floating rates.

Exposure
At the end of the reporting period, the Group's exposure to interest rate risk was as follows:

	2020 $m	2019 $m
Cash and cash equivalents	**86.5**	47.4
Floating rate borrowings	**78.6**	86.1

At the end of the reporting period the Group held no interest rate swap contracts due to the low interest rate environment.

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)
(ii) Interest rate risk (continued)
Sensitivity
Applying a sensitivity of 25 basis points to the Group's period end floating interest rate results in an immaterial impact on post tax profit and equity. This assumes that the change in interest rates is effective from the beginning of the financial period and the net debt position and fixed/floating mix is constant over the period. However, interest rates and the debt profile of the Group are unlikely to remain constant and therefore the above sensitivity analysis will be subject to change.

(iii) Hedge ineffectiveness
Hedge ineffectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as the proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the period, the economic relationship was 100% effective.

(b) Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. This arises primarily from the following assets: cash and cash equivalents, trade and other receivables and derivative financial instruments.

Group Treasury manages credit risk from banks and financial institutions, in accordance with Board approved policy. The policy is to limit the Group’s loss from default by any one counterparty by dealing only with banks and financial institution counterparties whose long-term credit rating is at or above an 'A' rating.

Trade and other receivables balances outstanding with third parties are primarily ad-hoc in nature and the credit quality of the third party is assessed by taking into account its financial position, past experience and other relevant factors.

Sales to retail customers are primarily required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Exposure
At the end of the reporting period, the maximum credit risk exposure is the carrying value of the financial assets below:

	2020 $m	2019 $m
Cash and cash equivalents	**86.5**	47.4
Trade and other financial receivables	**47.5**	18.9
Derivative financial instruments - assets	**0.3**	5.8

Trade and other receivables
The Group applies the AASB 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit loss rates are based on historical observed default rates, adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Refer to note B1 for more information.

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

The Group adopts a prudent liquidity risk management strategy by seeking to maintain sufficient cash and availability of funding through an adequate amount of committed credit facilities to meet financial obligations as and when they fall due. The Group's objective is to maintain flexibility in funding given the seasonal nature of the retail business.

The Group monitors forecast and actual cash flows and performs sensitivity analysis, to ensure at all times there is an appropriate minimum level of liquidity available through committed undrawn borrowing facilities and cash and cash equivalents.

Financing arrangements

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

	2020	2019
	$m	$m
Floating rate		
Expiring within one year (revolving cash advance facility)	**280.0**	-
Expiring beyond one year (revolving cash advance facility)	**-**	300.0
	280.0	300.0

Refer to note D3 for more information. The refinancing of the Group's syndicated facility was completed subsequent to the end of the reporting period. Refer to Note H6 for more information.

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 and therefore may not equal their carrying amount. 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**	**6 - 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total contractual cash flows**	**Carrying amount (assets)/ liabilities**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
2020							
Non-derivatives							
Trade and other payables	**266.6**	**-**	**-**	**-**	**-**	**266.6**	**266.6**
Borrowings	**11.1**	**70.3**	**-**	**-**	**-**	**81.4**	**80.0**
Lease liabilities	**104.6**	**104.6**	**200.3**	**548.2**	**1,376.8**	**2,334.5**	**1,794.7**
Total non-derivatives	**382.3**	**174.9**	**200.3**	**548.2**	**1,376.8**	**2,682.5**	**2,141.3**
Derivatives							
Net settled (interest rate swaps)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Gross settled							
- (inflow)	**(97.1)**	**(43.0)**	**(4.2)**	**-**	**-**	**(144.3)**	**(0.3)**
- outflow	**99.1**	**44.3**	**4.3**	**-**	**-**	**147.7**	**3.7**
Total derivatives	**2.0**	**1.3**	**0.1**	**-**	**-**	**3.4**	**3.4**
2019							
Non-derivatives							
Trade and other payables	282.1	-	-	-	-	282.1	282.1
Borrowings	11.7	11.4	70.6	-	-	93.7	90.0
Total non-derivatives	293.8	11.4	70.6	-	-	375.8	372.1
Derivatives							
Net settled (interest rate swaps)	0.1	-	-	-	-	0.1	-
Gross settled							
- (inflow)	(104.7)	(83.6)	(22.6)	-	-	(210.9)	(5.8)
- outflow	100.8	81.8	22.5	-	-	205.1	0.1
Total derivatives	(3.8)	(1.8)	(0.1)	-	-	(5.7)	(5.7)

The amount disclosed for variable rate instruments is determined by reference to the interest rate at the last re-pricing date.

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements
The Group has the following derivative financial instruments:

	2020 $m	2019 $m
Current assets		
Forward foreign exchange contracts	0.3	5.7
Total current derivative financial instrument assets	0.3	5.7
Non-current assets		
Forward foreign exchange contracts	-	0.1
Total non-current derivative financial instrument assets	-	0.1
Current liabilities		
Forward foreign exchange contracts	3.5	0.1
Total current derivative financial instrument liabilities	3.5	0.1
Non-current liabilities		
Forward foreign exchange contracts	0.2	-
Total non-current derivative financial instrument liabilities	0.2	-

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: 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; and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's financial instruments were valued using the Level 2 technique, with no transfers between levels during the period.

The fair value of forward foreign exchange contracts is determined using the present value of future cash flows based on the forward exchange rates at the end of the reporting period. The fair value of interest rate swaps is determined using the present value of the estimated future cash flows based on observable yield curves.

Accounting policy - Financial assets and liabilities
Classification
The group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Initial recognition and measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

(i) Financial assets at amortised cost (debt instruments)
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AASB 15.

(ii) Financial assets at fair value through OCI (debt instruments)
Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are recognised in profit or loss.

(iii) Financial assets at fair value through profit or loss (debt instruments)
Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting policy - Financial assets and liabilities (continued)

(iv) Financial assets designated at fair value through OCI (equity instruments)
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in profit or loss, as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Derecognition
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.

Impairment
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Refer to note E1(b) for more information.

Accounting policy - Derivatives

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 economic 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 changes in the cash flows of the hedging instruments are expected to offset changes in the 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 consolidated 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 hedged 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.

When forward contracts are used to hedge forecast transactions, the Group designates the full change in fair value of the forward contract (including forward points) as the hedging instrument. Gains or losses relating to the effective portion of the change in the fair value of the entire forward contracts are recognised in the cash flow hedge reserve within equity.

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 at the same time as the interest expense on the hedged borrowings.

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

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

F. EQUITY

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

F1 CONTRIBUTED EQUITY

	2020 Number of shares	2019 Number of shares	**2020 $m**	2019 $m
Ordinary shares - fully paid	**821,278,815**	821,278,815	**780.0**	780.0
Treasury shares				
Opening balance	**(331,996)**	(1,553)	**(41.2)**	(41.0)
Shares acquired by Myer Equity Plans Trust on market at $0.52	**-**	(504,356)	**-**	(0.2)
Shares acquired by Myer Equity Plans Trust on market at $0.61	**(1,044,666)**	-	**(0.7)**	-
Shares issued for performance rights granted	**-**	173,913	**-**	-
Closing balance of treasury shares	**(1,376,662)**	(331,996)	**(41.9)**	(41.2)
Closing balance	**819,902,153**	820,946,819	**738.1**	738.8

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 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/(cash) divided by total capital. Net debt/(cash) 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/(cash).

The gearing ratios at 25 July 2020 and 27 July 2019 were as follows:

	2020 $m	2019 $m
Borrowings (note D3)	**78.6**	86.1
Less: cash and cash equivalents (note D1)	**(86.5)**	(47.4)
Net debt/(cash) at end of period (excluding lease liabilities)	**(7.9)**	38.7
Plus: lease liabilities	**1,794.7**	-
Net debt at end of period	**1,786.8**	38.7
Total equity	**174.1**	602.1
Total capital (excluding lease liabilities)	**166.2**	640.8
Total capital	**1,960.9**	-
Gearing ratio (excluding lease liabilities)	**-4.8%**	6.0%
Gearing ratio	**91.1%**	-

Accounting policy
Ordinary shares are classified as equity.

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

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

F2 ACCUMULATED LOSSES AND RESERVES

	2020 $m	2019 $m
(a) Accumulated losses		
Movements in Accumulated losses were as follows:		
Balance at beginning of period	**(138.6)**	(160.3)
Adjustment on initial application of AASB 15, net of tax	**-**	(2.8)
Adjustment on initial application of AASB 16, net of tax	**(247.9)**	-
Restated balance at beginning of period	**(386.5)**	(163.1)
Profit/(loss) for the period	**(172.4)**	24.5
Balance at end of period	**(558.9)**	(138.6)
(b) Reserves		
Share-based payments (i)	**27.5**	27.0
Cash flow hedges (ii)	**(2.7)**	4.7
Other reserve (iii)	**(25.6)**	(25.6)
Foreign currency translation (iv)	**(4.3)**	(4.2)
	(5.1)	1.9
Movements in reserves were as follows:		
Share-based payments		
Balance at beginning of period	**27.0**	28.0
Share-based payments (credit)/expense recognised (note H4)	**0.6**	(1.3)
Income tax (note A4)	**(0.1)**	0.3
Balance at end of period	**27.5**	27.0
Cash flow hedges		
Balance at beginning of period	**4.7**	6.6
Net gain/(loss) on revaluation	**(9.1)**	(1.2)
Transfer to net profit	**1.7**	(0.7)
Balance at end of period	**(2.7)**	4.7
Foreign currency translation		
Balance at beginning of period	**(4.2)**	(3.7)
Exchange differences on translation of foreign operations during the period	**(0.1)**	(0.5)
Balance at end of period	**(4.3)**	(4.2)

(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 E1. Amounts are recognised in the consolidated income statement when the associated hedged transaction affects profit or loss.

(iii) Other reserve
The Group acquired 65% of the sass & bide business in 2011, and the non-controlling shareholders held a put option over the remaining 35%. This resulted in the Group recognising a financial liability for the put option and a corresponding amount in other reserve. In 2014, upon acquisition of the remaining 35% of sass & bide, the cash payment of $33.4m was recorded against the financial liability and non-controlling interests balances were recorded against other reserve.

(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 consolidated 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 end of period 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.

F2 ACCUMULATED LOSSES AND RESERVES (CONTINUED)

Accounting policy (continued)
(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 consolidated 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.

F3 DIVIDENDS

	2020 $m	2019 $m
(a) Ordinary shares		
Total dividends paid	**-**	-

(b) Dividends not recognised at the end of the reporting period
The directors have determined that no final dividend will be payable (2019: no final dividend).

(c) Franked dividends
The franked portions of final dividends recommended after 25 July 2020 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ending 31 July 2021

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2019: 30%)	**50.6**	**54.7**

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the reporting period.

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

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.

G. GROUP STRUCTURE

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

G1 SUBSIDIARIES

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

Name of entity	Notes	Country of incorporation	Class of shares	Equity holdings[4] 2020 %	Equity holdings[4] 2019 %
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	(2), (3)	Australia	Ordinary	**100**	100
sass & bide Retail (NZ) Pty Ltd	(2), (3)	Australia	Ordinary	**100**	100
sass & bide USA inc.		USA	Ordinary	**100**	100
sass & bide inc.		USA	Ordinary	**100**	100
Marcs David Lawrence Pty Ltd	(1), (3)	Australia	Ordinary	**100**	100

(1) Each of these entities have 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.

Accounting policy

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Myer Holdings Limited ('Company' or 'parent entity') as at 25 July 2020 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 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
- Marcs David Lawrence Pty Ltd

By entering into the deed, the wholly-owned entities within 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'.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated accumulated losses

Set out below is a consolidated income statement, statement of comprehensive income and a summary of movements in consolidated accumulated losses for the closed group for the period ended 25 July 2020:

	2020 52 weeks $m	2019 52 weeks $m
Income statement		
Total sales	**2,519.4**	2,991.8
Concession sales	**(445.2)**	(612.2)
Sale of goods	**2,074.2**	2,379.6
Sales revenue deferred under customer loyalty program	**(26.3)**	(34.5)
Revenue from sale of goods	**2,047.9**	2,345.1
Other operating revenue	**111.5**	153.5
Cost of goods sold	**(1,204.5)**	(1,337.7)
Operating gross profit	**954.9**	1,160.9
Other income	**3.1**	-
Selling expenses	**(635.8)**	(822.8)
Administration expenses	**(246.9)**	(281.1)
Restructuring, impairment of assets and other significant items	**(220.8)**	(12.2)
Earnings before interest and tax	**(145.5)**	44.8
Finance revenue	**0.4**	0.6
Finance costs	**(98.6)**	(12.1)
Net finance costs	**(98.2)**	(11.5)
Profit/(loss) before income tax	**(243.7)**	33.3
Income tax (expense)/benefit	**69.3**	(8.9)
Profit/(loss) for the period attributable to Deed of Cross Guarantee group	**(174.4)**	24.4
Statement of comprehensive income		
Profit/(loss) for the period	**(174.4)**	24.4
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Cash flow hedges	**(7.4)**	(1.9)
Exchange differences on translation of foreign operations	**(0.2)**	-
Other comprehensive income/(loss) for the period, net of tax	**(7.6)**	(1.9)
Total comprehensive income/(loss) for the period	**(182.0)**	22.5
Summary of movements in accumulated losses		
Balance at beginning of period	**(133.1)**	(154.7)
Adjustment on initial application of AASB 15, net of tax	**-**	(2.8)
Adjustment on initial application of AASB 16, net of tax	**(247.9)**	-
Restated balance at beginning of period	**(381.0)**	(157.5)
Profit/(loss) for the period	**(174.4)**	24.4
Balance at end of period	**(555.4)**	(133.1)

G2 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 25 July 2020 of the closed group:

	2020 $m	2019 $m
ASSETS		
Current assets		
Cash and cash equivalents	**85.6**	45.6
Trade and other receivables and prepayments	**65.5**	41.5
Inventories	**254.5**	346.1
Derivative financial instruments	**0.3**	5.7
Current tax assets	**7.2**	-
Total current assets	**413.1**	438.9
Non-current assets		
Property, plant and equipment	**346.7**	383.5
Right-of-use assets	**1,272.0**	-
Intangible assets	**319.6**	467.5
Deferred tax assets	**115.1**	-
Derivative financial instruments	**-**	0.1
Other non-current assets	**3.2**	5.5
Total non-current assets	**2,056.6**	856.6
Total assets	**2,469.7**	1,295.5
LIABILITIES		
Current liabilities		
Trade and other payables	**345.8**	372.3
Borrowings	**78.6**	-
Lease liabilities	**167.3**	-
Provisions	**55.0**	64.3
Deferred income	**-**	8.3
Derivative financial instruments	**3.5**	0.1
Current tax liabilities	**-**	5.3
Other liabilities	**0.2**	0.4
Total current liabilities	**650.4**	450.7
Non-current liabilities		
Borrowings	**-**	86.1
Lease liabilities	**1,626.7**	-
Provisions	**3.6**	12.3
Deferred income	**8.3**	80.1
Deferred tax liabilities	**-**	55.9
Derivative financial instruments	**0.2**	-
Total non-current liabilities	**1,638.8**	234.4
Total liabilities	**2,289.2**	685.1
Net assets	**180.5**	610.4
EQUITY		
Contributed equity	**738.1**	738.8
Accumulated losses	**(555.4)**	(133.1)
Reserves	**(2.2)**	4.7
Total equity	**180.5**	610.4

G3 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	2020 $m	2019 $m
Balance sheet		
Current assets	**147.0**	163.0
Total assets	**357.7**	542.0
Current liabilities	**14.5**	20.6
Total liabilities	**93.1**	106.7
Shareholders' equity		
Issued capital	**738.1**	738.8
Reserves		
Cash flow hedges	**-**	(0.1)
Other reserves	**(2.7)**	(2.7)
Share-based payments	**21.6**	21.0
Retained profits reserve - pre 2018	**78.9**	78.9
Accumulated losses reserve - 2018	**(406.7)**	(406.7)
Retained profits reserve - 2019	**6.0**	6.0
Accumulated losses reserve - 2020	**(170.6)**	-
Profit/(loss) for the period[1]	**(170.6)**	6.0
Total comprehensive income/(loss) for the period	**(170.6)**	6.0

	2020 $m	2019 $m
(b) Guarantees entered into by the parent entity		
Carrying amount included in current liabilities	**-**	-

1. The loss for the period reflects the impairment recognised on the investments held in subsidiaries within the Group. Refer to note C2 for more information.

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 the end of the reporting period, 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 25 July 2020 or 27 July 2019.

(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 25 July 2020 or 27 July 2019.

(e) Event subsequent to balance date
Refer to note H6 for additional events which have occurred after the financial reporting date.

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.

H. OTHER FINANCIAL INFORMATION

This section of the notes includes other financial 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 25 July 2020 in respect of:

Guarantees
The Group has issued bank guarantees amounting to $38.0 million (2019: $26.9 million), of which $18.0 million (2019: $16.9 million) represents guarantees supporting workers' compensation self insurance licences in various jurisdictions.

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

There can be legal claims and exposures which arise from the ordinary course of business. There is significant uncertainty as to whether a future liability will arise in respect of these items, or the amount of any such liability.

H2 COMMITMENTS

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

	2020 **$m**	2019 $m
Property, plant, equipment and software		
Payable:		
Within one year	**19.8**	5.8
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	19.8	5.8

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 25 July 2020 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.

	2020 **$**	2019 $
Short term employee benefits	**3,983,303**	4,861,515
Post employment benefits	**111,875**	137,362
Long term benefits	**7,519**	14,628
Termination and other payments	**-**	1,087,912
Share-based payments	**722,776**	869,866
	4,825,473	6,971,283

Detailed remuneration disclosures are provided in the Remuneration Report on pages 16 to 37.

(ii) Loans
In 2020 and 2019 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
The transactions with Key Management Personnel or entities related to them are as disclosed in the Remuneration Report.

(d) Transactions with other related parties
There were no material 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 and options 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. Performance options vest and are automatically exercised on a net settlement basis.

The LTIP is delivered via a grant of performance rights or options. The number of performance rights or options that vest is not determined until after the end of the performance period. The performance right or option will therefore not provide any value to the holder between the date the performance right or option is granted until after the end of the vesting period, if the performance hurdles and restriction period (if applicable) are satisfied. Performance rights and options do not carry entitlements to ordinary dividends or other shareholder rights until the end of the vesting period.

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

2020

	Balance 27 July 2019	**Granted**	**Exercised**	**Expired and lapsed**	**Balance 25 July 2020**
Performance rights	**8,820,637**	**-**	**-**	**(1,771,396)**	**7,049,241**
Performance options	**34,272,272**	**30,264,866**	**-**	**(7,092,190)**	**57,444,948**
Total	**43,092,909**	**30,264,866**	**-**	**(8,863,586)**	**64,494,189**
Weighted average exercise price	**$0.33**	**$0.55**	**$0.00**	**$0.39**	**$0.43**

2019

	Balance 28 July 2018	**Granted**	**Exercised**	**Expired and lapsed**	**Balance 27 July 2019**
Performance rights	13,692,652	192,307	(173,913)	(4,890,409)	8,820,637
Performance options	-	35,833,562	-	(1,561,290)	34,272,272
Total	13,692,652	36,025,869	(173,913)	(6,451,699)	43,092,909
Weighted average exercise price	$0.00	$0.42	$0.00	$0.10	$0.33

The weighted average remaining contractual life of share rights and options outstanding at the end of the period was 1.6 years (2019: 2.0 years).

Fair value of performance options granted

The assessed fair value at grant date of options 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 options, 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 option. The fair values and model inputs for performance options granted during the period included:

	2020 LTIP Options (TSR)	**2020 LTIP Options (EPS)**
(a) Fair value of performance options granted	$0.15	$0.15
(b) Grant date	21-Nov-19	21-Nov-19
(c) Expiry date	21-Nov-23	21-Nov-23
(d) Share price at grant date	$0.51	$0.51
(e) Expected price volatility of the Group's shares	49%	49%
(f) Expected dividend yield	0%	0%
(g) Risk-free interest rate	0.76%	0.76%

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

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

(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:

	2020 $m	2019 $m
Rights and options issued under the LTIP	**0.6**	(1.3)

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 or options 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.

H4 SHARE-BASED PAYMENTS (CONTINUED)

Accounting policy

Share-based compensation benefits are provided to employees through the Myer Long Term Incentive Plan (LTIP).

The fair value of rights and options granted under a plan are 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 and options granted, which includes any market performance conditions but excludes the impact of any services and non-market performance vesting conditions and the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights and options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of rights or options that are expected to vest based on the non-market vesting conditions. It recognises the impact of revisions to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The LTIP is administered by the Myer Equity Plan Trust (refer to note G1). When rights or options 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:

	2020 **$**	2019 $
(a) PwC Australia		
(i) Assurance services		
Audit services		
Audit and review of financial statements	**426,000**	428,000
Other assurance services		
Audit of rent certificates	**38,519**	57,851
Total remuneration for audit and other assurance services	**464,519**	485,851
(ii) Taxation services		
Tax compliance services	**3,000**	43,000
(iii) Other services		
Consulting services	**10,799**	492,627
Total remuneration of PwC Australia	**478,318**	1,021,478
(b) Overseas practices of PwC		
(i) Assurance services		
Audit services		
Audit and review of financial statements	**69,067**	70,719
Total remuneration for overseas practices of PwC	**69,067**	70,719

H6 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Dividends on the Company's ordinary shares

The directors have determined that no final dividend will be payable for the period ended 25 July 2020.

Refinancing

On 6 August 2020, the Group entered into a binding term sheet with its financiers in relation to a refinancing of its syndicated facility now totalling $340 million. On 28 August 2020, the amendment and extension of the syndicated facility was completed. The key terms are noted below:

(a) Structure of debt

	Amount	**Term**	**Expiry date**
Amortising term loan - Tranche A[1]	$80 million	2 years	31 August 2022
Revolving - Tranche B[2]	$260 million	2 years	31 August 2022
Total syndicated facility	$340 million		

1. Tranche A steps down by $10 million during the period ending 31 July 2021 and a further $20 million during the period ending 30 July 2022.
2. Tranche B steps down by $20 million during the period ending 31 July 2021 and a further $40 million during the period ending 30 July 2022.

(b) Security

The syndicated facility is secured, subject to various representations, undertakings, events of default and review events.

(c) Debt covenants

Under the terms of the syndicated facility, the Group is required to comply with financial covenants and report compliance on a quarterly basis.

Stage 4 restrictions in metropolitan Melbourne

Following the Victorian Government's announcement of Stage 4 restrictions in metropolitan Melbourne in response to the ongoing COVID-19 pandemic, 11 Myer stores were temporarily closed to customers from 5 August 2020.

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 the current or future reporting periods.

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, C2 and C5.

Working capital position

As at 25 July 2020, the Group's net current liability position has increased to $251.3 million. This is due to the recognition of current lease liabilities of $167.5 million from the adoption of AASB 16 Leases and borrowings of $78.6 million being classified as current at the end of the reporting period. The refinancing of the Group's syndicated facility was completed subsequent to the end of the reporting period. Refer to Note H6 for more information. The refinancing completed provides the Group with an undrawn borrowing facility of $260 million, which will enable the Group to pay its debts as and when they become due and payable.

(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 hundred thousand dollars.

(c) New accounting standards and interpretations

(i) New and amended standards adopted by the Group

The Group has adopted AASB 16 *Leases* from 28 July 2019. None of the other new standards or amendments to existing standards that are mandatory for the first time for the 25 July 2020 reporting period materially affected any of the amounts recognised in the current period or any prior period, and are not likely to significantly affect future periods.

AASB 16 *Leases*

AASB 16 Leases has replaced the existing accounting requirements under AASB 117 Leases and related interpretations. AASB 16 has eliminated the classification between operating and finance leases and has introduced a single lessee accounting model.

The Group has adopted AASB 16 from 28 July 2019 by applying the modified retrospective method with no restatement of comparatives for the 2019 financial period. On adoption of AASB 16, the Group recognised right-of-use (ROU) assets and corresponding lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117, with the exception of short-term leases under 12 months and where the underlying ROU asset was of a low value. The ROU assets were measured as if AASB 16 had always applied. The lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on 28 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 28 July 2019 was 5.0%.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- reliance on previous assessments on whether leases are onerous.

The financial covenants under the Group's syndicated facility are measured excluding the adoption of AASB 16.

I. OTHER ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)
The following table summarises the increase/(decrease) on the Group's balance sheet at 28 July 2019 as a result of the transition to AASB 16:

	$m
Current assets	
Trade and other receivables and prepayments	**(2.4)**
Non-current assets	
Right-of-use assets	**1,450.3**
Deferred tax assets	**106.1**
Other non-current assets	**(1.5)**
Current liabilities	
Lease liabilities	**142.0**
Provisions	**(2.2)**
Deferred income	**(8.3)**
Non-current liabilities	
Lease liabilities	**1,758.1**
Provisions	**(9.1)**
Deferred income	**(80.1)**
Equity	
Accumulated losses	**(247.9)**

The following is a reconciliation of the Group's operating lease commitments, as disclosed in the Annual Report for the period ended 27 July 2019, to the lease liabilities that were recognised on transition to AASB 16:

	$m
Operating lease commitments disclosed as at 27 July 2019	**2,427.9**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(641.1)**
Less: short-term leases not recognised as a liability	**(0.1)**
Add: adjustments as a result of a different treatment of extension options	**113.4**
Lease liabilities recognised as at 28 July 2019	**1,900.1**
Of which are:	
Current lease liabilities	**142.0**
Non-current lease liabilities	**1,758.1**
	1,900.1

DIRECTORS' DECLARATION

In the directors' opinion:

a) the financial statements and notes set out on pages 38 to 75 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 25 July 2020 and of its performance for the financial period ended on that date; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note G2.

Note I. (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and the Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Garry Hounsell

Chairman

Melbourne, 9 September 2020

Independent auditor's report

To the members 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 25 July 2020 and of its financial performance for the period 28 July 2019 to 25 July 2020

(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 25 July 2020
- the consolidated income statement for the period 28 July 2019 to 25 July 2020
- the consolidated statement of comprehensive income for the period 28 July 2019 to 25 July 2020
- the consolidated statement of changes in equity for the period 28 July 2019 to 25 July 2020
- the consolidated statement of cash flows for the period 28 July 2019 to 25 July 2020
- 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

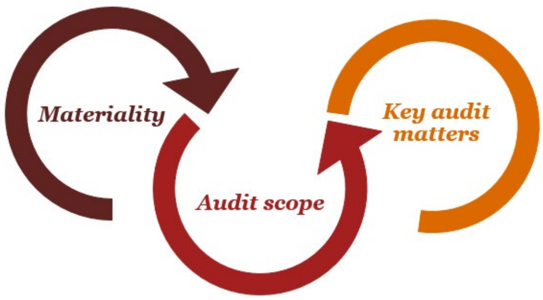
We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the 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.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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

- For the purpose of our audit we used overall Group materiality of $1.6 million, which represents approximately 5% of the Group's three year average profit or loss before tax adjusted for individually significant items, separately disclosed as restructuring, impairment of assets and other significant items.
- 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 weighted average adjusted Group profit or loss before tax and individually significant items because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. Due to fluctuations in profit or loss from year to year, we chose a three year average. We adjusted for individually significant items as they are unusual or infrequently occurring items impacting profit and loss.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- 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 the Group's finance function at its Melbourne support office.

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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. We communicated the key audit matters to the Audit, Finance and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Impairment of non-financial assets *(refer note C2)* The Group's non-financial assets include, amongst others, intangible assets with indefinite lives, representing brands and trademarks, property, plant and equipment, software and right-of-use assets. The Group has determined that it has multiple CGUs for the purpose of impairment testing, including: • individual stores • sass & bide and Marcs David Lawrence • the consolidated Myer Group. Where the Group determined a CGU had indicators of impairment, or where that CGU holds intangible assets with indefinite useful lives, it was tested for impairment at 25 July 2020. The Group determined the recoverable amount using value-in-use discounted cash flow models (the models). The carrying value of the Myer Group CGU exceeded the recoverable amount, resulting in an impairment charge of $184.4 million. The impairment was allocated to the Group's brand names and trademarks ($131.4 million) and right-of-use assets ($53.0 million). Significant judgement is required by the Group to estimate the key assumptions used in the models to determine the recoverable amount of non-financial assets and the amount of any resulting impairment (if applicable). The key assumptions applied by the Group include: • terminal growth rate • EBITDA margin throughout the forecast	To assess the Group's value-in-use impairment models we performed the following procedures, amongst others: • assessed whether the allocation of the Group's assets into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting • developed an understanding of the key relevant internal controls over the impairment assessment process • performed testing over the mathematical accuracy of the models on a sample basis • compared the Group's forecast cash flows to Board approved budgets, externally available economic data and historical actual results • compared the Group's terminal growth rates to external benchmark data • assessed sensitivity to change of key assumptions used in the models • evaluated the extent of the impairment charge recognised with reference to key assumptions including forecast average EBITDA margins, discount rates and terminal growth rates • considered the allocation of the impairment to the Group's assets by reference to the relative values of assets • assessed the Group's historical ability to forecast cash flows by comparing budgets to reported actual results for the past three years • together with PwC valuation experts, evaluated whether discount rates used in the models

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Key audit matter	How our audit addressed the key audit matter
period • weighted average discount rate adopted in the models. The COVID-19 pandemic has impacted the Group's financial performance significantly and has meant assumptions regarding the economic outlook and impacts on the Group are uncertain, increasing the degree of judgement required in determining the recoverable amount of non-financial assets. We considered this a key audit matter because of the magnitude of non-financial assets, the overall impairment indicators applicable to the Group and the significant estimation uncertainty in the Group's future trading cash flows.	appropriately reflected the risks of the Group by considering relevant industry and market factors 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.
Provisions and disclosures relating to strategic decisions *(Refer to note A3 and C3)* During the period ended 25 July 2020 the Group's strategic decisions included redundancies and restructuring at the Group's support office and across the store network, the exit of clearance floors and certain brands and changes to the Myer one loyalty program. These decisions resulted in costs of $37.0 million in the period, recorded within restructuring, impairment of assets and other significant items in accordance with Australian Accounting Standards. Restructuring activity incomplete at period end required the recognition of provisions associated with strategic decisions of $4.1 million. 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 25 July 2020.	Our procedures over the Group's provisions and disclosures relating to strategic provisions included, but were not limited to: • considering, with reference to Australian Accounting Standards, 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 • comparing the outcome of the exit of clearance floors and accelerated liquidation of inventories to provisions recognised • comparing the Group's judgements and assumptions used to calculate the provisions associated with strategic decisions 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 25 July 2020, by making inquiries

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Key audit matter	*How our audit addressed the key audit matter*
	of directors and key management personnel responsible for strategic decisions 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.
Inventory valuation and provisions *(Refer to note B2)* The Group held inventory of $256.0 million at 25 July 2020. 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 future selling prices and inventory sell through rates to estimate the value of inventory likely to sell below cost in the future • the COVID-19 pandemic has meant assumptions regarding forecast selling prices and inventory sell through rates are uncertain, increasing the degree of judgement required in determining the value of inventory likely to sell below cost.	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 a sample of relevant key inventory controls • attended inventory counts at two distribution centres and three retail stores and inspected the results of a sample of other inventory counts performed in the period • 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.
Lease accounting *(Refer to notes C5 and I)* The Group adopted AASB 16 Leases as of 28 July 2019. The adoption of the standard has had a significant impact on the presentation of the Group's financial report, as disclosed in notes C5 and I. We considered this to be a key audit matter due to the:	Our procedures over the Group's AASB 16 Leases related balances included, but were not limited to: • developing an understanding of and evaluating a sample of relevant internal controls relating to identifying lease contracts and maintaining lease data • assessing whether the Group's new accounting

Key audit matter	*How our audit addressed the key audit matter*

• the period ended 25 July 2020 being the first year of reporting under AASB 16 and the Group has significant lease arrangements
• magnitude of lease liabilities and right-of-use assets recorded on the Group's consolidated balance sheet
• significant judgements applied by the group including incremental borrowing rates, exercise of extension options and lease terms
• complexity of landlord negotiations and agreements regarding COVID-19 related rent concessions.
	policies were in accordance with the requirements of AASB 16
	• evaluating the appropriateness of the Group's incremental borrowing rates by comparing to the Group's existing facilities and external market evidence
	• evaluating the judgements applied by the group in determining the probability of exercising extension options
	• for a sample of lease contracts, we:
	  ○ compared lease data in the Group's lease management system to the underlying lease agreement and subsequent variations
	  ○ evaluated the appropriateness of the lease term applied and the Group's assumptions relating to the exercise of option periods
	  ○ recalculated the right-of-use asset and lease liability.
	Our procedures over the Group's COVID-19 related rent concessions included:
	• developing an understanding of the status of negotiations with landlords regarding rent waivers and agreements reached
	• for a sample of rent concessions allowed, inspecting correspondence between the Group and its landlords supporting the value of rent concessions recognised.
	We considered the disclosures made in notes C5 and I, in light of the requirements of Australian Accounting Standards.

Refinancing *(Refer to notes D3 and H6)* The Group has external borrowings of $78.6 million as at 25 July 2020. The Group's syndicated facility was amended and extended post balance sheet date. Given the financial significance of the borrowings	 We obtained confirmations directly from the Group's banks to confirm the borrowings' balance, tenure and conditions at 25 July 2020. We read the signed agreements between the Group and

Key audit matter	*How our audit addressed the key audit matter*
balance, refinancing of facilities subsequent to year end, the cyclical financing demands of the business and the importance of capital in supporting the Group's strategy, accounting for the Group's borrowings was considered a key audit matter.	its lenders to develop an understanding of the terms associated with the new facilities and the amount of facility available for drawdown. We evaluated whether the debt was classified in accordance with Australian Accounting Standards and we also evaluated the adequacy of the disclosures made in notes D3 and H6.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period 28 July 2019 to 25 July 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

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 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, 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.

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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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 16 to 37 of the directors' report for the period 28 July 2019 to 25 July 2020.

In our opinion, the remuneration report of Myer Holdings Limited for the period 28 July 2019 to 25 July 2020 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Jason Perry
Partner

Melbourne
9 September 2020