

MYER HOLDINGS LIMITED

ABN 14 119 085 602

APPENDIX 4E PRELIMINARY FINAL REPORT

ASX Listing Rule 4.3A

Current reporting period: 53 weeks ended 31 July 2021

Previous corresponding period: 52 weeks ended 25 July 2020

Results for announcement to the market				\$m
Total sales from ordinary activities	up	5.5%	to	2,658.3
Profit attributable to members of Myer Holdings Limited	up	nm*	to	46.4
Net profit after tax before restructuring, impairment of assets and other significant items	up	nm*	to	51.7

*not meaningful

Dividends	Amount per security	Franked amount per security
Current reporting period		
2021 final dividend	Nil	Nil
2021 interim dividend	Nil	Nil
Previous corresponding period		
2020 final dividend	Nil	Nil
2020 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	31 July 2021	25 July 2020
Net tangible assets per ordinary security ¹	(\$0.23)	(\$0.32)

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 31 July 2021 consolidated financial statements and accompanying notes.

ANNUAL FINANCIAL REPORT

FOR THE PERIOD ENDED 31 JULY 2021

MYER

MY STORE

CONTENTS

Directors' Report	2
Remuneration Report	14
Auditor's Independence Declaration	39
Financial Statements	40
Directors' Declaration	79
Independent Auditor's Report	80

DIRECTORS' REPORT

Your directors present their annual 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 31 July 2021.

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
JoAnne Stephenson	Independent Non-Executive Director Acting Chairman from 29 October 2020 to 15 September 2021 Chairman from 16 September 2021	28 November 2016
John King	Chief Executive Officer and Managing Director	4 June 2018
Jacquie Naylor	Independent Non-Executive Director	27 May 2019
Dave Whittle	Independent Non-Executive Director	30 November 2015
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
Lyndsey Cattermole AM	Independent Non-Executive Director	15 October 2018
Julie Ann Morrison	Independent Non-Executive Director	17 October 2017

Garry Hounsell retired from the Board with effect from 28 October 2020. Both Lyndsey Cattermole AM and Julie Ann Morrison retired from the Board with effect on 29 October 2020. All directors other than Mr Hounsell, Ms Cattermole AM, and Ms Morrison 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.

JOANNE STEPHENSON

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Member of the Board since 28 November 2016
- Acting Chairman from 29 October 2020 to 15 September 2021
- Chairman from 16 September 2021
- Member – Audit, Finance and Risk Committee
- Chairman – Nomination Committee
- Member – Human Resources and Remuneration 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 and Japara Healthcare Limited. She is also Chair of the Victorian Major Transport Infrastructure Board. JoAnne was previously a director of Asaleo Care Ltd.

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.

John 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 successfully led Matalan from 2003 to 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. More 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 resides in Victoria.

JACQUIE NAYLOR

INDEPENDENT NON-EXECUTIVE DIRECTOR

- Member of the Board since 27 May 2019
- Member – Audit, Finance and Risk Committee
- Member – Nomination Committee
- Chairman – 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. Jacquie has held the position of Non-Executive Director at The PAS Group and 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 Doti.

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

DIRECTORS' REPORT

Continued

and eCommerce agency.

Jacque 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. Jacque is also a member of the Australian Institute of Company Directors and of the International Women's Forum. Jacque resides in Victoria.

OTHER CURRENT DIRECTORSHIPS

Jacque is a Non-Executive Director of Cambridge Clothing Ltd and Michael Hill International Limited.

DAVE WHITTLE

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Dave has considerable brand, data, technology, omni-channel retail and digital transformation experience. Over the last six 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 31 July 2018, and the period during which each directorship has been held.

Director	Listed entity	Period directorship held
JoAnne Stephenson	Challenger Limited	October 2012 – present
	Asaleo Care Limited	May 2014 – June 2021
	Japara Healthcare Limited	September 2015 – present
John King	-	-
Jacque Naylor	Michael Hill International Limited	15 July 2020 – 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 31 July 2021 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
JoAnne Stephenson	13	13	7	7	3	3	2	2
John King	13	13	-	-	-	-	-	-
Jacque Naylor	13	13	4	4	5	5	2	2
Dave Whittle	13	13	7	7	2	2	2	2
Garry Hounsell ⁽¹⁾	4	4	3	3	3	3	-	-
Lyndsey Cattermole AM ⁽²⁾	5	5	-	-	3	3	-	-
Julie Ann Morrison ⁽³⁾	5	5	-	-	3	3	-	-

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

(1) Garry Hounsell retired from the Board with effect from 28 October 2020.

(2) Lyndsey Cattermole AM retired from the Board with effect from 29 October 2020.

(3) Julie Ann Morrison retired from the Board with effect from 29 October 2020.

DIRECTORS' REPORT

Continued

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	Rights	Performance Rights	Performance Options
JoAnne Stephenson	235,000	Nil	Nil	Nil
John King	1,150,000	2,432,432	3,442,622	14,631,014
Jacquie Naylor	121,000	Nil	Nil	Nil
Dave Whittle	266,666	Nil	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.

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 represent the financial performance of the Group excluding implementation costs and individually significant items, and the impact of the lease accounting standard AASB 16. Refer to the Non-IFRS Financial Measures section below.

SUMMARY OF FINANCIAL RESULTS (POST-AASB 16) FOR 53 WEEKS ENDED 31 JULY 2021:

- Total sales⁽¹⁾ up 5.5% to \$2,658.3 million; despite widespread store closures.
- Group online sales⁽²⁾ of \$539.5 million, up 27.7%, representing 20.3% of total sales.
- Operating Gross Profit (OGP) improved by 10.2% to \$1,055.7 million. OGP margin improved by 168 basis points to 39.7%.
- Cost of Doing Business⁽³⁾ as a percent to sales decreased by 87 basis points, and was \$665.7 million, including JobKeeper wage subsidy and rent waivers.
- Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)⁽³⁾ of \$390.0 million.
- Net profit after tax⁽³⁾ was \$51.7 million, compared to a net loss after tax⁽³⁾ of \$13.4 million in prior year.
- Implementation costs and individually significant items (ISIs) of \$5.3 million (\$7.6 million pre-tax), including space exit costs and asset impairments.
- Statutory net profit after tax of \$46.4 million.
- Net cash position of \$111.8 million, an improvement of \$103.9 million compared to FY20, due to improvements to the merchandise cycle, and a prudent approach to preserving cash with a focus on deleveraging, and disciplined cost control.
- No final dividend will be paid.

(1) Revenue from sale of goods excluding concession sales and sales revenue deferred under customer loyalty program was \$2,116.5 million (FY20: \$2,047.9 million)

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

(3) Excluding implementation costs and individually significant items

DIRECTORS' REPORT

Continued

INCOME STATEMENT (POST-AASB 16) FOR THE 53 WEEKS TO 31 JULY 2021

	2021 (Statutory) \$m	2020 (Statutory) \$m	Change
Total sales ⁽¹⁾	2,658.3	2,519.4	5.5%
Operating gross profit	1,055.7	958.2	10.2%
Cost of doing business ⁽²⁾	(665.7)	(652.9)	2.0%
EBITDA⁽²⁾	390.0	305.3	27.7%
Depreciation ⁽²⁾	(219.5)	(226.8)	(3.2%)
EBIT⁽²⁾	170.5	78.5	117.0%
Net finance costs	(96.1)	(98.2)	(2.1%)
Tax ⁽²⁾	(22.7)	6.3	nm ⁽³⁾
Profit/(Loss) after tax⁽²⁾	51.7	(13.4)	nm ⁽³⁾
Implementation costs and individually significant items (post-tax)	(5.3)	(159.0)	nm ⁽³⁾
Statutory profit/(loss) after tax	46.4	(172.4)	nm ⁽³⁾

(1) Revenue from sale of goods excluding concession sales and sales revenue deferred under customer loyalty program was \$2,116.5 million (FY20: \$2,047.9 million)

(2) Excluding implementation costs and individually significant items

(3) Not meaningful

BALANCE SHEET (POST-AASB16) AS AT 31 JULY 2021

	July 2021 \$m	July 2020 ⁽¹⁾ \$m
Inventory	305.2	256.0
Creditors	(353.3)	(354.2)
Other assets	137.3	184.1
Other liabilities	(85.6)	(62.5)
Right-of-use assets	1,224.1	1,272.6
Lease liabilities	(1,735.5)	(1,794.7)
Property	21.7	22.2
Fixed assets	296.8	324.8
Intangibles – Brands	240.2	240.2
Intangibles - Software	64.2	76.2
Total Funds Employed	115.1	164.7
Debt	(66.8)	(78.6)
Less Cash	178.6	86.5
Net (Debt) / Cash	111.8	7.9
Equity	226.9	172.6

(1) Comparative information has been restated due to a change in accounting policy. Refer to note I in the Financial Statements for more information

DIRECTORS' REPORT

Continued

CASH FLOW FOR THE 53 WEEKS TO 31 JULY 2021

	2021 \$m	2020 \$m
EBITDA ⁽¹⁾	390.0	305.3
Less Implementation costs and ISIs	(7.6)	(221.4)
Add Non-cash asset impairments	1.8	185.2
Working capital movement	(19.0)	29.2
Operating cash flow (before interest and tax)	365.2	298.3
Conversion	95.1%	110.9%
Tax refunded/(paid)	6.8	(8.1)
Net Interest paid	(7.5)	(8.9)
Interest – lease liabilities	(87.2)	(89.3)
Operating cash flow	277.3	192.0
Capex paid ⁽²⁾	(31.9)	(40.3)
Free cash flow	245.4	151.7
Principle portion of lease liabilities paid	(140.3)	(101.9)
Other	(0.4)	(0.7)
Net cash flow	104.7	49.1

(1) Excluding implementation costs and individually significant items

(2) Net of landlord contributions

SHARES AND DIVIDENDS

	2021	2020
Shares on issue	821.3 million	821.3 million
Basic earnings per share ⁽¹⁾	5.7 cents	(21.0) cents
Basic earnings per share (pre implementation and individually significant items) ⁽²⁾	6.3 cents	(1.6) cents
Dividend per share	Nil	Nil

(1) Calculated on weighted average number of shares of 818.9 million (FY20: 820.1 million) and based on NPAT

(2) Calculated on weighted average number of shares of 818.9 million (FY20: 820.1 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	162.9	(96.1)	(20.4)	46.4
<i>Add back: implementation costs and individually significant items</i>				
Space exit costs/(reversals) and other asset impairments/(reversals)	7.6	-	(2.3)	5.3
Result: post-AASB 16⁽¹⁾	170.5	(96.1)	(22.7)	51.7
Impact of AASB 16	(86.9)	85.5	0.5	(1.0)
Result: pre-AASB 16⁽¹⁾	83.6	(10.6)	(22.3)	50.7

(1) Excluding implementation costs and individually significant items

DIRECTORS' REPORT

Continued

IMPACT OF COVID-19

The ongoing COVID-19 pandemic and associated Government actions has had a significant impact on the Company during FY21. The Company's response has been managed by its COVID-19 Operations Committee, Executive Management team, and Board, with the primary focus being on the health and wellbeing of its customers, team members and the broader community in which it operates, and in supporting government health measures.

As a result of COVID-19 outbreaks in the community and Government directions, the Company temporarily closed many stores across its network in New South Wales, Queensland, South Australia, Victoria, and Western Australia. This was following closures in FY20, where the Company temporarily closed all of its 60 stores nationally for approximately 6 weeks, as well as more localised state and metropolitan temporary store closures. In FY21, the greatest impacted states were NSW and Victoria, where stores were temporarily closed for significant periods of time. A breakdown of the temporary store closures is set out below.

State	Period of temporary closure	Days closed	Stores affected
New South Wales	27 June 2021 – 31 July 2021	35 days	16 stores
Queensland	9 January 2021 – 11 January 2021	3 days	6 stores
	30 March 2021 – 1 April 2021	2.5 days	5 stores
	30 March 2021 – 1 April 2021	3 days	1 store
	30 June 2021 – 2 July 2021	3 days	4 stores
	30 June 2021 – 3 July 2021	4 days	6 stores
South Australia	19 November 2020 – 21 November 2020	3 days	3 stores
	20 July 2021 – 27 July 2021	8 days	3 stores
Victoria	6 August 2020 – 27 October 2020	83 days	11 stores
	13 February 2021 – 17 February 2021	5 days	14 stores
	28 May 2021 – 3 June 2021	7 days	3 stores
	28 May 2021 – 10 June 2021	14 days	11 stores
	16 July 2021 – 27 July 2021	12 days	14 stores
Western Australia	1 February 2021 – 5 February 2021	5 days	6 stores
	24 April 2021 – 26 April 2021	3 days	6 stores
	29 June 2021 – 2 July 2021	4 days	6 stores

During the 6 August 2020 to 27 October 2020 Victorian store closure period, Myer stood down a large portion of its permanent store workforce for the entire lockdown period. This excluded store team members who were required to continue to support fulfilment for the online business and contactless click-and-collect. During part of this store closure period, stood down permanent store team members who were eligible were able to access the Federal Government JobKeeper Payment Scheme until 27 September 2020. From 28 September 2020 to 18 October 2020, Myer paid those team members a wage representing their ordinary hours of work at a base rate of pay, with the remainder of the store closure period to 27 October 2020 being without pay (with team members being able to access their leave entitlements).

For the remainder of the financial year and subsequent store closures (as listed above), Myer did not qualify for the Federal Government JobKeeper Payment Scheme. For the 27 June to 31 July 2021 NSW store closure period, the Company continued to pay its store team members who remained working in stores. The only exception was a portion of the NSW permanent store workforce who were stood down for one week from 24 July to 31 July 2021, however, were eligible for the NSW Disaster Relief Payment during that time. The Company otherwise continued to pay stood down permanent store team members a wage representing their ordinary hours of work throughout the store closure periods in FY21, allowing team members to maintain an income and their ongoing role with the Company.

The Company ceased to generate revenue or cash inflows from its physical stores during temporary closures, other than through click-and-collect services. When stores reopened in line with the easing of Government restrictions, a combination of the ongoing uncertainty generated by the COVID-19 pandemic, the lack of tourism, a large proportion of workers still working remotely, and reduced foot traffic (primarily in CBD store locations), continued to impact sales in physical stores.

During FY21, we continued to invest in our online operation to deliver strong sales growth of 27.7% compared to FY20. Improvements were made to the online customer experience, contributing to an increased conversion of 26 basis points and a record online Net Promoter Score from our customers.

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 also 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, an improved merchandise cycle, support from the Federal Government, 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 \$111.8 million, representing a \$103.9 million improvement on the prior year.

DIRECTORS' REPORT

Continued

The Company continued to maintain the additional health and safety measures that were implemented in FY20 across the Company's stores, distribution centres and store support office (as appropriate) to protect team members, customers and visitors to these sites, which included increased frequency and intensity of cleaning, contactless payment, social distancing practices at POS and change rooms and protective screens at POS, adherence to COVIDSafe Plans, QR codes displayed at entrances and throughout stores, and the majority of team members working remotely where possible.

FY21 OPERATIONS

In addition to the Company's actions during the COVID-19 pandemic as noted above, the Company achieved the following during FY21:

- Group online sales⁽¹⁾ of \$539.5 million, representing 20.3% of total sales.
- 2H FY21 was profitable⁽²⁾, first time since FY17.
- Improved inventory stockturn to 3.87x, up from 3.13x in FY20, combined with a reduction in aged inventory of 40.2%.
- Delivered improvements to the Myer one program resulting in an increase in tag rate to 69.7% (FY20: 64.9%).
- Opened 3PL fulfilment site in Melbourne fulfilling 2.2m customer orders at lower cost, and launched multi-carrier last mile delivery.
- In July 2021, Myer secured a 10-year lease on a new 40,000 square metre state-of-the art National Distribution Centre in Victoria, representing the next phase of the "Factory to Customer" strategy.
- Record customer service satisfaction in store, and online Net Promoter Score.
- Exited Knox store and completion of store relaunches post space handbacks at Belconnen, Cairns, and Morley. Store refurbishment at Karrinyup was underway in FY21 and completed in August 2021.
- Negotiated an extension of its syndicated finance facility to November 2022 to enable an orderly longer-term refinancing, consistent with strategic objectives.

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

(2) Net Profit After Tax pre Implementation Costs and Individually Significant Items; pre-AASB16

Further to these matters, Section 9 provides an outline of the Company's future 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 FY21

In addition to the matters described in Section 7 above, the following significant changes occurred during FY21:

- Gary Hounsell retired from the Board with effect from 28 October 2020.
- Lyndsey Cattermole AM retired from the Board with effect from 29 October 2020.
- Julie Ann Morrison retired from the Board with effect from 29 October 2020.
- JoAnne Stephenson was appointed Acting Chairman of the Company, Chairman of the Nominations Committee, a member of the Human Resources and Remuneration Committee, and stood down as Chairman of the Audit, Finance and Risk Committee.
- Jacquie Naylor was appointed as Chairman of the Human Resources and Remuneration Committee and became a member of the Audit, Finance and Risk Committee.
- Dave Whittle was appointed Chairman of the Audit, Finance and Risk Committee and a member of the Human Resources and Remuneration Committee.

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. The FY21 results reflect the improving momentum driven by the successful transformation of the business achieved under the Customer First Plan – it is the right strategy for the Company. The Customer First Plan further evolved during COVID-19 and focuses on the following areas:

- Accelerate Online: focus on online growth in terms of both overall scale and as a percentage of total company sales. Investment in customer experience has led to significant improvements in conversion and customer Net Promoter Scores.
- Accelerate Factory to Customer (F2C) change: improvements to online fulfilment (3PL / multicarrier) arrangements delivered cost and customer experience benefits in FY21, and the announcement of the development of a National Distribution Centre in FY22 (operational in FY23) will be transformational to Myer's supply chain and customer experience.
- Re-engage the Consumer: drive engagement and growth through our MYER one loyalty base by delivering improved rewards and greater personalisation.
- Adapting our in-store experience: our focus on delivering an uplifted in-store experience has contributed to record levels of in-store customer satisfaction. Investments in store formats and the product offer, and the increasing use of technology in store, such as M-metrics, will continue to deliver a compelling experience for our customers.
- Refocus Merchandise: improving our range in key categories, with a more disciplined approach to purchasing and inventory, focusing on core lines and supplier relationships, making the big brands bigger.
- Rationalise Property: strategically review, optimise and reduce our overall store space with a view to driving greater profitability. Our approach will seek the appropriate balance between physical stores and online capability to better serve our customers.
- Reduce Costs: proactively realign our cost base to manage profitability and increase flexibility as the change to our markets and channels accelerates.

DIRECTORS' REPORT

Continued

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 Executive Management Group and the COVID-19 Operations Committee (implemented in FY20) continue to monitor and assist the business to adapt to changes in ongoing risks and adhere to Government requirements and health measures. 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 allow the Company to develop action plans to 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 AND SUPPLY CHAIN 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.

The disruption in the global shipping industry, contributed to by COVID-19, presents an ongoing risk to the timely flow of stock into Myer's stores and an increase in supply chain costs. The Company faces ongoing challenges with port closures, congestion through Asian consolidation hubs, and reduced space allocation on vessels. Vessel unavailability itself is an issue due to larger vessels moving away from the Oceania market and onto the more lucrative European and US markets. This, coupled with the reduced space allocations, has forced the Company to use the spot market at increased rates. All of these risks continue to be managed, including through the implementation of pick and pack operations at Myer's regional distribution centres (rather than in Asian hubs), delivering centrally to the regional distribution centres and then transshipping interstate, and finding alternative vessels to ship containers.

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.

DIRECTORS' REPORT

Continued

BRAND REPUTATION RISKS

As one of the top 10 most trusted brands in Australia as reported in the Roy Morgan 2021 Risk Report, 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 an updated 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 Customer First Plan could impact sales, profitability, share price, and our reputation. 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.

The strategy has been overlaid and enhanced with additional details of initiatives and mitigation plans in response to COVID-19 to ensure it remains "fit for purpose". This includes changes to the economic environment, customer behaviours, and to the retail landscape.

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. Training and development programs continue to be offered to further refine the skills of our team members and business leaders.

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:

- The Company agreed with its financiers an extension of its syndicated finance facility to November 2022 to enable an orderly longer-term refinancing.
- Due to Government restrictions in response to the ongoing COVID-19 pandemic, Myer again temporarily closed stores across New South Wales, Queensland, Victoria, and the Australian Capital Territory.
- JoAnne Stephenson was appointed Chairman of the Company with effect from 16 September 2021.
- 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:
 - the Group's operations in future financial years;
 - the results of those operations in future financial years; or
 - 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 25 July 2020.

The Board determined that no interim dividend would be paid for the period ending 23 January 2021.

The Board determined that no final dividend would be paid for the period ending 31 July 2021.

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

DIRECTORS' REPORT

Continued

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:

- (1) in FY21, performance rights over unissued ordinary shares of the Company;
- (2) in FY19 and FY20, performance options over unissued ordinary shares of the Company, and
- (3) in previous years, performance rights over unissued ordinary shares of the Company,

with all options and rights issued, 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 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 31 July 2021, the Company granted a total of 14,140,544 performance rights under the LTIP: 3,442,622 performance rights to the CEO and 10,697,922 performance rights 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 31 July 2021.

In September 2020, a total of 4,061,254 performance options granted under the LTIP in FY18 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 vested on a monthly basis in 36 equal tranches and are now fully vested and will be automatically exercised and converted into Myer ordinary shares following the opening of the trading window after the release of the FY21 Results. During FY21, 743,257 alignment rights vested to the CEO and 169,755 rights vested to the Chief Merchandise Officer.

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.

During FY21, the Transformative Incentive Plan (TIP) was introduced to replace the normal STI plan for a period of 2 years. Under the TIP, the Chief Executive Officer and nominated executives receive 50% of the annual TI achieved in cash and 50% in the form of deferred rights to shares in the Company. Deferred rights relating to the FY21 TI plan were granted on 15 December 2020. The number of rights to be issued will be determined by dividing the dollar value of the deferred rights component of the TIP award outcome by the volume weighted average price of the Company's shares over the five trading days immediately following the release to the market of the Company's full year FY21 results.

Further information about performance options and rights issued under the LTIP and TIP (including the performance conditions attached to the performance options and rights granted under the LTIP and TIP, 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 31 July 2021, 1,611,325 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 31 July 2021, 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.

DIRECTORS' REPORT

Continued

Date performance rights and options granted	Expiry date	Issue price	Number of performance rights and options remaining on issue ⁽¹⁾
4 June 2018 (rights grant to CEO under Alignment Equity offer) ⁽²⁾	n/a	Nil	2,432,432
25 June 2018 (rights grant to senior executive under Alignment Equity offer) ⁽³⁾	n/a	Nil	555,555
24 December 2018 (options grant to CEO under the FY19 LTIP offer)	24 Dec 2022	Nil	9,032,258
24 December 2018 (options grant to senior executives under the FY19 LTIP offer)	24 Dec 2022	Nil	21,013,775
21 November 2019 (options grant to CEO under the FY20 LTIP offer)	21 Nov 2023	Nil	5,598,756
21 November 2019 (options grant to senior executives under the FY20 LTIP offer)	21 Nov 2023	Nil	18,658,535
9 November 2020 (rights grant to CEO under the FY21 LTIP offer)	n/a	Nil	3,442,622
9 November 2020 (rights grant to senior executives under the FY21 LTIP offer)	n/a	Nil	10,697,922
Closing balance of performance rights and options			71,431,855

- (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 and was granted 2,432,432 alignment rights on appointment. These rights vested in equal monthly instalments over the period 4 June 2018 to 4 June 2021 and are now fully vested and will be automatically exercised and converted into Myer ordinary shares following the opening of the trading window after the release of the FY21 Results.
- (3) Mr Winstanley was appointed as Chief Merchandise Officer on 25 June 2018 and was granted 555,555 alignment rights on appointment. These rights vested in equal monthly instalments over the period 25 June 2018 to 25 June 2021 and are now fully vested and will be automatically exercised and converted into Myer ordinary shares following the opening of the trading window after the release of the FY21 Results.

15. REMUNERATION REPORT

The Remuneration Report, which forms part of this Directors' Report, is presented separately from page 14.

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.

DIRECTORS' REPORT

Continued

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 is due to submit its report by 31 October 2021. 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. The Group submitted its report on 31 March 2021.

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.

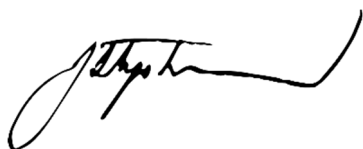
21. ROUNDING OF AMOUNTS

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 4 November 2021.

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



JoAnne Stephenson
Chairman

Melbourne, 16 September 2021

REMUNERATION REPORT

Dear Shareholder,

On behalf of the Board, I present to you Myer Holdings Limited's (**Myer** or the **Company**) Remuneration Report for FY21. This report sets out the remuneration information for the Non-Executive Directors and Executive Key Management Personnel (**KMP**). It describes our Executive remuneration framework and pay outcomes for FY21 in a simple and transparent way.

The remuneration outcomes set out in this Report were carefully considered by the Board, taking into account all relevant factors, including the Management team's performance in delivering the FY21 results, the impacts of the COVID-19 pandemic on those results and ensuring the best interest of our shareholders and other stakeholders.

In determining the remuneration framework and assessing remuneration outcomes, Myer's Remuneration objective is to support Executive KMP to deliver a business strategy that puts our customers first and ultimately delivers value to our shareholders. There are five key principles associated with the Remuneration objective:

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

COMPANY PERFORMANCE IN FY21

The FY21 results showed solid improvement in sales, profitability, cash management and other key metrics. These achievements reflect the improving momentum driven by the successful transformation of the business achieved under the Customer First Plan and the Management team's performance in continuing to successfully deliver on that Plan.

These results were achieved despite the continued widespread impacts of the COVID-19 pandemic, including extensive state lockdowns, several periods of government mandated store closures, and travel restrictions, particularly in Q1 FY21 and Q4 FY21, which presented significant challenges for the business.

There was solid growth across all key metrics and a return to second half profitability for the first time since FY17, reflecting the Management team's continuing focus on profitable sales, growth in the online business, disciplined management of costs, cash, and inventory, as well as deleveraging of the balance sheet.

FY21 results (post-AASB 16) and highlights include:

- Total sales⁽¹⁾ up 5.5% to \$2,658.3 million; despite widespread store closures and travel restrictions, positive comparable store sales growth.
- Continued strong growth in Group online sales⁽²⁾ of \$539.5 million, up 27.7%, representing 20.3% of total sales.
- Earnings before Interest, Tax, Depreciation and Amortisation (**EBITDA**)⁽³⁾ up 27.7% to \$390.0 million.
- Net profit after tax⁽³⁾ was \$51.7 million, compared to a net loss after tax⁽³⁾ of \$13.4 million in prior year.
- Statutory net profit after tax of \$46.4 million.
- Net cash position of \$111.8 million, an improvement of \$103.9 million compared to FY20.
- Exited the store at Knox and completed store relaunches post space handbacks at Belconnen, Cairns, and Morley. Completed a store refurbishment at Karrinyup in August 2021.
- Extension of the syndicated finance facility to November 2022 to enable an orderly longer-term refinancing.
- Improved merchandise cycle with improved margins, stockturn, reduced aged stock, and clearance inventory.
- Myer one program improvements resulting in an increase in tag rate to 69.7% (FY20: 64.9%).
- Opened 3PL fulfilment site in Melbourne fulfilling 2.2 million customer orders at lower cost, and launched multi-carrier last mile delivery.
- Record customer service satisfaction in store, and online Net Promoter Score.
- In July 2021, secured a 10-year lease on a new 40,000 square metre National Distribution Centre in Victoria, representing the next phase of the "Factory to Customer" strategy.

(1) Revenue from sale of goods excluding concession sales and sales revenue deferred under customer loyalty program was \$2,116.5 million (FY20: \$2,047.9 million).

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

(3) Excluding implementation costs and individually significant items.

REMUNERATION REPORT

Continued

CHANGES TO THE EXECUTIVE REMUNERATION FRAMEWORK FROM FY21

As outlined below, and foreshadowed in the FY20 Remuneration Report, for FY21 we made a number of changes to our remuneration framework to further align the remuneration of our Executives with the interests of our shareholders. In response to feedback, we have also increased our level of disclosure in relation to incentive targets and outcomes.

In FY21 we introduced the Transformation Incentive (TI) plan to replace the normal Short Term Incentive (STI) plan for FY21 and FY22, with the STI plan to be reinstated after this time. The objective of the TI plan is to promote longer-term shareholder interests by placing significant importance on transforming the business, including key focus areas of online profitability, physical stores earnings per square metre, management of stock and Myer one tag rate, while also adapting to the new challenges presented by COVID-19.

Key features of the TI plan are as follows:

- (1) Performance measures under the TI plan are aligned with the accelerated Customer First Plan, aligning Executive effort behind the turn-around strategy of the business. Financial performance is measured against Net Profit After Tax (NPAT), the strongest indicator of Myer's profitability, but with performance also assessed against key measures critical to the transformation of Myer.
- (2) An increased portion of the TI award will be deferred (50 percent where previously it was 40 percent);
- (3) All deferred awards will be delivered in equity as deferred rights with a reduced cash amount compared to the previous STI plan.
- (4) A longer deferral period will apply with 50 percent of deferred rights vesting into shares 12 months following performance testing and the remaining 50 percent of deferred rights vesting into shares 24 months following performance testing. The overall life of the TI plan is extended to three years, as compared to two years under the previous STI plan.

As also foreshadowed last year, changes were implemented to the FY21 Long Term Incentive (LTI) plan to further align with market practice and to further focus the Executive effort on shareholder value creation. The FY21 LTI was delivered in performance rights as opposed to performance options under the previous LTI plan, to address the dilutive effect of performance options, particularly in a volatile share market environment. All performance rights under the FY21 LTI are subject to a positive absolute Total Shareholder Return (TSR) gateway measure which prevents reward outcomes where there have been declines in the share price over the performance period.

For FY21 and FY22, the pay mix for the CEO and Managing Director, and the Executive Management Team was also changed, with increased weighting towards the TI and a decrease in the weighting towards the LTI. This has not resulted in any increases to the overall "maximum" opportunity for each Executive. This change reflects the priority of transforming the business over FY21 and FY22 and ensuring an optimal response to the challenges currently faced due to the COVID-19 pandemic. The larger equity component and the longer deferral period in the TI provides a meaningful retention hook and promotes longer-term shareholder value creation.

Under both the TI and LTI plans, clawback provisions that apply to equity were also strengthened for FY21.

These changes to the executive remuneration framework reflect our ongoing commitment to creating a strong link between transforming our business performance and Executive remuneration outcomes. We believe our current approach to Executive remuneration will support the delivery of our Customer First Plan, for the benefit of our customers and our shareholders.

EXECUTIVE REMUNERATION OUTCOMES IN FY21

The Board believes the remuneration outcomes detailed below reflect the performance of our Executive KMP and acknowledge the continuing impact that COVID-19 is having on our shareholders, customers, team members, and the communities in which we operate.

- **The freeze on Executive pay continued in FY21 with no salary increases awarded for the Executive Management Team.** The Board considered this to be an appropriate decision, considering the continuing impact of the COVID-19 pandemic and given the ongoing focus on cost management.
- When assessing performance and associated remuneration outcomes for the FY21 TI plan and the FY19 LTI, the Board made the decision to remove the impact of net JobKeeper subsidies and rent waivers that were received during FY21. Additionally, in assessing LTI and TI outcomes, no adjustment was made for the significant impact of sales and gross profit forgone when stores were unable to trade during lockdowns throughout FY21.
- **Following the exercise of Board discretion to exclude the impact of net JobKeeper subsidies and rent waivers, no performance options vested under the FY19 LTI for the Executive KMP.**
- TI plan outcomes for FY21 reflected strong performance against financial KPIs (after removing the impact of net JobKeeper subsidies and rent waivers), as well as transformational targets, further evidencing the efforts of the Executive Management Team in continuing to lead the transformation of the business in alignment with the Customer First Plan.
- **In undertaking a review of TI scorecard outcomes, the Board also exercised its discretion to adjust TI outcomes for all Executive KMP and the broader Management team downwards by 20%, with a final TI outcome reduced to 64.8% of maximum.** This decision was taken after considerable review and the Board believes this appropriately balances the Company's financial and non-financial performance with the shareholder experience and the impacts of lockdowns and travel restrictions on our operating environment, while also acknowledging and rewarding our people for their significant contributions during FY21, including in particular the return to profitability in the second half of FY21, which was largely unaffected by Jobkeeper or rent waivers and despite significant store closures due to lockdowns.

REMUNERATION REPORT

Continued

NON-EXECUTIVE DIRECTOR REMUNERATION

During FY21 and after taking account of shareholder feedback, we took the following actions to reduce Board costs:

- Effective 1 July 2020, the Chairman's and Non-Executive Directors' annual base fees were reduced 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.
- Following the retirement of Garry Hounsell as Chairman prior to our FY20 AGM, JoAnne Stephenson was appointed Acting Chairman. During her tenure as Acting Chairman, Ms Stephenson elected not to receive the full Chairman fee and is instead only receiving an annual Non-Executive Director fee of \$120,000.
- The retirement of Lyndsey Cattermole AM and Julie Ann Morrison as Non-Executive Directors from Myer's Board at the FY20 AGM further reduced Board costs, with the Board now comprised of four directors, including our CEO and Managing Director, John King.

At our 2020 Annual General Meeting (**AGM**), the majority of eligible shareholder votes cast (66.38 percent) were in favour of adopting the FY20 Remuneration Report and 33.62 percent of the votes cast were against the adoption of the report. As outlined above, we made a number of changes to our remuneration framework for FY21 to further align the remuneration of our Executives with the interests of our shareholders.

As always, we thank the many stakeholders who have shared their feedback with us over the past year. The Board will continue to take account of the views of our shareholders in reviewing and setting the remuneration framework.

Yours faithfully,



Jacquie Naylor
Chairman – Human Resources and Remuneration Committee

REMUNERATION REPORT

Continued

CONTENTS

1. Introduction	17
2. Snapshot of Remuneration Framework	18
3. Executive KMP Remuneration	23
4. Executive KMP Service Agreements	29
5. Non-Executive Director Remuneration	30
6. Remuneration Governance	32
7. Executive KMP Statutory Disclosures	33
8. Equity	37
9. Loans	38
10. Dealing in Securities	38

1. INTRODUCTION

The Directors of the Company present the Remuneration Report for the financial period ended 31 July 2021 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 FY21.

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

Name	Role
Non-Executive Directors	
J Stephenson ⁽¹⁾	Chairman, Independent Non-Executive Director
D Whittle	Independent Non-Executive Director
J Naylor	Independent Non-Executive Director
Former Non-Executive Directors	
G Hounsell ⁽²⁾	Chairman, Independent Non-Executive Director
L Cattermole AM ⁽³⁾	Independent Non-Executive Director
J Morrison ⁽⁴⁾	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) Ms Stephenson was Acting Chairman from 29 October 2020 to 15 September 2021, and was appointed Chairman with effect from 16 September 2021.

(2) Mr Hounsell retired as a Non-Executive Director with effect from 28 October 2020.

(3) Ms Cattermole AM retired as a Non-Executive Director with effect from 29 October 2020.

(4) Ms Morrison retired as a Non-Executive Director with effect from 29 October 2020.

REMUNERATION REPORT

Continued

2. SNAPSHOT OF REMUNERATION FRAMEWORK

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.



2.2 REMUNERATION STRUCTURE FOR FY21

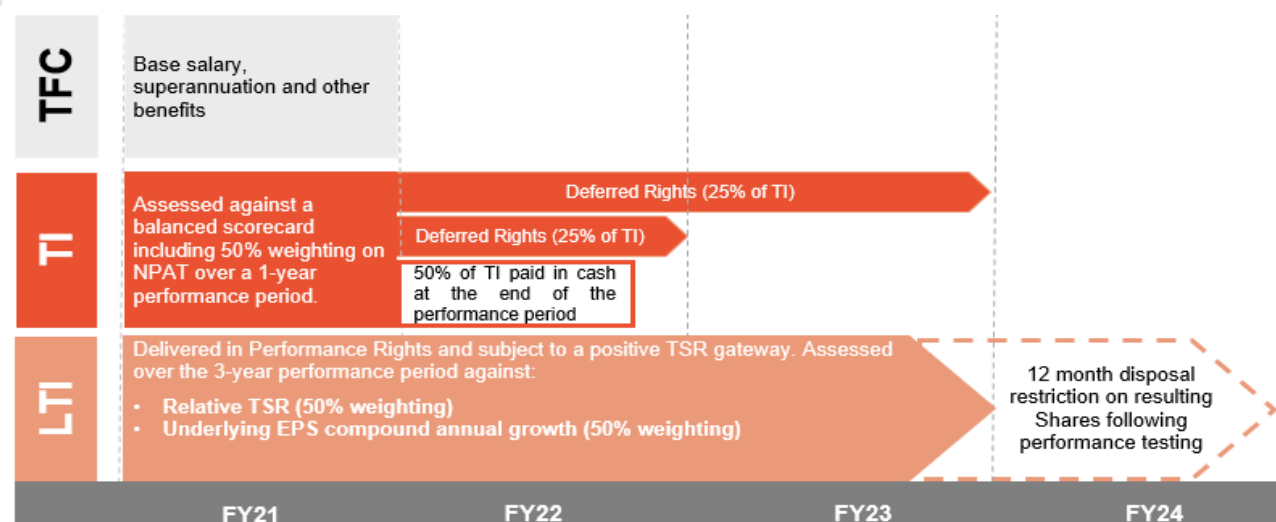
	Strategic objectives and performance link	Performance measures	What has changed for FY21?
Total Fixed Compensation (TFC)	- To attract and retain high calibre talent. - Provides “predictable” base level of reward. - Set with reference to the market using external benchmark data.	- Varies based on employee's experience, skills, and performance. - Consideration is given to both internal and external relativities across retail and other relevant sectors.	No changes to fixed pay for Executives were made during FY21.
Transformation Incentive (TI) plan	- For Executive KMP, 50 percent of the award is delivered in cash, and 50 percent is deferred and delivered as equity in deferred rights. This represents a greater portion of the award deferred into equity and a longer deferral period than the previous STI. - Designed to drive the short-term financial and strategic objectives of the Company, aligned to the accelerated Customer First Plan and Myer's turnaround strategy. - Supports retention and encourages focus on long-term value in addition to annual results, through the deferred component.	- TI awards for all participants at Myer are assessed against a set of balanced scorecard measures outlined below: - NPAT accounts for 50 percent of the maximum TI. - Transformation progress against the accelerated Customer First Plan accounts for 50 percent of the maximum TI. - Transformation measures include online EBIT, Bricks & mortar EBITDA per square metre, cost per customer order, Stock turn performance, Myer one tag rate. For more details on performance measures, refer to Section 3.2.	- A greater portion of the award is deferred (50 percent up from 40 percent). - All deferred awards to be delivered in equity as deferred rights, with a reduced cash amount compared to the previous STI plan (under which half of deferred component was in cash, except for the CEO and Managing Director). - Under the STI, awards delivered in equity were deferred for 12 months. Under the TI, 50 percent of deferred rights will be deferred for 12 months, with the remaining 50 percent deferred for 24 months following the end of the performance period. - While NPAT is the largest measure within the scorecard, it no longer acts as a gateway. This is in order to ensure appropriate reward for performance in respect of transformation objectives.

REMUNERATION REPORT

Continued

			- The Board considers NPAT outcomes when determining whether the exercise of discretion is appropriate. - Performance measures have shifted to reflect focus on our Customer First Plan and Myer's turnaround strategy with NPAT now the key financial measure of performance under the TI plan.
Long Term Incentive (LTI)	- Delivered in equity, in the form of performance rights (as opposed to options under the FY20 plan), which most appropriately aligns Executive KMP with shareholder interests and avoids the dilutive impact of performance options. - Focused on delivery of Myer's long-term business strategy and shareholder value creation. - Measures complement those in the TI plan to provide a holistic and aligned reward offer. - Supports ongoing, sustainable performance and the retention of key executive talent, which is critical to the turnaround of Myer.	- All Performance Rights granted under each LTI award will be tested against a positive absolute Total Shareholder Return (TSR) gateway measure. - Where positive TSR is achieved over the 3-year performance period (FY21-FY23), the award will be assessed against: - Relative TSR (50 percent of award) against a retail and consumer services peer group; and - Underlying Earnings Per Share (EPS) compound annual growth (50 percent of award). - Shares provided on vesting are 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.	- The delivery vehicle under the LTI has changed with grants now made in performance rights as opposed to performance options to address the dilutive effect of options in the current market. - Previous LTI awards were not subject to any gateway testing before being assessed against performance measures. The absolute TSR gateway is intended to encourage Executive effort on growing Myer's share price over the 3-year performance period. For more details on performance testing, refer to Section 3.3.

The following diagram shows how our remuneration framework is delivered to Executive KMP. The CEO and Managing Director has a vesting period of 4 years for the LTI, with no restriction period, which has not been illustrated in the below diagram.



REMUNERATION REPORT

Continued

2.3 COMPANY PERFORMANCE FOR FY21

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.

The table below presents the Company's annual performance against key financial metrics since 2017.

	FY17	FY18	FY19	FY20	FY21
Basic EPS (cents)	1.5	(59.2)	3.0	(21.0)	5.7
Basic EPS (cents) – adjusted ⁽¹⁾	8.3	4.0	4.0	(1.6)	6.3
NPAT (pre implementation costs and individually significant items) (\$m)	67.9	32.5	33.2	(13.4)	51.7
NPAT (post implementation costs and individually significant items) (\$m)	11.9	(486.0)	24.5	(172.4)	46.4
Dividends (cents per share)	5.0	-	-	-	-
Share price at beginning of year (\$)	1.34	0.77	0.46	0.53	0.21
Share price at end of year (\$)	0.77	0.46	0.53	0.21	0.49
Market capitalisation (\$m)	632.4	377.8	435.3	172.5	402.4

(1) 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.

2.4 REMUNERATION OUTCOMES FOR FY21

FY21 TFC

No increases were made to TFC levels for Executive KMP in FY21.

In FY20, the Executive Management Team elected to forego 12% of their annual base salary in response to COVID-19. Base salaries reverted to prior levels at the start of FY21.

TFC consists of base salary plus statutory superannuation contributions. Senior executives receive a TFC package which is reviewed annually by the Human Resources and Remuneration Committee with reference to Company and individual performance, size and complexity of the role and benchmark market data.

FY21 TI OUTCOME

The Board set challenging, but achievable, performance targets for the FY21 TI following a rigorous budget setting process that took into account many factors, including market conditions and the challenges presented by COVID-19. Threshold TI targets were set at higher levels than contained in the budget.

TI outcomes for FY21 reflect the efforts of our people in progressing the Customer First Plan during FY21. Strong growth was achieved against the key financial metric of NPAT and there was also strong performance in relation to key transformational measures compared to FY20.

The impact of all net JobKeeper subsidies and rent waivers has been excluded from the NPAT (and other applicable results) used to measure the vesting of the NPAT TI plan performance condition and other applicable transformational performance conditions. For example, if the impact of net JobKeeper subsidies was excluded, FY21 NPAT (excluding implementation costs and individually significant items) would have been \$29.6 million. Additionally, in assessing TI outcomes, no adjustment was made for the substantial impact of sales and gross profit forgone when stores were unable to trade during lockdowns throughout FY21.

In assessing performance, the Board considers what has been achieved and how it was achieved. Actual TI outcomes can be adjusted to consider external factors related to the shareholder experience, the broader employee experience and factors both within and outside the control of our Management team. When assessing TI awards for FY21, the Board considered the impact of COVID-19 on Myer's operating environment, the market volatility affecting our shareholders and the experience of our broader workforce.

Notwithstanding the efforts of our Management team and considering all the external contributing factors, the Board exercised its discretion and reduced TI awards by 20 percent. Actual TI payments to each Executive KMP are detailed in the table at Section 7. The payment of a TI award for FY21 represents the first time that the Company has paid either a TI or STI award to Executive KMP since the STI award relating to FY16.

REMUNERATION REPORT

Continued

The following table details FY21 TI scorecard measures and assessment applied to Executive KMP prior to the application of Board discretion.

Objectives	2021 Performance Assessment	Commentary
Financial Objectives (50% weighting)		
NPAT	Stretch target exceeded	- Stretch NPAT target achieved despite lockdowns in FY21 and excluding the impact of net JobKeeper subsidies and rent waivers. - NPAT⁽¹⁾ including JobKeeper and rent waivers was \$51.7 million compared to a net loss after tax of \$13.4 million in FY20. - Company returned to second half profitability for the first time since FY17.
Transformation Objectives (50% weighting, 10% for each measure)		
Online Earnings Before Interest and Taxes	Threshold target not met	Strong growth achieved but below stretch transformation objective.
Cost per Customer Order	Threshold target not met	Initiatives achieved reduction in this metric, but below stretch transformation objectives.
Department Store, Bricks and Mortar EBITDA per square metre	Stretch target exceeded	Stores performed strongly when open. Initiatives to enhance customer experience and satisfaction, productivity improvements, and management of costs drove the outcome.
Stock turn	Threshold target achieved	Improvements delivered to the merchandise offer and cycle resulting in faster stock turn, reduced ageing, and improved margins. The improved stock turns have delivered additional benefit to newness and store layouts as well as working capital.
Myer one tag rate (in-store and online) %	Threshold target achieved	Changes to the program have delivered more value to our customers. Improved acquisition flow and on-boarding process both in-store and online, resulting in higher customer acquisitions. The improved tag rate delivers higher engagement through our own channels and increased revenue through redemptions.
% of Maximum Achieved (adjusted award after Board modifier): 64.8%		

(1) Excluding implementation costs and individually significant items

FY19 LTI PLAN OUTCOME

In respect of the FY19 LTI, there was nil vesting under the relative TSR performance condition as threshold performance was not met and the Board exercised its discretion to reduce vesting to nil under the EPS performance condition. As a result, no performance options vested under the FY19 LTI for Executives.

The FY19 LTI was tested equally against both performance conditions over the three-year performance period between 29 July 2018 and 31 July 2021. Based on reported FY21 results, threshold performance under the EPS condition was met with a compound annual growth rate of 16.4%.

Under the Plan rules, the Board retains discretion in exceptional circumstances to ensure that matters beyond the control of Executives do not materially affect the achievement of the EPS performance condition.

The Board considered the outcome in light of shareholder outcomes over the three-year performance period and determined that, while threshold achievement under the EPS performance condition may have been achieved based on the FY21 results, this was not the case where the benefits of net JobKeeper subsidies and rent waivers on NPAT performance are excluded from the EPS calculation. In the circumstances, the Board exercised its discretion under the Plan and determined that the threshold EPS vesting condition was not achieved.

REMUNERATION REPORT

Continued

2.5 OTHER AWARDS

Following the release of Myer's financial results in September 2020, the performance rights granted to Executive KMP in December 2017 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 FY18 LTI plan lapsed.

As part of the terms of their appointment, Mr King and Mr Winstanley were granted share rights, creating an immediate alignment between them and shareholders. These rights have now vested, and the resulting shares will be allocated following the opening of the trading window following the release of the FY21 Results.

2.6 PAYMENTS TO EXECUTIVE KMP IN FY21

The table below sets out the actual remuneration received by Executive KMP in FY21. 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⁾ \$	FY20 STI ⁽³⁾ \$	STI deferred from prior year ⁽⁴⁾ \$	Vested & exercised LTIP ⁽⁵⁾ \$	Termination and other payments \$	Actual FY21 Remuneration \$
Executive Directors							
J King ⁽⁶⁾	1,200,000	-	-	-	-	-	1,200,000
Executive KMP							
N Chadwick	773,150	21,850	-	-	-	-	795,000
A Sutton	638,150	21,850	-	-	-	-	660,000
A Winstanley ⁽⁷⁾	795,000	-	-	-	-	-	795,000

(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 FY20 performance and conditions, but paid during FY21. Includes only the non-deferred component.

(4) Deferred STI relating to FY19 performance and conditions, paid during FY21.

(5) The number of performance rights vested and exercised under the FY18 LTI plan multiplied by the Myer share price at vesting. Mr King and Mr Winstanley had rights vest under their equity alignment plans; these rights have fully vested and will be automatically exercised following the opening of the trading window after the release of the FY21 Results.

(6) Mr King does not receive superannuation contributions due to his tax status. As per the terms of his employment contract, Mr King is entitled to other support including, a health insurance allowance, relocation expenses for spouse, and return flights home. 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, Mr Winstanley is entitled to other support, including a health insurance allowance, and return flights home. More details can be found in Section 7.

REMUNERATION REPORT

Continued

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;
- Transformation Incentive Plan; 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 FY21. 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: • Leading the ongoing business transformation under the Customer First Plan which was launched in September 2018. • Delivering significantly improved FY21 results with growth in profitability for both the first and second halves, demonstrating the Customer First Plan gaining traction. • Continued rapid growth in the online business (passed \$0.5 billion annual Group online sales⁽¹⁾). • Improved operating gross profit margin, sustained disciplined management of costs, cash, and inventory, and further progress on space optimisation (exited Knox store, re-launched Cairns, Belconnen, and Morley following space reductions). • Net cash at end of period of \$111.8 million; a \$103.9 million improvement on FY20 reflecting the strong operating performance and prudent financial management. • Significantly improved customer service in a challenging environment (as measured by record customer service satisfaction scores). • Improved merchandise cycle as evidenced by improved margins and stockturn, reduced aged stock and record low levels of clearance inventory. • Progressing to the next stage of Factory to Customer, with improvements to online (3PL/Multicarrier) and international freight arrangements and new National Distribution Centre (NDC) announced for FY23 opening. (1) Group online sales includes sass & bide and Marcs and David Lawrence. Excludes sales via in-store iPads. As in FY20, Mr King did not receive an increase to his Fixed Remuneration in FY21.

REMUNERATION REPORT

Continued

3.2 TRANSFORMATION INCENTIVE PLAN

As part of the Executive reward review undertaken during FY20, the Transformative Incentive (TI) plan was introduced to replace the normal STI plan for a period of 2 years, starting in FY21. The FY21 TI plan applied to all eligible Executives, including Executive KMP, Senior Managers, and other select participants, 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 TI plan?	The TI plan replaces the annual STI plan for a period of two years after which the Company intends to resume the previous STI plan. The TI plan is an at risk component of an Executive KMP's reward opportunity, with longer deferral periods and greater deferral into equity than the previous STI plan, which is designed to put a meaningful part of the Executive KMP's remuneration at risk. Payment under the TI plan has been designed to link a portion of remuneration to the transformation of Myer, aligned with delivery of the Customer First Plan and to address the new challenges presented by COVID-19.
What is the value of the TI opportunity?	TI 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 – 100 percent of TFC. • Other Executive KMP – 75 percent of TFC.
Does the TI include a deferred component?	50 percent of the FY21 TI award will be delivered in deferred rights. The increased deferral periods under the TI plan compared to the previous STI plan are intended to further align Executive KMP with the experience of shareholders and provides a retention hook to help provide business continuity over the two-year life of the TI plan. The TI plan also defers a greater portion of the TI award into equity than the previous STI plan which ensures further shareholder alignment and prudent cashflow management. Deferred rights to be granted under the FY21 TI plan will be issued in two tranches: • Tranche 1: 50% of the deferred rights will be subject to a one-year disposal restriction and will convert to Shares on the first day after the first anniversary of the date on which the deferred rights are granted which occurs during a trading window under the Company's Security Dealing Policy, subject to ongoing employment at that date; and • Tranche 2: the remaining 50% of the deferred rights will be subject to a two-year disposal restriction and will convert to Shares on the first day after the second anniversary of the date on which the deferred rights are granted which occurs during a trading window under the Company's Security Dealing Policy, subject to ongoing employment at that date.

Performance measures

What were the FY21 performance measures?	The performance measures and their relative weightings applicable to the FY21 TI plan are: • Net Profit After Tax (NPAT) accounts for 50 percent of the TI scorecard. • Transformation measures (Online EBIT, cost per customer order, Bricks & mortar EBITDA per square metre, stock turn performance, and Myer one tag rate) account for 50 percent of the TI scorecard, with each measure counting towards 10 percent of the TI scorecard.
Why were the performance measures selected?	Performance measures under the TI plan are transformational in nature, in line with the accelerated Customer First Plan. These measures immediately align Executive KMP effort with the turnaround strategy of the Company. The performance measures are quantifiable and heavily focused on financial performance. The Board believes that a large component of an Executive KMP's TI award should be driven by the financial performance of the Company, and accordingly 50 percent of the TI is dependent on Company NPAT, providing close alignment with shareholder outcomes. The Transformation measure reflects the significant importance of transforming the business and focus on our Customer First Plan and turnaround strategy, including key focus areas of online profitability, physical stores earnings per square metre, management of stock and Myer one tag rate. Targets are set at stretching levels to align with the objectives set under the Customer First Plan. This directly links Myer's short-term goals with the longer-term strategy of the Company.

REMUNERATION REPORT

Continued

Governance

When are performance targets set and reviewed?	Performance objectives and targets are set following a rigorous budget setting process 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. The quantum of any TI reward provided will depend on the extent to which the maximum reward is achieved. Once it has been determined whether each objective has been satisfied, the Committee will make a recommendation to the Board for approval of the TI 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 TI 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 considering unexpected or unintended circumstances.
When are incentives paid?	The component of the TI awards approved by the Board that is not subject to deferral is paid to participating Executive KMP and other Executives in October following the Financial Year End and are subject to ongoing employment at the date of payment. The deferred component of Executive KMP's TI is provided in deferred rights, which they will not be able to trade during the relevant deferral period. See above for details.

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 due to resignation, termination for cause, or gross misconduct are generally not eligible to receive an award under the TI plan. Participants leaving employment during the performance year for other reasons (e.g. redundancy) will be entitled to receive a pro-rata award.
Does a "clawback" apply?	The TI Plan allows the Board to take any steps that it determines appropriate to recover from the individual Executives any TI 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 TI. 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 TI plan entitlements?	The Board has absolute discretion in relation to the treatment, payment or provision of TI 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.

REMUNERATION REPORT

Continued

3.3 FY21 LONG TERM INCENTIVE PLAN

Features of the LTI plan applicable in respect of FY21 are outlined in the table below. In FY21, the Board granted performance rights 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 rights 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. From FY21, performance rights will replace performance options as the vehicle to deliver the LTI. Performance rights were chosen to align Executive remuneration with the shareholder experience, while ensuring that the LTI remains a motivating incentive amidst a COVID-19 environment that is impacting the Company's share price.
How is the LTI plan delivered?	The LTI plan is delivered via a grant of performance rights. The number of performance rights that vest is not determined until after the end of the performance period. The performance rights will therefore not provide any value to the holder between the dates the performance rights are granted and the end of the vesting period and restriction period (if applicable), and then only if the performance hurdles are satisfied. Performance rights do not carry entitlements to ordinary dividends or other shareholder rights until the performance rights vest and shares are provided. Accordingly, participating Executives do not receive dividends during the vesting period.
How was the number of performance rights determined?	The number of performance rights 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 rights 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 70 percent of TFC in FY21. Other Executive KMP are entitled to a maximum value of 45 percent of TFC. These opportunity levels represent a reduction in quantum from the maximum opportunity levels provided to Executive KMP under the previous LTI plan. The maximum value divided by the value attributed to the performance right was used to determine the exact number of performance rights granted. The value attributed to the performance right was calculated using the volume weighted average price (VWAP) of the Company's shares over the five trading days up to and including the day before the grant date.
Vesting and performance hurdles	
What is the performance period?	The performance period commences at the beginning of the financial period in which the performance rights are granted. For the performance rights granted under the FY21 LTI plan, the performance period started on 26 July 2020 and ends after three years on 29 July 2023. Following the end of the performance period and after the Company has lodged its audited financial results for FY23 with the ASX, the Board will test the performance hurdles that apply to the FY21 LTI plan offer and will determine how many performance rights (if any) are eligible to vest.
What are the performance hurdles?	The performance measures approved by the Board for the FY21 LTI plan offer were in two stages: Stage 1 – Absolute TSR gateway - requiring achievement of a positive absolute TSR over the testing period. If absolute TSR is negative, performance rights lapse. Stage 2 – Where absolute TSR performance is positive over the performance period, performance rights will be assessed against underlying 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 remuneration outcomes over the three-year performance period and to complement the TIP plan measures. The Board considers underlying 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

REMUNERATION REPORT

Continued

What is the vesting framework?

Executives. This measure also provides a direct comparison of the Company's performance over the performance period against a comparator group of companies that would, broadly, be expected to be similarly impacted by changes in market conditions.

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

For the FY21 LTI plan offer, the following vesting hurdles apply:

Stage 1 – Absolute TSR gateway

The absolute TSR hurdle is tested by measuring the Company's Share price at the beginning and at the end of the performance period, and the absolute TSR must be positive over the performance period to progress to Stage 2 of testing. If the absolute TSR over the performance period is negative, all performance rights granted under the LTI will lapse.

For the purpose of this calculation, the opening value was set at \$0.20, being the 5 trading day VWAP up to and including 26 July 2020. The end value will be based on the 5 trading day VWAP up to and including the last day of the performance period.

The Board retains discretion to adjust the absolute TSR performance gateway in exceptional circumstances.

Stage 2 – Relative TSR and Underlying EPS

Only if Stage 1 testing delivers a positive absolute TSR result, will Stage 2 testing be undertaken. Stage 2 testing focuses Executive effort on long-term sustainable performance. Stage 2 requires two performance hurdles to be met:

- a) 50% of the performance rights will be subject to a hurdle based on the Company's TSR relative to an agreed peer group across the three-year performance period (**Performance Period**);
- b) 50% of the performance rights will be subject to a hurdle based on the Company's underlying EPS.

The Stage 2 performance hurdles have been chosen to align with shareholder returns and the delivery of shareholder value over the long-term. Each of the performance hurdles under Stage 2 will be assessed separately and apply to different performance rights. This means that both hurdles do not need to be satisfied for any of the performance rights to vest.

Stage 2 - Performance rights 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 underlying 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 rights subject to the EPS Hurdle.

The table below sets out the percentage of performance rights subject to the EPS Hurdle that can vest depending on the Company's growth in underlying EPS. The EPS targets were the same as under the FY20 LTI plan. The Board believes that the FY21 targets provide appropriate ambition and stretch for Executives, in light of Myer experiencing negative EPS growth in prior years.

Growth in underlying EPS from base year EPS	% of performance rights 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%

Stage 2 - Performance rights 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 TSR performance over the performance period relative to a set peer group. The peer group for the FY21 LTI grant includes listed companies from the retail and the consumer services sector. The constituents are: Accent Group, Adairs, AP Eagers, 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, Mosaic Brands (previously Noni B), Premier Investments, Super Retail

REMUNERATION REPORT

Continued

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 rights 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%

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, the performance rights will be automatically exercised and the Executive is allocated one fully paid ordinary share for each vested performance right.
Do any restrictions apply once the rights vest?	Any shares provided on vesting of the performance rights will be subject to a restriction period of one year, during which they cannot be sold, transferred or otherwise dealt with. A continuous service restriction will also apply during the restriction period. Due to foreign resident tax considerations, for the CEO and Managing Director, the performance period is 3 years, but the vesting period is 4 years during which a continuous service condition applies.

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

Cessation of employment	The treatment of performance rights on cessation of employment will depend on the date as well as the circumstances of cessation. Generally, if an Executive ceases employment on or before the end of the restriction period due to resignation, termination for cause or gross misconduct, they will forfeit any interest in the rights. If employment ceases on or before the end of the restriction period for other reasons, the Executive will retain 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 rights in the event of certain change of control events, and would exercise this discretion as appropriate considering the circumstances.
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 rights under the LTI plan?	The rights and entitlements attaching to performance rights may be adjusted if the Company undertakes a bonus or rights issue or a capital reconstruction in relation to the Company's shares. For example, in the event of a rights issue, the number of shares which an Executive is entitled to be allocated on the exercise of performance rights may be changed in a manner determined by the Myer Board and consistent with the ASX Listing Rules.
Do any other restrictions apply to performance rights prior to vesting or subject to restriction?	Executives are forbidden from entering into any hedging arrangements affecting their economic exposure to performance rights or restricted shares. Executives are also forbidden from entering into transactions or arrangements prohibited under the Company's Securities Dealing Policy.

REMUNERATION REPORT

Continued

In FY21, Executive KMP and other Senior Executives received a grant of performance rights. 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 FY21 performance rights granted to Executive KMP:

Name	Number of performance rights granted	Valuation of each performance right at grant date ⁽¹⁾ \$	Exercise price \$	Applicable hurdles	End of performance period
J King	1,721,311	0.1941	Nil	TSR	29 July 2023
	1,721,311	0.2150	Nil	EPS	29 July 2023
N Chadwick	733,094	0.1941	Nil	TSR	29 July 2023
	733,094	0.2150	Nil	EPS	29 July 2023
A Sutton	608,607	0.1941	Nil	TSR	29 July 2023
	608,607	0.2150	Nil	EPS	29 July 2023
A Winstanley	733,094	0.1941	Nil	TSR	29 July 2023
	733,094	0.2150	Nil	EPS	29 July 2023

(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 TI 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 31 July 2021 is summarised in Section 7.

REMUNERATION REPORT

Continued

5. NON-EXECUTIVE DIRECTOR REMUNERATION

REMUNERATION POLICY

Myer's policy regarding Non-Executive Director fees is as follows:

- fees and payments to Non-Executive Directors reflect the demands upon and responsibilities of those Directors;
- 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 (excluding the Nomination Committee) to recognise the additional responsibility and time requirements involved in chairing a Committee;
- 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; and
- the Board, on the recommendation of the Human Resources and Remuneration Committee, reviews Non-Executive Directors' fees and payments at least once a year. As part of that review, the Board considers the advice of independent remuneration consultants in relation to Chairman's fees and payments, Non-Executive Directors' fees and payments, and payments made in relation to the Chairman of committees or for other specific tasks that may be performed by Directors.

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.

AGGREGATE FEE POOL

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.

REDUCTIONS TO NON-EXECUTIVE DIRECTOR FEES

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.

The 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 and is detailed below.

	26 July 2020 – 31 July 2021
Base Annual Fees	
Chairman (all inclusive) ⁽¹⁾	250,000
Other Non-Executive Directors	100,000

Additional annual fees

Audit Finance and Risk Committee – Chairman	20,000
Audit Finance and Risk Committee – member	-
Human Resources and Remuneration Committee – Chairman	20,000
Human Resources and Remuneration Committee – member	-
Nomination Committee – Chairman	-
Nomination Committee – member	-

(1) As Acting Chairman, JoAnne Stephenson received a base annual fee of \$120,000.

MINIMUM SHAREHOLDING 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.

REMUNERATION REPORT Continued

The table below shows the remuneration amounts recorded in the financial statements in the period for Non-Executive Directors:

Myer Holdings Limited Board & Committee				
Name	FY	Fees \$	Superannuation \$	Total \$
Non-Executive Directors				
J Stephenson ⁽¹⁾	2021	108,550	11,450	120,000
	2020	104,075	10,925	115,000
D Whittle ⁽²⁾	2021	104,094	10,982	115,076
	2020	88,992	9,342	98,334
J Naylor ⁽³⁾	2021	104,094	10,982	115,076
	2020	88,992	9,342	98,334
Former Non-Executive Directors				
G Hounsell ⁽⁴⁾	2021	55,347	5,259	60,606
	2020	227,649	18,185	245,834
J Morrison ⁽⁵⁾	2021	22,282	2,339	24,621
	2020	92,199	9,342	101,541
L Cattermole AM ⁽⁶⁾	2021	22,282	2,339	24,621
	2020	88,992	9,342	98,334
I Cornell ⁽⁷⁾	2021	-	-	-
	2020	31,216	3,277	34,493
Total Non-Executive Directors				
	2021	416,649	43,351	460,000
	2020	722,115	69,755	791,870

(1) Ms Stephenson was appointed Acting Chairman on 29 October 2020 but elected not to receive the full Chairman Fees and was instead paid a base fee of \$120,000.

(2) Mr Whittle was appointed Chairman of the Audit, Finance and Risk Committee on 29 October 2020.

(3) Ms Naylor was appointed Chairman of the Human Resource and Remuneration Committee on 29 October 2020.

(4) Mr Hounsell retired as a Non-Executive Director on 28 October 2020.

(5) Ms Morrison retired as a Non-Executive Director on 29 October 2020.

(6) Ms Cattermole AM retired as a Non-Executive Director on 29 October 2020.

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

REMUNERATION REPORT

Continued

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 (**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 Garry Hounsell served as Chairman between October 2019 until October 2020. On 29 October 2020, following the retirements from the Board of Mr Garry Hounsell, Ms Julie Ann Morrison and Ms Lyndsey Cattermole AM, the Committee was reconstituted to comprise Ms Jacquie Naylor (Committee member from 3 September 2019) as Chairman and Ms JoAnne Stephenson and Mr David Whittle as members.

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 General Manager, People & Culture 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.

REMUNERATION REPORT

Continued

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.

Name	FY	Short-term employee benefits				Post employment benefits ⁽⁵⁾	Long-term benefits			Total remuneration expense					% of Performance related remuneration	% of Remuneration consisting of rights and/or options
		Cash salary ⁽¹⁾ \$	TI ⁽²⁾ \$	Non-Monetary ⁽³⁾ \$	Other ⁽⁴⁾ \$	Super-annuation ⁽⁶⁾ \$	Subtotal \$	Long service leave ⁽⁷⁾ \$	Termination & other payments \$	Excluding share based payments \$	Share-based payment expense ⁽⁸⁾ \$	Total \$				
Executive Directors																
J King ⁽⁹⁾	2021	1,200,000	388,779	76,488	70,506	-	1,735,773	26,112	-	1,761,885	671,327	2,433,212	44%	28%		
	2020	1,058,225	-	75,577	68,238	-	1,202,040	9,483	-	1,211,523	379,752	1,591,275	24%	24%		
Executive KMP																
N Chadwick	2021	773,150	193,175	1,324	32,917	21,850	1,022,416	18,187	-	1,040,603	263,348	1,303,951	35%	20%		
	2020	670,186	-	3,344	19,494	21,060	714,084	6,796	-	720,880	115,063	835,943	14%	14%		
A Sutton	2021	638,150	160,371	908	28,659	21,850	849,938	12,095	-	862,033	218,736	1,080,769	35%	20%		
	2020	614,274	-	2,121	(20,646)	21,060	616,809	(14,928)	-	601,881	99,740	701,621	14%	14%		
A Winstanley ⁽¹⁰⁾	2021	795,000	193,175	8,067	22,332	-	1,018,574	17,072	-	1,035,646	268,963	1,304,609	35%	21%		
	2020	701,074	-	21,046	48,255	-	770,375	6,168	-	776,543	128,221	904,764	14%	14%		
Total KMP Remuneration																
	2021	3,406,300	935,500	86,787	154,414	43,700	4,626,701	73,466	-	4,700,167	1,422,374	6,122,541				
	2020	3,043,759	-	102,088	115,341	42,120	3,303,308	7,519	-	3,310,827	722,776	4,033,603				

REMUNERATION REPORT

Continued

FOOTNOTES

- (1) Cash salary includes short-term compensated absences, including any salary sacrifice arrangement implemented by the Executive KMPs, including additional superannuation contributions.
- (2) TI payments relate to program performance and conditions for the year they were earned, not the year of actual payment.
- (3) Non-monetary short term benefits include Fringe Benefits Tax paid by the Company in respect of Company provided car parking up to the end of March 2021 (in accordance with the FBT year), mobile phone expenses and other items referred to in footnotes (9) and (10) for Mr King and Mr Winstanley, respectively.
- (4) Other short-term employee benefits include the movement in annual leave accrual.
- (5) There were no post-employment benefits other than superannuation.
- (6) 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.
- (7) This benefit includes the movement in long service leave accrual.
- (8) 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.
- (9) 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 terms of his employment contract.
- (10) Mr Winstanley's other short-term benefits include annual leave accrual, a health insurance allowance, and return flights home under the terms of his employment contract.

REMUNERATION REPORT

Continued

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 31 July 2021 are set out in the table below. As set out in Section 2.4, the Options granted on 24 December 2018 will lapse following the release of the FY21 results due to failure of the vesting conditions.

Grant type	Grant date	Number of instruments	Value per instrument at grant date \$	Vesting date (if holder remains employed by a Myer Group company)
Options (EPS hurdle) ⁽¹⁾	24-Dec-18	8,870,968	\$0.12	N/A (Options to lapse)
Options (TSR hurdle) ⁽¹⁾	24-Dec-18	8,870,968	\$0.12	N/A (Options to lapse)
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
CEO Rights (EPS hurdle)	9-Nov-20	1,721,311	\$0.22	End of vesting period
Other Executive KMP Rights (EPS hurdle)	9-Nov-20	2,074,795	\$0.22	End of vesting period
CEO Rights (TSR hurdle)	9-Nov-20	1,721,311	\$0.19	End of vesting period
Other Executive KMP Rights (TSR hurdle)	9-Nov-20	2,074,795	\$0.19	End of vesting period
TIP Rights ⁽³⁾	15-Dec-20	-	-	End of vesting period ⁽⁴⁾
Total		37,931,350		

(1) Performance options granted on 24 December 2018 will lapse following the release of the FY21 results due to failure of the vesting conditions (as disclosed in section 2.4 of this Report).

(2) Performance options granted on 21 November 2019 will expire on 21 November 2023.

(3) The number of rights issued will be determined by dividing the dollar value of the deferred rights component of the TIP award by the volume weighted average price of the Company's shares over the five trading days immediately following the release to the market of the Company's full year FY21 results.

(4) Deferred rights granted under the FY21 TIP are expected to be issued shortly after the release of the Company's full year FY21 results. From issue date 50% of the deferred rights are subject to a one-year service period and 50% are subject to a two-year service period.

Details of performance rights or options over ordinary shares in the Company currently provided as remuneration and granted during FY21 to Executive KMP are set out overleaf. Further information on the LTI and TI plan is set out in note H4 of the Financial Statements.

7.2 EQUITY INSTRUMENTS GRANTED TO EXECUTIVE KMP IN FY21

Name	Vesting Date	Number of performance rights granted ⁽¹⁾	Value of performance rights at grant date ⁽²⁾ \$	Number of rights vested during the period
J King ⁽³⁾	16-Sep-24	3,442,622	840,000	743,257
N Chadwick	16-Sep-23	1,466,188	357,750	-
A Sutton	16-Sep-23	1,217,214	297,000	-
A Winstanley ⁽⁴⁾	16-Sep-23	1,466,188	357,750	169,755

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

(2) The face value for allocating rights under the FY21 LTI plan was \$0.24, based on the volume weighted average price of the Company's shares over the five trading days up to and including the day before the date of the FY21 Grant.

(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.

DEFERRED RIGHTS – FY21 TI PLAN

Deferred rights relating to the FY21 TIP were granted on 15 December 2020. The number of rights issued will be determined by dividing the dollar value of the deferred rights component of the TI plan award by the volume weighted average price of the Company's shares over the five trading days immediately following the release to the market of the Company's full year FY21 results, and therefore these rights are not reflected in the above table.

REMUNERATION REPORT

Continued

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. As set out in Section 2.4, the Options granted on 24 December 2018 will lapse following the release of the FY21 results due to failure of the vesting conditions.

Name	Grant date	Equity Vehicle	Vested %	Forfeited %	Maximum total value of grant yet to be expensed ⁽¹⁾
J King ⁽²⁾	15-Dec-20	Rights ⁽⁸⁾	-	-	226,788
	9-Nov-20	Rights	-	-	586,824
	21-Nov-19	Options ⁽³⁾	-	-	548,188
	24-Dec-18	Options ⁽⁴⁾	-	-	182,795
	4-Jun-18	Rights	28%	-	-
N Chadwick	15-Dec-20	Rights ⁽⁸⁾	-	-	112,685
	9-Nov-20	Rights	-	-	235,363
	21-Nov-19	Options ⁽³⁾	-	-	203,426
	24-Dec-18	Options ⁽⁴⁾	-	-	62,281
	29-Jan-18 ⁽⁵⁾⁽⁶⁾	Rights	-	100%	-
A Sutton	15-Dec-20	Rights ⁽⁸⁾	-	-	93,550
	9-Nov-20	Rights	-	-	195,396
	21-Nov-19	Options ⁽³⁾	-	-	168,882
	24-Dec-18	Options ⁽⁴⁾	-	-	51,705
	21-Dec-17 ⁽⁶⁾	Rights	-	100%	-
A Winstanley ⁽⁷⁾	15-Dec-20	Rights ⁽⁸⁾	-	-	112,685
	9-Nov-20	Rights	-	-	235,363
	21-Nov-19	Options ⁽³⁾	-	-	203,426
	24-Dec-18	Options ⁽⁴⁾	-	-	62,281
	25-Jun-18	Rights	28%	-	-

(1) This represents the maximum remaining accounting value of the LTI and TI plan awards (rights and options) as at their grant date.

(2) Mr King was appointed as CEO and Managing Director on 4 June 2018. Performance rights were granted upon his appointment and 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 lapse following the release of the FY21 results due to failure of the vesting conditions (as disclosed in Section 2.4 of this Report).

(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 were tested for vesting following the release of the FY20 results. The performance hurdles were not met and hence no rights vested under this plan.

(7) Mr Winstanley was appointed as Chief Merchandise Officer on 25 June 2018. Performance rights were granted upon his appointment and vest monthly over the period 25 June 2018 to 25 June 2021.

(8) Deferred rights relating to the FY21 TI plan. The number of rights issued will be determined by dividing the dollar value of the deferred rights component of the TIP award by the volume weighted average price of the Company's shares over the five trading days immediately following the release to the market of the Company's full year FY21 results

REMUNERATION REPORT

Continued

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 31 July 2021, Myer Pty Ltd placed orders for apparel totalling \$1.6 million with Raging Bull Leisure Limited, whose ultimate parent is Raging Bull Group Limited.

The orders have been placed on an arm's length basis under a standard wholesale agreement. As at 31 July 2021, \$0.7 million remains on order and not received, and \$0.6 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 ⁽³⁾	Options	Rights	Options	Rights	Options	Rights
2021										
J King ⁽¹⁾	14,631,014	2,432,432	-	3,442,622	-	-	-	-	14,631,014	5,875,054
N Chadwick	5,550,204	681,818	-	1,466,188	-	-	-	(681,818)	5,550,204	1,466,188
A Sutton	4,607,716	600,000	-	1,217,214	-	-	-	(600,000)	4,607,716	1,217,214
A Winstanley ⁽²⁾	5,550,204	555,555	-	1,466,188	-	-	-	-	5,550,204	2,021,743
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 ⁽⁴⁾	-	231,060	-	-	-	-	-	(231,060)	-	-

- (1) Mr King had rights vest under an alignment equity plan; these rights have fully vested and will be automatically exercised following the opening of the trading window after the release of the FY21 Results. Of the total rights, 2,432,432 are alignment rights and 3,442,622 are performance rights.
- (2) Mr Winstanley had rights vest under an alignment equity plan; these rights have fully vested and will be automatically exercised following the opening of the trading window after the release of the FY21 Results. Of the total rights, 555,555 are alignment rights and 1,466,188 are performance rights.
- (3) Deferred rights relating to the FY21 TI plan were granted on 15 December 2020. The number of rights issued will be determined by dividing the dollar value of the deferred rights component of the TI plan award by the volume weighted average price of the Company's shares over the five trading days immediately following the release to the market of the Company's full year FY21 results, and therefore are not reflected in the number of rights disclosed as granted in the above table.
- (4) Mr Cripsey's performance rights relate only to the time he was considered as Executive KMP.

REMUNERATION REPORT

Continued

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
2021				
J Stephenson	185,000	-	50,000	235,000
D Whittle	66,666	-	200,000	266,666
J Naylor	121,000	-	-	121,000
Former Directors				
G Hounsell ⁽¹⁾	1,400,000	-	-	-
J Morrison ⁽²⁾	146,788	-	-	-
L Cattermole AM ⁽³⁾	1,023,232	-	-	-
Executive KMP				
J King	1,000,000		150,000	1,150,000
N Chadwick	350,000	-	-	350,000
A Sutton	26,086	-	-	26,086
A Winstanley	500,000	-	-	500,000
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 ⁽⁴⁾	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

(1) Mr Hounsell retired as Non-Executive Director on 28 October 2020. His holdings for the end of the FY21 period have not been reported in the table.

(2) Ms Morrison retired as Non-Executive Director on 29 October 2020. Her holdings for the end of the FY21 period have not been reported in the table.

(3) Ms Cattermole AM retired as Non-Executive Director on 29 October 2020. Her holdings for the end of the FY21 period have not been reported in the table.

(4) 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.

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 FY20 or FY21.

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.



Auditor's Independence Declaration

As lead auditor for the audit of Myer Holdings Limited for the period 26 July 2020 to 31 July 2021, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'Alison Tait'.

Alison Tait
Partner
PricewaterhouseCoopers

Melbourne
16 September 2021

FINANCIAL STATEMENTS

for the period ended 31 July 2021

Contents

Consolidated income statement	41
Consolidated statement of comprehensive income	42
Consolidated balance sheet	43
Consolidated statement of changes in equity	44
Consolidated statement of cash flows	45
 Notes to the consolidated financial statements	
A. Group performance	
A1 Segment information	46
A2 Revenue	46
A3 Expenses	47
A4 Income tax	48
A5 Earnings per share	50
B. Working capital	
B1 Trade and other receivables and prepayments	51
B2 Inventories	51
B3 Trade and other payables	51
C. Capital employed	
C1 Property, plant and equipment	52
C2 Intangible assets	53
C3 Provisions	55
C4 Leases	57
D. Net debt	
D1 Cash and cash equivalents	59
D2 Reconciliation of cash flows from operating activities	59
D3 Borrowings	60
E. Risk management	
E1 Financial risk management	61
F. Equity	
F1 Contributed equity	67
F2 Accumulated losses and reserves	68
F3 Dividends	69
G. Group structure	
G1 Subsidiaries	70
G2 Deed of cross guarantee	71
G3 Parent entity financial information	73
H. Other financial information	
H1 Contingencies	74
H2 Commitments	74
H3 Related party transactions	74
H4 Share-based payments	75
H5 Remuneration of auditors	76
H6 Events occurring after the reporting period	77
I. Other accounting policies	78

CONSOLIDATED INCOME STATEMENT
for the period ended 31 July 2021

	Notes	2021 53 weeks \$m	2020 52 weeks \$m
Total sales	A2	2,658.3	2,519.4
Concession sales		(505.5)	(445.2)
Sale of goods	A2	2,152.8	2,074.2
Sales revenue deferred under customer loyalty program		(36.3)	(26.3)
Revenue from sale of goods	A2	2,116.5	2,047.9
Other operating revenue	A2	133.6	111.5
Cost of goods sold		(1,194.4)	(1,201.2)
Operating gross profit		1,055.7	958.2
Other income		2.4	3.1
Selling expenses		(648.3)	(635.8)
Administration expenses		(239.3)	(247.0)
Restructuring, impairment of assets and other significant items	A3	(7.6)	(221.4)
		162.9	(142.9)
Finance revenue	A2	0.3	0.4
Finance costs	A3	(96.4)	(98.6)
Net finance costs		(96.1)	(98.2)
Profit/(loss) before income tax		66.8	(241.1)
Income tax (expense)/benefit	A4	(20.4)	68.7
Profit/(loss) for the period attributable to owners of Myer Holdings Limited		46.4	(172.4)
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:		Cents	Cents
Basic earnings per share	A5	5.7	(21.0)
Diluted earnings per share	A5	5.6	(21.0)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 July 2021

	Notes	2021 53 weeks \$m	2020 52 weeks \$m
Profit/(loss) for the period		46.4	(172.4)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Cash flow hedges	F2	5.9	(7.4)
Exchange differences on translation of foreign operations	F2	0.6	(0.1)
Other comprehensive income/(loss) for the period, net of tax		6.5	(7.5)
Total comprehensive income/(loss) for the period attributable to owners of Myer Holdings Limited		52.9	(179.9)

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

CONSOLIDATED BALANCE SHEET
as at 31 July 2021

	Notes	2021 \$m	2020 ¹ \$m
ASSETS			
Current assets			
Cash and cash equivalents	D1	178.6	86.5
Trade and other receivables and prepayments	B1	20.0	58.4
Inventories	B2	305.2	256.0
Derivative financial instruments	E1	3.1	0.3
Current tax assets		-	7.2
Total current assets		506.9	408.4
Non-current assets			
Property, plant and equipment	C1	318.5	347.0
Right-of-use assets	C4	1,224.1	1,272.6
Intangible assets	C2	304.4	316.4
Deferred tax assets	A4	112.2	116.5
Derivative financial instruments	E1	0.7	-
Other non-current assets		1.3	1.7
Total non-current assets		1,961.2	2,054.2
Total assets		2,468.1	2,462.6
LIABILITIES			
Current liabilities			
Trade and other payables	B3	353.3	354.2
Borrowings	D3	-	78.6
Lease liabilities	C4	156.2	167.5
Provisions	C3	63.1	55.0
Derivative financial instruments	E1	1.1	3.5
Current tax liabilities		16.4	-
Other liabilities		0.2	0.2
Total current liabilities		590.3	659.0
Non-current liabilities			
Borrowings	D3	66.8	-
Lease liabilities	C4	1,579.3	1,627.2
Provisions	C3	4.8	3.6
Derivative financial instruments	E1	-	0.2
Total non-current liabilities		1,650.9	1,631.0
Total liabilities		2,241.2	2,290.0
Net assets		226.9	172.6
EQUITY			
Contributed equity	F1	737.7	738.1
Accumulated losses	F2	(514.0)	(560.4)
Reserves	F2	3.2	(5.1)
Total equity		226.9	172.6

¹ Comparative information has been restated due to a change in accounting policy. Refer to note I for more information.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 31 July 2021

	Notes	Contributed equity \$m	Accumulated losses \$m	Reserves \$m	Total \$m
Balance as at 27 July 2019		738.8	(138.6)	1.9	602.1
Adjustment on change to accounting policy, net of tax	I		(1.5)		(1.5)
Adjustment on initial application of AASB 16, net of tax		-	(247.9)	-	(247.9)
Restated balance as at 28 July 2019		738.8	(388.0)	1.9	352.7
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	(560.4)	(5.1)	172.6
Net profit/(loss) for the period		-	46.4	-	46.4
Other comprehensive income/(loss) for the period		-	-	6.5	6.5
Total comprehensive income/(loss) for the period		-	46.4	6.5	52.9
Transactions with owners in their capacity as owners:					
Acquisition of treasury shares	F1	(0.4)	-	-	(0.4)
Employee share schemes	F2	-	-	1.8	1.8
		(0.4)	-	1.8	1.4
Balance as at 31 July 2021		737.7	(514.0)	3.2	226.9

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 31 July 2021

	Notes	2021 53 weeks \$m	2020 52 weeks \$m
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,515.6	2,396.0
Payments to suppliers and employees (inclusive of goods and services tax)		(2,153.1)	(2,098.4)
		362.5	297.6
Other income		2.7	0.7
Interest paid		(95.0)	(98.6)
Tax received/(paid)		6.8	(8.1)
Net cash inflow from operating activities	D2	277.0	191.6
Cash flows from investing activities			
Payments for property, plant and equipment		(37.9)	(31.3)
Payments for intangible assets		(19.1)	(13.7)
Lease incentives and contributions received		25.1	4.7
Interest received		0.3	0.4
Net cash outflow from investing activities		(31.6)	(39.9)
Cash flows from financing activities			
Repayment of borrowings, including transaction costs		(12.6)	(10.0)
Payments for principal portion of lease liabilities		(140.3)	(101.9)
Payment for acquisition of treasury shares	F1	(0.4)	(0.7)
Net cash outflow from financing activities		(153.3)	(112.6)
Net increase in cash and cash equivalents		92.1	39.1
Cash and cash equivalents at the beginning of the period		86.5	47.4
Cash and cash equivalents at end of period	D1	178.6	86.5

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 July 2021

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

	2021 53 weeks \$m	2020 52 weeks \$m
<i>Sales revenue</i>		
Total sales	2,658.3	2,519.4
Concession sales	(505.5)	(445.2)
Sale of goods	2,152.8	2,074.2
Sales revenue deferred under customer loyalty program	(36.3)	(26.3)
Revenue from sale of goods	2,116.5	2,047.9
<i>Other operating revenue</i>		
Concessions revenue	114.7	98.7
Other ¹	18.9	12.8
	133.6	111.5
<i>Finance revenue</i>		
Interest revenue	0.3	0.4
Total revenue	2,250.4	2,159.8

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 future 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

A3 EXPENSES

	2021 53 weeks \$m	2020 52 weeks \$m
Profit/(loss) before income tax includes the following specific expenses:		
<i>Employee benefits expenses</i>		
Defined contribution superannuation expense	31.2	32.6
Other employee benefits expenses	379.1	403.2
Government grant income - wage subsidies ¹	(50.7)	(93.2)
	359.6	342.6
<i>Depreciation, amortisation and write-off expense</i>		
Property, plant and equipment	64.2	69.1
Intangibles	31.2	30.6
Right-of-use assets	124.1	127.1
	219.5	226.8
<i>Finance costs</i>		
Interest and finance charges paid/payable for lease liabilities and financial liabilities	96.4	98.5
Fair value losses on interest rate swap cash flow hedges, transferred from equity	-	0.1
	96.4	98.6
<i>Rental expense relating to operating leases</i>		
Contingent rentals	1.5	1.1
	1.5	1.1
<i>Net foreign exchange gains</i>	(7.9)	(3.8)

1. The Group has been eligible to receive payments under the JobKeeper Payment Scheme (Australia) and Wage Subsidy (New Zealand). The Group only qualified for the first phase of the JobKeeper Payment Scheme which ended on 27 September 2020. 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 recognised government grant income totalling \$50.7 million, with \$19.1 million 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.

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:

	2021 53 weeks \$m	2020 52 weeks \$m
Restructuring and redundancy costs ¹	-	11.9
Clearance floor closure and brand exit costs and related asset impairments ²	-	18.5
Space exit costs/(reversals) and other asset impairments/(reversals) ³	7.6	(0.3)
Impairment of assets ⁴	-	184.4
Myer one loyalty program change ⁵	-	6.9
	7.6	221.4
Income tax benefit ⁶	(2.3)	(62.4)
Restructuring, impairment of assets and other significant items, net of tax	5.3	159.0

1. The Group completed a restructuring program in 2020 resulting in redundancy and other costs being incurred. 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. Space exit costs/(reversals) and other asset impairments/(reversals) includes closure costs associated with store closures and space hand backs, costs associated with the relocation of the Support Office and other store based asset impairments. In 2020, a reversal of previous impairments associated with space handbacks and other store based assets was recorded. Refer to note C1 and C3 for more information.

4. In 2020, the Group 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 made changes to the Myer one loyalty program in 2020, 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. In 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

A3 EXPENSES (CONTINUED)

Accounting policy

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

- Employee benefits expenses – refer to note C3
- Depreciation and amortisation expense – refer to note C1 and C2
- Finance costs – refer to note D3 and 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 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

	2021 53 weeks \$m	2020 52 weeks \$m
(a) Income tax expense/(benefit)		
<i>(i) Income tax expense/(benefit)</i>		
Current tax	16.1	(11.8)
Deferred tax	4.3	(56.9)
Income tax expense/(benefit) ¹	20.4	(68.7)
Deferred income tax expense included in income tax expense/(benefit) comprises:		
(Increase)/Decrease in deferred tax assets	4.3	(21.4)
Increase/(Decrease) in deferred tax liabilities	-	(35.5)
	4.3	(56.9)
<i>(ii) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable</i>		
Profit/(loss) before income tax expense/(benefit)	66.8	(241.1)
Tax at the Australian tax rate of 30% (2020: 30%)	20.0	(72.3)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible asset impairments	-	3.9
Sundry items	0.5	0.2
	20.5	(68.2)
Adjustments for current tax of prior periods	(0.1)	(0.5)
Income tax expense/(benefit) ¹	20.4	(68.7)

1. Income tax includes an income tax benefit of \$2.3 million (2020: \$62.4 million) attributable to the space exit costs and other impairment of assets recorded during the period. Refer to note A3 for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

A4 INCOME TAX (CONTINUED)

	2021 \$m	2020 \$m
(b) Deferred tax assets		
Deferred tax assets comprise temporary differences attributable to:		
Employee benefits	14.9	12.3
Non-employee provisions and accruals	6.9	10.7
Amortising deductions	0.1	0.4
Property, plant, equipment and software ¹	33.7	24.6
Leases	123.3	127.0
Trading stock	5.1	5.7
Tax losses	-	7.6
Total deferred tax assets	184.0	188.3
Set off of deferred tax liabilities/assets pursuant to set off provisions	(71.8)	(71.8)
Net deferred tax assets	112.2	116.5
Movement		
Carrying amount at beginning of period	188.3	57.9
Adjustment on initial application of AASB 16	-	100.6
Adjustment on change to accounting policy ¹	(0.2)	1.0
Tax losses	-	7.4
Credited/(charged) to income statement	(4.1)	21.4
Carrying amount at end of period	184.0	188.3

1. Comparative information has been restated due to a change in accounting policy. Refer to note I for more information.

Deferred tax assets - tax losses

In 2020, the deferred tax assets included an amount of \$7.4 million which relates to tax losses incurred by the Australian tax consolidated Group during the period. The Group has utilised the tax losses as a result of the taxable income generated in 2021.

	2021 \$m	2020 \$m
(c) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Brand names	71.8	71.8
Total deferred tax liabilities	71.8	71.8
Set off of deferred tax liabilities/assets pursuant to set off provisions	(71.8)	(71.8)
Net deferred tax liabilities	-	-
Movement		
Carrying amount at beginning of period	71.8	112.8
Adjustment on initial application of AASB 16	-	(5.5)
Charged/(credited) to income statement	-	(35.5)
Carrying amount at end of period	71.8	71.8

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

A5 EARNINGS PER SHARE

	2021 cents	2020 cents
(a) Basic earnings per share		
Total basic earnings per share attributable to the ordinary equity holders of the Company	5.7	(21.0)
(b) Diluted earnings per share		
Total diluted earnings per share attributable to the ordinary equity holders of the Company	5.6	(21.0)
	2021 \$m	2020 \$m
(c) Reconciliation of earnings used in calculating earnings per share		
Earnings used in calculation of basic and diluted EPS attributable to ordinary shareholders	46.4	(172.4)
	2021 Number	2020 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	818,929,830	820,092,092
Adjustments for calculation of diluted earnings per share - performance rights and options	8,740,296	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	827,670,126	820,092,092

(e) Information concerning the classification of securities

Performance rights and options granted to employees under the Myer Long Term Incentive Plan and FY21 Transformation 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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

	2021 \$m	2020 \$m
Trade receivables	10.2	14.7
Loss allowance	(0.5)	(2.1)
	9.7	12.6
Other receivables	6.3	35.4
Prepayments ¹	4.0	10.4
	10.3	45.8
	20.0	58.4

1. Comparative information has been restated due to a change in accounting policy. Refer to note 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

	2021 \$m	2020 \$m
Retail inventories	305.2	256.0

Provision for write-down of inventories to net realisable value amounted to \$7.8 million (2020: \$10.4 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

	2021 \$m	2020 \$m
Trade payables	165.2	120.3
Other payables	188.1	233.9
	353.3	354.2

Trade and other payables are non-interest bearing.

Accounting policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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 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
Period ended 31 July 2021						
Carrying amount at beginning of period	9.6	12.6	126.6	177.0	21.2	347.0
Additions	-	-	7.4	21.7	14.2	43.3
Transfer between classes	-	-	2.2	9.8	(18.6)	(6.6)
Assets written off – cost	-	-	(9.0)	(4.3)	-	(13.3)
Assets written off – accumulated depreciation	-	-	5.7	3.1	-	8.8
Impairment ¹	-	-	0.3	-	-	0.3
Depreciation charge	-	(0.5)	(33.3)	(27.2)	-	(61.0)
Carrying amount at end of period	9.6	12.1	99.9	180.1	16.8	318.5
At 31 July 2021						
Cost	9.6	19.5	523.0	487.6	16.8	1,056.5
Accumulated depreciation and impairment	-	(7.4)	(423.1)	(307.5)	-	(738.0)
Net book amount	9.6	12.1	99.9	180.1	16.8	318.5

1. Impairment relates to assets associated with space handbacks and assets associated with store closures (2020: assets associated with space handbacks, store assets associated with closure of clearance floor concept, offset by reversal of asset impairment associated with surplus space identified at support office as a sublease has been entered into for this space). 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 (2020: 40 years)
- Fixtures and fittings 3 – 12.5 years (2020: 3 – 12.5 years)
- Plant and equipment, including leasehold improvements 10 – 20 years (2020: 10 – 20 years)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

C2 INTANGIBLE ASSETS

	Goodwill \$m	Brand names and trademarks \$m	Software \$m	Lease rights \$m	Total \$m
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)
Adjustment on change to accounting policy ³	-	-	(3.2)	-	(3.2)
Net book amount	-	371.6	92.8	-	464.4
Period ended 25 July 2020					
Carrying amount at beginning of period	-	371.6	92.8	-	464.4
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	-	-	(30.4)	-	(30.4)
Carrying amount at end of period	-	240.2	76.2	-	316.4
At 25 July 2020					
Cost	492.1	437.3	337.8	18.3	1,285.4
Accumulated amortisation and impairment	(492.1)	(197.1)	(261.5)	(18.3)	(969.0)
Net book amount	-	240.2	76.2	-	316.4
Period ended 31 July 2021					
Carrying amount at beginning of period	-	240.2	76.2	-	316.4
Additions	-	-	12.7	-	12.7
Transfer between classes	-	-	6.6	-	6.6
Assets written off – cost	-	-	(2.0)	-	(2.0)
Assets written off – accumulated amortisation	-	-	1.7	-	1.7
Amortisation charge	-	-	(31.0)	-	(31.0)
Carrying amount at end of period	-	240.2	64.2	-	304.4
At 31 July 2021					
Cost	492.1	437.3	355.0	18.3	1,302.7
Accumulated amortisation and impairment	(492.1)	(197.1)	(290.8)	(18.3)	(998.3)
Net book amount	-	240.2	64.2	-	304.4

1. Amortisation of \$31.0 million (2020: \$30.4 million) is included in administration and selling expenses in the consolidated income statement.
2. In 2020, impairment was recognised for the Myer and associated brand names and the sass & bide brand name. Refer below for more information.
3. Comparative information has been restated due to a change in accounting policy. Refer to note I 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 \$232.8 million (2020: \$352.5 million) cannot be allocated to the Group's individual cash generating units (CGUs) (the Group's stores), and hence has been allocated to the Myer business as a whole. The remaining brand name intangible asset with an indefinite useful life has been allocated to the Marcs David Lawrence business totalling \$7.4 million (2020: \$7.4 million).

In 2020, the carrying value exceeded the recoverable amount and an impairment charge of \$119.7 million was recognised in respect of Myer and the associated brand names. This was included within restructuring, impairment of assets and other significant items in the consolidated income statement.

AASB 136 *Impairment of Assets* requires goodwill and intangible assets with an indefinite useful life to be tested annually for impairment. As a result during the period, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

C2 INTANGIBLE ASSETS (CONTINUED)

Impairment of non-financial assets (continued)

Key assumption	2021	2020	Approach used to determine value
Weighted average discount rate (pre-tax)	12.8%	13.0%	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.
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 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.
Average EBITDA margin	12.5%	11.8%	

The headroom approximates 11% of the CGU's net carrying value. The recoverable amount is based on operating and cash flow performance stabilising however the timing of cash flow benefits arising from initiatives could be influenced by market conditions.

The recoverable amount is highly sensitive to changes in the average EBITDA margin assumption. For the recoverable amount to approximate the carrying value, a 76 basis points decrease in the average EBITDA margin would need to occur. Any reasonable possible change in other key assumptions would not result in an impairment.

During the period, a review of the carrying value for each Myer store was undertaken and no indicators of impairment were identified. In 2020, the Group identified indicators of impairment in certain Myer stores and an impairment of these store's right-of use assets was recognised totalling \$53.0 million that was included within restructuring, impairment of assets and other significant items in the consolidated income statement. Refer to note C4 for more information.

sass & bide

In 2020, the carrying value exceeded the recoverable amount and an impairment charge of \$11.7 million was recognised in respect of its brand name. This was included within restructuring, impairment of assets and other significant items in the consolidated income statement.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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 are capitalised as intangible assets where the Group has control and obtains all the future economic benefit from the underlying asset. 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. Costs paid to the suppliers for Software-as-a-Service arrangements to significantly customise cloud-based software for the Group are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement. 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. 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

	2021 \$m	2020 \$m
Current		
Employee benefits	49.7	40.8
Restructuring (i)	2.9	4.1
Workers' compensation (ii)	8.7	9.4
Other	1.8	0.7
	63.1	55.0
Non-current		
Employee benefits	4.8	3.5
Other	-	0.1
	4.8	3.6

(i) 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.

(ii) Workers' compensation

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

Movement in provisions

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

	Restructuring \$m	Workers' compensation \$m	Other \$m	Total \$m
2021				
Carrying amount at beginning of period	4.1	9.4	0.8	14.3
Additional provisions recognised	3.6	1.8	9.0	14.4
Amounts utilised	(4.8)	(2.5)	(8.0)	(15.3)
Carrying amount at end of period	2.9	8.7	1.8	13.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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.

	2021	2020
	\$m	\$m
Current long service leave obligations expected to be settled after 12 months	21.8	17.8

Accounting policy

Provisions

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

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

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

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

Employee benefits

(i) Short term obligations

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

(ii) Other long term employee benefit obligations

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

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

(iii) Profit sharing and bonus plans

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

(iv) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

C4 LEASES

The Group has lease agreements for properties and various items of equipment used in its operations. The carrying amounts of the right-of-use assets 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
At 25 July 2020	1,272.3	0.3	1,272.6
Additions, modifications and other reassessments	81.7	-	81.7
Depreciation	(129.9)	(0.3)	(130.2)
At 31 July 2021	1,224.1	-	1,224.1

1. In 2020, an impairment of Myer store right-of-use assets was recognised. Refer to note A3 and C2 for more information.

The carrying amounts of the lease liabilities 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
At 25 July 2020	1,794.3	0.4	1,794.7
Additions, modifications and other reassessments	81.1	-	81.1
Cash payments	(227.1)	(0.4)	(227.5)
Interest expense	87.2	-	87.2
At 31 July 2021	1,735.5	-	1,735.5
Current	156.2	-	156.2
Non-current	1,579.3	-	1,579.3

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

	2021 53 weeks \$m	2020 52 weeks \$m
Depreciation of right-of-use assets ¹	124.1	127.1
Interest expense on lease liabilities ¹	85.5	87.6
Short-term leases expense ²	3.8	7.3
Variable lease payments ³	1.5	1.1
	214.9	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 \$17.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

C4 LEASES (CONTINUED)

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.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use 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 right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the end of the lease term. The right-of-use 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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 31 July 2021 and 25 July 2020 is as follows:

	2021 \$m	2020 \$m
Borrowings	66.8	78.6
Less: cash and cash equivalents	(178.6)	(86.5)
Net debt/(cash) at end of period (excluding lease liabilities)	(111.8)	(7.9)
Plus: lease liabilities	1,735.5	1,794.7
Net debt at end of period	1,623.7	1,786.8

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

Opening balance	(7.9)	38.7
Net increase in cash and cash equivalents	(92.1)	(39.1)
Repayment of borrowings, net of transaction costs	(12.6)	(10.0)
Other non-cash movements	0.8	2.5
Closing balance	(111.8)	(7.9)

D1 CASH AND CASH EQUIVALENTS

	2021 \$m	2020 \$m
Cash on hand	2.0	1.9
Cash at bank	176.6	84.6
	178.6	86.5

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

	2021 53 weeks \$m	2020 52 weeks \$m
Profit/(loss) for the period	46.4	(172.4)
Depreciation, amortisation and impairment, including lease incentives and contributions	210.3	406.0
Interest income	(0.3)	(0.4)
Interest expense	2.9	2.4
Share-based payments expense	2.3	0.6
Net exchange differences	0.6	(0.1)
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables and prepayments	34.5	(31.3)
(Increase)/decrease in inventories	(54.7)	91.0
Increase/(decrease) in deferred tax assets/liabilities	3.7	(64.4)
Decrease/(increase) in derivative financial instruments	5.3	1.6
(Decrease)/increase in trade and other payables	(6.8)	(29.2)
Increase/(decrease) in current tax receivable/payable	23.5	(5.3)
Increase/(decrease) in provisions	9.3	(6.7)
Increase/(decrease) in other liabilities	-	(0.2)
Net cash inflow from operating activities	277.0	191.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

D3 BORROWINGS

(a) Structure of debt

The debt funding of the Group at 31 July 2021 is a syndicated facility, which contains an amortising term loan tranche and a revolving tranche. This facility was established on 23 November 2018, drawn down on 26 November 2018 and amended and extended on 28 August 2020. As at 31 July 2021, the following amounts were drawn:

	2021 \$m	2020 \$m
Current		
Bank loans	-	80.0
Less: transaction costs	-	(1.4)
Non-current		
Bank loans	70.0	-
Less: transaction costs	(3.2)	-
Borrowings	66.8	78.6

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	\$70 million	2 years	31 August 2022
Revolving - Tranche B ²	\$218 million	2 years	31 August 2022
Total syndicated facility	\$288 million		

1. Tranche A is required to be fully drawn during its term. The limit steps down by \$20 million during the period ending 30 July 2022. 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. Tranche B is revolving and amounts repaid may be redrawn during their term. The tranche limit was \$260 million when the facility was amended and extended, with step-downs and cancellations occurring during the period. There are further step downs of \$40 million during the period ending 30 July 2022.

(b) Security

The syndicated facility in place at 31 July 2021 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

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

The Group extended the syndicated facility subsequent to the end of the reporting period. Refer to Note H6 for more information.

Accounting policy

Borrowings

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

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

Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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:

	Note	Total \$m	Amortised cost \$m	Fair value through OCI \$m
At 31 July 2021				
Financial assets				
Cash and cash equivalents	D1	178.6	178.6	-
Trade and other financial receivables	B1	16.1	16.1	-
Derivative financial instruments	E1	3.8	-	3.8
Total financial assets		198.5	194.7	3.8
Financial liabilities				
Trade and other financial payables ¹	B3	262.2	262.2	-
Borrowings	D3	66.8	66.8	-
Lease liabilities	C4	1,735.5	1,735.5	-
Derivative financial instruments	E1	1.1	-	1.1
Total financial liabilities		2,065.6	2,064.5	1.1
At 25 July 2020				
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	C4	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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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:

	2021 \$m	2020 \$m
Carrying amount - Derivative Financial Instruments (Asset)	3.8	0.3
Carrying amount - Derivative Financial Instruments (Liability)	1.1	3.7
Notional amount	169.9	147.7
Maturity date	Aug 2021 - Nov 2022	Aug 2020 - Oct 2021
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness	6.1	(9.2)
Change in value of hedged item used to determine hedge effectiveness	(6.1)	9.2
Weighted average hedged rate (AUD/USD)	0.737	0.709
Weighted average hedged rate (AUD/EUR)	0.620	0.610

Exposure

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

	2021			2020		
	USD \$m	EURO \$m	Other \$m	USD \$m	EURO \$m	Other \$m
Cash and cash equivalents	9.5	4.1	4.5	3.3	2.4	1.8
Trade payables	21.0	0.1	0.2	9.7	-	-
Forward exchange contracts	168.6	1.3	-	145.3	2.4	-

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:

Currency	Sensitivity assumption	Impact directly on equity	
		2021 \$m	2020 \$m
United States Dollar	+10%	16.5	12.8
United States Dollar	-10%	(13.5)	(10.5)
Euro	+10%	0.1	0.2
Euro	-10%	(0.1)	(0.2)

(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:

	2021 \$m	2020 \$m
Cash and cash equivalents	178.6	86.5
Floating rate borrowings	66.8	78.6

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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.

(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:

	2021	2020
	\$m	\$m
Cash and cash equivalents	178.6	86.5
Trade and other financial receivables	16.1	47.5
Derivative financial instruments - assets	3.8	0.3

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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:

	2021 \$m	2020 \$m
Floating rate		
Expiring within one year (revolving cash advance facility)	-	280.0
Expiring beyond one year (revolving cash advance facility)	217.6	-
	217.6	280.0

Refer to note D3 for more information. The Group's syndicated facility was extended 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.

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
2021							
Non-derivatives							
Trade and other payables	262.2	-	-	-	-	262.2	262.2
Borrowings	11.3	10.6	50.8	-	-	72.7	70.0
Lease liabilities	108.2	104.2	203.3	568.4	1,246.3	2,230.4	1,735.5
Total non-derivatives	381.7	114.8	254.1	568.4	1,246.3	2,565.3	2,067.7
Derivatives							
Gross settled							
- (inflow)	(84.3)	(70.3)	(18.0)	-	-	(172.6)	(3.9)
- outflow	84.3	68.3	17.3	-	-	169.9	1.2
Total derivatives	(0.0)	(2.0)	(0.7)	-	-	(2.7)	(2.7)
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							
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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

E1 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair value measurements

The Group has the following derivative financial instruments:

	2021 \$m	2020 \$m
Current assets		
Forward foreign exchange contracts	3.1	0.3
Total current derivative financial instrument assets	3.1	0.3
Non-current assets		
Forward foreign exchange contracts	0.7	-
Total non-current derivative financial instrument assets	0.7	-
Current liabilities		
Forward foreign exchange contracts	1.1	3.5
Total current derivative financial instrument liabilities	1.1	3.5
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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

	2021 Number of shares	2020 Number of shares	2021 \$m	2020 \$m
Ordinary shares - fully paid	821,278,815	821,278,815	780.0	780.0
Treasury shares				
Opening balance	(1,376,662)	(331,996)	(41.9)	(41.2)
Shares acquired by Myer Equity Plans Trust on market at \$0.61	-	(1,044,666)	-	(0.7)
Shares acquired by Myer Equity Plans Trust on market at \$0.21	(931,893)	-	(0.2)	-
Shares acquired by Myer Equity Plans Trust on market at \$0.36	(679,432)	-	(0.2)	-
Closing balance of treasury shares	(2,987,987)	(1,376,662)	(42.3)	(41.9)
Closing balance	818,290,828	819,902,153	737.7	738.1

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 31 July 2021 and 25 July 2020 were as follows:

	2021 \$m	2020 \$m
Borrowings (note D3)	66.8	78.6
Less: cash and cash equivalents (note D1)	(178.6)	(86.5)
Net cash at end of period (excluding lease liabilities)	(111.8)	(7.9)
Plus: lease liabilities	1,735.5	1,794.7
Net debt at end of period	1,623.7	1,786.8
Total equity	226.9	172.6
Total capital (excluding lease liabilities)	115.1	164.7
Total capital	1,850.6	1,951.4
Gearing ratio (excluding lease liabilities)	-97.2%	-4.8%
Gearing ratio	87.7%	91.6%

Accounting policy

Ordinary shares are classified as equity.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

F2 ACCUMULATED LOSSES AND RESERVES

	2021 \$m	2020 \$m
(a) Accumulated losses		
Movements in Accumulated losses were as follows:		
Balance at beginning of period	(560.4)	(138.6)
Adjustment on initial application of AASB 16, net of tax	-	(247.9)
Adjustment on change to accounting policy, net of tax (refer to note I)	-	(1.5)
Restated balance at beginning of period	(560.4)	(388.0)
Profit/(loss) for the period	46.4	(172.4)
Balance at end of period	(514.0)	(560.4)
(b) Reserves		
Share-based payments (i)	29.3	27.5
Cash flow hedges (ii)	3.2	(2.7)
Other reserve (iii)	(25.6)	(25.6)
Foreign currency translation (iv)	(3.7)	(4.3)
	3.2	(5.1)
Movements in reserves were as follows:		
<i>Share-based payments</i>		
Balance at beginning of period	27.5	27.0
Share-based payments (credit)/expense recognised (note H4)	2.3	0.6
Income tax (note A4)	(0.5)	(0.1)
Balance at end of period	29.3	27.5
<i>Cash flow hedges</i>		
Balance at beginning of period	(2.7)	4.7
Net gain/(loss) on revaluation	6.1	(9.1)
Transfer to net profit	(0.2)	1.7
Balance at end of period	3.2	(2.7)
<i>Foreign currency translation</i>		
Balance at beginning of period	(4.3)	(4.2)
Exchange differences on translation of foreign operations during the period	0.6	(0.1)
Balance at end of period	(3.7)	(4.3)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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

	2021 \$m	2020 \$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 (2020: no final dividend).		
(c) Franked dividends		
The franked portions of final dividends recommended after 31 July 2021 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the period ended 31 July 2021:		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020: 30%)	67.0	50.6

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the period ended 31 July 2021

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⁾	Equity holdings ⁽⁴⁾
				2021 %	2020 %
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	(2), (3)	Australia	Ordinary	100	100
sass & bide Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide Retail Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide Retail (NZ) Pty Ltd	(2), (3)	Australia	Ordinary	100	100
sass & bide USA inc.		USA	Ordinary	100	100
sass & bide inc.		USA	Ordinary	100	100
Marcus 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 31 July 2021 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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 31 July 2021:

	2021 53 weeks \$m	2020 52 weeks \$m
Income statement		
Total sales	2,658.3	2,519.4
Concession sales	(505.5)	(445.2)
Sale of goods	2,152.8	2,074.2
Sales revenue deferred under customer loyalty program	(36.3)	(26.3)
Revenue from sale of goods	2,116.5	2,047.9
Other operating revenue	133.6	111.5
Cost of goods sold	(1,194.6)	(1,204.5)
Operating gross profit	1,055.5	954.9
Other income	2.4	3.1
Selling expenses	(648.3)	(635.8)
Administration expenses	(239.3)	(246.9)
Restructuring, impairment of assets and other significant items	(7.6)	(220.8)
Earnings before interest and tax	162.7	(145.5)
Finance revenue	0.3	0.4
Finance costs	(96.4)	(98.6)
Net finance costs	(96.1)	(98.2)
Profit/(loss) before income tax	66.6	(243.7)
Income tax (expense)/benefit	(20.2)	69.3
Profit/(loss) for the period attributable to Deed of Cross Guarantee group	46.4	(174.4)
Statement of comprehensive income		
Profit/(loss) for the period	46.4	(174.4)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Cash flow hedges	5.9	(7.4)
Exchange differences on translation of foreign operations	0.5	(0.2)
Other comprehensive income/(loss) for the period, net of tax	6.4	(7.6)
Total comprehensive income/(loss) for the period	52.8	(182.0)
Summary of movements in accumulated losses		
Balance at beginning of period	(556.9)	(133.1)
Adjustment on initial application of AASB 16, net of tax	-	(247.9)
Adjustment on change to accounting policy, net of tax	-	(1.5)
Restated balance at beginning of period	(556.9)	(382.5)
Profit/(loss) for the period	46.4	(174.4)
Balance at end of period	(510.5)	(556.9)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

G2 DEED OF CROSS GUARANTEE (CONTINUED)

(b) Consolidated balance sheet

Set out below is a consolidated balance sheet as at 31 July 2021 of the closed group:

	2021 \$m	2020 ¹ \$m
ASSETS		
Current assets		
Cash and cash equivalents	176.2	85.6
Trade and other receivables and prepayments	28.1	66.2
Inventories	304.0	254.5
Derivative financial instruments	3.1	0.3
Current tax assets	-	7.2
Total current assets	511.4	413.8
Non-current assets		
Property, plant and equipment	318.3	346.7
Right-of-use assets	1,223.7	1,272.0
Intangible assets	304.4	316.4
Deferred tax assets	112.2	116.1
Derivative financial instruments	0.7	-
Other non-current assets	2.7	3.2
Total non-current assets	1,962.0	2,054.4
Total assets	2,473.4	2,468.2
LIABILITIES		
Current liabilities		
Trade and other payables	352.9	354.1
Borrowings	-	78.6
Lease liabilities	156.0	167.3
Provisions	63.1	55.0
Derivative financial instruments	1.1	3.5
Current tax liabilities	16.4	-
Other liabilities	0.2	0.2
Total current liabilities	589.7	658.7
Non-current liabilities		
Borrowings	66.8	-
Lease liabilities	1,579.1	1,626.7
Provisions	4.8	3.6
Derivative financial instruments	-	0.2
Total non-current liabilities	1,650.7	1,630.5
Total liabilities	2,240.4	2,289.2
Net assets	233.0	179.0
EQUITY		
Contributed equity	737.7	738.1
Accumulated losses	(510.5)	(556.9)
Reserves	5.8	(2.2)
Total equity	233.0	179.0

¹ Comparative information has been restated due to a change in accounting policy. Refer to note I for more information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

G3 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2021 \$m	2020 \$m
Balance sheet		
Current assets	171.6	147.0
Total assets	370.7	357.7
Current liabilities	37.4	14.5
Total liabilities	104.2	93.1
Shareholders' equity		
Issued capital	737.7	738.1
Reserves		
Other reserves	(2.7)	(2.7)
Share-based payments	23.9	21.6
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)	(170.6)
Retained profits reserve - 2021	-	-
Profit/(loss) for the period	-	(170.6)
Total comprehensive income/(loss) for the period¹	-	(170.6)

(b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities	-	-
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1. In 2020, 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 31 July 2021 or 25 July 2020.

(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 31 July 2021 or 25 July 2020.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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 31 July 2021 in respect of:

Guarantees

The Group has issued bank guarantees amounting to \$33.2 million (2020: \$38.0 million), of which \$16.5 million (2020: \$18.0 million) represents guarantees supporting workers' compensation self insurance licences in various jurisdictions.

For information about other guarantees given by entities within the Group, including the parent entity, 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:

	2021 \$m	2020 \$m
<i>Property, plant, equipment and software</i>		
Payable:		
Within one year	15.9	19.8
Later than one year but not later than five years	-	-
Later than five years	-	-
	15.9	19.8

As at 31 July 2021, the Group also had commitments relating to lease agreements that have not yet commenced. The future lease payments (undiscounted) for non-cancellable periods are \$1.0 million within one year, \$34.0 million between one and five years and \$39.0 million thereafter. The commitments relate to lease agreements associated with the National Distribution Centre and the Support Office.

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 ended 31 July 2021 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.

	2021 \$	2020 \$
Short term employee benefits	4,999,650	3,983,303
Post employment benefits	87,051	111,875
Long term benefits	73,466	7,519
Share-based payments	1,422,374	722,776
	6,582,541	4,825,473

Detailed remuneration disclosures are provided in the Remuneration Report on pages 14 to 38.

(ii) Loans

In 2021 and 2020 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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 Group's long term strategic and operational objectives.

Each right and option 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 rights and 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:

2021

	Balance 25 July 2020	Granted	Exercised	Expired and lapsed	Balance 31 July 2021
Performance rights	7,049,241	14,140,544	-	(4,061,254)	17,128,531
Performance options	57,444,948	-	-	(3,141,624)	54,303,324
Total	64,494,189	14,140,544	-	(7,202,878)	71,431,855
Weighted average exercise price	\$0.43	\$0.00	\$0.00	\$0.21	\$0.36

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

The weighted average remaining contractual life of share rights and options outstanding at the end of the period was 1.0 year (2020: 1.6 years).

Fair value of performance rights granted

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

	2021 LTIP Rights (TSR)	2021 LTIP Rights (EPS)
(a) Fair value of performance rights granted	\$0.19	\$0.22
(b) Grant date	9-Nov-20	9-Nov-20
(c) Expiry date	9-Nov-24	9-Nov-24
(d) Share price at grant date	\$0.27	\$0.27
(e) Expected price volatility of the Group's shares	75%	75%
(f) Expected dividend yield	0%	0%
(g) Risk-free interest rate	0.16%	0.16%

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 rights 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 rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

H4 SHARE-BASED PAYMENTS (CONTINUED)

(b) Deferred Rights - Transformation Incentive (TI) Plan

The Transformative Incentive (TI) Plan was introduced to replace the normal STI plan for a period of 2 years, starting in FY21. Under the TI plan, the Chief Executive Officer and nominated executives receive 50% of the annual TI achieved in cash and 50% in the form of deferred rights to shares in the Company. Deferred rights granted under the FY21 TI plan will be issued in two tranches, 50% will be subject to a one-year disposal restriction and 50% will be subject to a two-year disposal restriction. Deferred rights will convert to Shares on the first day following the end of the respective restriction period, that occurs during a trading window under the Company's Security Dealing Policy and subject to ongoing employment at that date.

The deferred rights automatically convert into one ordinary share on vesting at an exercise price of nil. There is no entitlement to receive dividends nor any voting rights in relation to the deferred rights during the vesting period. If an executive ceases to be employed by the Group within this period, the rights will be forfeited, except in circumstances that are approved by the board on a case-by-case basis.

The number of rights to be issued is determined based on the currency value of the achieved TI award divided by the weighted average price at which the Company's shares are over the five trading days immediately following the release to the market of the company's full year FY21 results.

(c) 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:

	2021 \$m	2020 \$m
Rights and options issued under the LTIP	1.8	0.6
Deferred rights issued under the TIP	0.5	-

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.

Accounting policy

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

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 and TIP are 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:

	2021 \$	2020 \$
(a) PwC Australia		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	561,000	426,000
<i>Other assurance services</i>		
Audit of rent certificates	29,283	38,519
Total remuneration for audit and other assurance services	590,283	464,519
(ii) Taxation services		
Tax compliance services	3,000	3,000
(iii) Other services		
Consulting services	-	10,799
Total remuneration of PwC Australia	593,283	478,318
(b) Overseas practices of PwC		
(i) Assurance services		
<i>Audit services</i>		
Audit and review of financial statements	66,452	69,067
Total remuneration for overseas practices of PwC	66,452	69,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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 31 July 2021.

Extension of debt facility

On 24 August 2021, the Group entered into an amendment and extension of the syndicated facility, with the facility extended to 30 November 2022. The key terms are noted below:

(a) Structure of debt

	Amount	Expiry date
Amortising term loan - Tranche A ¹	\$70 million	30 November 2022
Revolving - Tranche B ^{2,3}	\$218 million	30 November 2022
Total syndicated facility	\$288 million	

1. Tranche A steps down by \$30 million during the period ending 30 July 2022.
2. Tranche B steps down by \$40 million during the period ending 30 July 2022.
3. On 30 August 2021, a further \$25m of Tranche B limit was cancelled due to over-performance.

(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.

COVID-19 restrictions

Following the period end, Myer has been impacted by temporary store closures across four States as a result of Government mandated restrictions in response to the ongoing COVID-19 pandemic. Stores have continued to fulfil online and zero contact click-and-collect orders with actions taken to prioritise the health and wellbeing of our customers, staff members and the broader communities in which these stores operate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the period ended 31 July 2021

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

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 C4.

Working capital position

As at 31 July 2021, the Group has a net current liability position of \$83.4 million. This includes the recognition of current lease liabilities of \$156.2 million from the adoption of AASB 16 *Leases*. The Group has an undrawn borrowing facility of \$217.6 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

The Group has adopted the IFRS Interpretations Committee (IFRIC) final agenda decision in relation to Software-as-a-Service arrangements. None of the other new standards or amendments to existing standards that are mandatory for the first time for the 31 July 2021 reporting period materially affect any of the amounts recognised in the current period or prior period, and are not likely to significantly affect future periods.

Software-as-a-Service ("SaaS") arrangements

IFRIC issued the final agenda decision on the accounting for configuration and customisation costs in SaaS arrangements in the period. The Group has revised its accounting policy to reflect the treatment for configuration and customisation costs in line with the agenda, which is to recognise those costs as an intangible asset only if the Group has control and obtains all the future economic benefit from the underlying asset in accordance with AASB 138 *Intangible Assets*. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

As a result of the change in accounting policy, the Group has determined that costs relating to the implementation of SaaS arrangements would need to be expensed when they were incurred. In addition, the group also reclassified costs paid to the suppliers of the SaaS arrangements from intangible assets to prepayments.

The change in accounting policy has been applied retrospectively and comparative information has been restated. The following reflects the impact of the amounts reflected in the financial statements.

	2021 \$m	2020 \$m
Consolidated Balance Sheet (extract)		
Intangible assets	(2.4)	(3.2)
Trade and other receivables and prepayments	0.6	0.7
Deferred tax assets	0.8	1.0
Retained earnings/(accumulated losses)	1.0	1.5

DIRECTORS' DECLARATION

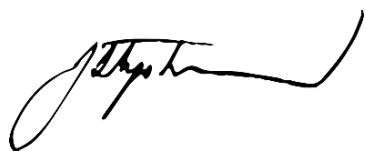
In the directors' opinion:

- (a) the financial statements and notes set out on pages 40 to 78 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 31 July 2021 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.



JoAnne Stephenson
Chairman

Melbourne, 16 September 2021



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 31 July 2021 and of its financial performance for the period 26 July 2020 to 31 July 2021
- (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 31 July 2021
- the consolidated income statement for the period 26 July 2020 to 31 July 2021
- the consolidated statement of comprehensive income for the period 26 July 2020 to 31 July 2021
- the consolidated statement of changes in equity for the period 26 July 2020 to 31 July 2021
- the consolidated statement of cash flows for the period 26 July 2020 to 31 July 2021
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- 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.

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Liability limited by a scheme approved under Professional Standards Legislation.

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 \$3.3 million, which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- 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.

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
Carrying value of non-financial assets (Refer to notes C1, C2 and C4) 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 performed an impairment assessment by preparing a value-in-use model to determine if the carrying value of the assets in the Myer Group cash generating unit was supported by forecast future cash flows, discounted to present value (the "model"). Significant judgement is required by the Group to estimate the key assumptions used in the model to determine the recoverable amount of the CGU. The key assumptions applied by the Group include: - terminal growth rate - average EBITDA margin - the discount rates adopted in the model. The Group assessed there were no indicators of impairment for individual stores. This was a key audit matter due to the financial significance of non-financial assets and the significant judgements and assumptions applied by the Group in estimating future cash flows and in the assessment of indicators of impairment.	To assess the Group's value-in-use impairment model (the model) we performed the following procedures, amongst others: - evaluated whether the allocation of the Group's assets into CGUs was consistent with our knowledge of the Group's operations and internal Group reporting - together with PwC experts, evaluated the appropriateness of the Group's method for developing the estimate of recoverable amount by reference to the nature of the estimate, the requirements of Australian Accounting Standards, and the business, industry and environment in which the Group operates - performed testing over the mathematical accuracy of the model 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 - evaluated the appropriateness of significant assumptions used in the model, including forecast EBITDA margins, discount rates and terminal growth rates - 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 the appropriateness of the discount rates used in the model by comparing them to market data, comparable companies, and industry research

Key audit matter	How our audit addressed the key audit matter
<i>Inventory valuation and provisions</i> <i>(Refer to note B2)</i> The Group held inventory of \$305.2 million at 31 July 2021. As described in note B2 to the consolidated 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. 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.	- assessed the Group's determination that there were no impairment indicators for Myer stores at 31 July 2021, including comparing actual store profitability to budget and assessing the impact of temporary closures - evaluated the reasonableness of the disclosures made in note C2, including the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards. To assess the Group's judgements and assumptions applied in calculating its inventory provisions we performed the following procedures, amongst others: - evaluated the design and tested the operating effectiveness of a sample of relevant inventory controls - attended inventory counts at two distribution centres and four 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 - for a sample of inventory items, compared the current selling price (net realisable value) to the recorded cost - evaluated the appropriateness of the Group's markdown assumptions when considered against current and forecast promotional activity - 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. Evaluated the reasonableness of the disclosures made in note B2, in light of the requirements of Australian Accounting Standards.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<i>Refinancing and debt covenants</i> <i>(Refer to notes D3 and H6)</i> The Group has external borrowings of \$66.8 million and cash and cash equivalents of \$178.6 million as at 31 July 2021. The Group's syndicated facility was extended post balance sheet date. Given the financial significance of the borrowings balance, the cyclical financing demands of the business and the importance of capital in supporting the Group's strategy, accounting for the Group's borrowings and the associated disclosure within the financial report was considered a key audit matter.	Obtained confirmations directly from the Group's banks to confirm the borrowings' balance, tenure and conditions at 31 July 2021. Read the signed agreements between the Group and its lenders to develop an understanding of the terms associated with the extension of the Group's facilities and the amount of facility available for drawdown. Evaluated whether the debt was classified as current or non-current in accordance with Australian Accounting Standards Evaluated whether the disclosures made in notes D3 and H6 were consistent with the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period 26 July 2020 to 31 July 2021, 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.

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

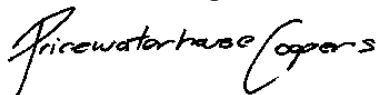
Our opinion on the remuneration report

We have audited the remuneration report included in pages 14 to 38 of the directors' report for the period 26 July 2020 to 31 July 2021.

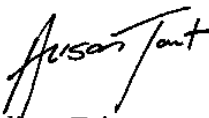
In our opinion, the remuneration report of Myer Holdings Limited for the period 26 July 2020 to 31 July 2021 complies with section 300A of the *Corporations Act 2001*.

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



Alison Tait
Partner

Melbourne
16 September 2021