

COLES MYER LTD
Form 20-F
December 27, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12 (b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED JULY 25, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

Commission file number: 1-10083

COLES MYER LTD.

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Australian Business Number 11 004 089 936

(Exact name of Registrant as specified in its charter)

VICTORIA, AUSTRALIA

(Jurisdiction of incorporation or organization)

800 TOORAK ROAD, TOORONGA, VICTORIA 3146 AUSTRALIA

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12 (b) of the Act.

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Ordinary Shares	New York Stock Exchange*
American Depositary Shares**	New York Stock Exchange

* Not for trading but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

** Evidenced by American Depositary Receipts, each American Depositary Share representing eight Ordinary Shares.

Securities registered or to be registered pursuant to Section 12 (g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15 (d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report.

Fully Paid Ordinary Shares	1,225,410,546
Partly Paid Ordinary Shares paid up to A\$0.01 per share	114,000

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

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CERTAIN DEFINITIONS

The fiscal year of Coles Myer Ltd. (the Company, Coles Myer CML or CML Group), which, unless the context otherwise requires, includes Coles Myer Ltd. and its consolidated entities) ends on the last Sunday in July each year. The fiscal year ended July 25, 2004 is referred to in the text of this Annual Report as 2004, and other fiscal years are referred to in a corresponding manner. In the Consolidated Financial Statements included in Item 18, the financial year 2003-04 is also referred to as 2004, and similarly for other years, except where otherwise stated. See also Glossary of Terms for descriptions of certain terms used in this Annual Report.

In this Annual Report, unless otherwise specified or the context otherwise requires, all dollar amounts are expressed in Australian dollars (A\$).

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains certain forward-looking statements, including statements regarding the expected outlook for the retail-trading environment in Australia, expectations as to future store openings, refurbishments and anticipated capital expenditures. Coles Myer can give no assurances that the actual results will not differ materially from the statements contained herein. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Coles Myer, which may cause actual results to differ materially from those expressed in the statements contained herein. Any such forward-looking statements speak only as of the date of this annual report. In the absence of a specific legal obligation to the contrary, Coles Myer undertakes no responsibility to publicly announce the result of any revisions to any forward-looking statements contained herein to reflect future developments or events.

Risk factors, which may affect Coles Myer's future performance, are discussed in Item 3.

ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION

A. SELECTED FINANCIAL DATA

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The selected income statement data for 2002 through 2004, and the selected balance sheet data at July 27, 2003 and July 25, 2004 set forth below (other than percentages) are derived from the audited consolidated financial statements of Coles Myer included in this Annual Report. They should be read in conjunction with, and are qualified in their entirety by reference to, those statements, including the Notes thereto. The selected income statement data for the years 2000 and 2001 and the selected balance sheet data at July 30, 2000, July 29, 2001 and July 28, 2002 set forth below (other than percentages) are derived from audited consolidated financial statements of Coles Myer which are not included herein. Coles Myer's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Australia (Australian GAAP), which vary in certain material respects from accounting

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principles generally accepted in the United States (U.S. GAAP). A reconciliation to U.S. GAAP is set out in Note 31 of the Notes to the Company's Consolidated Financial Statements.

It should be noted that results for 2000 reflect 53 trading weeks compared to 52 trading weeks for the other fiscal years indicated. This is because the Company's fiscal year ends on the last Sunday in July each year, and as a result, approximately every six years an extra trading week is included in the Company's consolidated results for that fiscal year.

Amounts in Accordance with Australian GAAP

	2004 ⁽¹⁾	2004	2003	2002	2001	2000 ⁽²⁾
	US\$	A\$	A\$	A\$	A\$	A\$
(In millions, except per share amounts)						
Income Statement Data:						
Sales ⁽³⁾	22,915.9	32,266.8	27,016.6	25,688.7	23,779.6	24,159.9
Percent increase/(decrease) from prior year		19.4%	5.2%	8.0%	(1.6)%	7.7%
Profit from ordinary activities before income tax	615.2	866.2	608.8	482.2	208.2	414.5
Income tax expense	(183.3)	(258.1)	(187.7)	(137.2)	(68.0)	(136.2)
Net profit	431.9	608.1	421.1	345.0	140.2	278.3
Percent increase/(decrease) from prior year		44.4%	22.1%	146.1%	(49.6)%	(29.1)%
Dividends ⁽⁴⁾	261.0	367.5	348.2	346.9	444.5	313.9
Per Ordinary Share:						
- Basic earnings	0.33	0.46	0.32	0.25	0.10	0.24
- Diluted earnings	0.33	0.47	0.33	0.27	0.11	0.24
- Cash Dividends ⁽⁴⁾⁽⁵⁾	0.19	0.265	0.260	0.255	0.355	0.270
Balance Sheet Data:						
(at year end)						
Current assets	3,245.3	4,569.5	4,116.4	4,016.8	3,946.1	3,709.8
Total assets	6,428.5	9,051.7	8,452.8	8,320.6	8,317.8	8,187.0
Short-term debt	185.7	261.5	10.8	15.3	127.8	44.1
Long-term debt	506.7	713.4	1,143.3	1,552.8	1,671.4	2,031.1
Total debt	692.4	974.9	1,154.1	1,568.1	1,799.2	2,075.2
Net Assets/Shareholders' equity	2,910.1	4,097.6	3,799.2	3,338.8	3,286.3	2,828.9

Refer page 3 for notes relating to above table.

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	2004 ⁽¹⁾	2004	2003	2002	2001	2000 ⁽²⁾
	US\$	A\$	A\$	A\$	A\$	A\$
(In millions, except per share amounts)						
Income Statement Data:						
Sales ⁽³⁾	22,915.9	32,266.8	27,016.6	25,688.7	23,779.6	24,159.9
Net profit from continuing operations	337.6	475.4	444.4	310.7	166.5	308.1
- Basic earnings per share	0.28	0.40	0.34	0.22	0.12	0.27
- Diluted earnings per share	0.28	0.39	0.33	0.22	0.12	0.27
Net profit	337.6	475.4	390.9	310.7	166.5	308.1
- Basic earnings per share	0.28	0.40	0.29	0.22	0.12	0.27
- Diluted earnings per share	0.28	0.39	0.29	0.22	0.12	0.27
Per Ordinary Share:						
- Cash dividends ⁽⁴⁾	0.19	0.265	0.260	0.255	0.355	0.270
- Cash dividends in US\$ ⁽⁴⁾⁽⁵⁾	US\$0.19	US\$0.19	US\$0.18	US\$0.14	US\$0.18	US\$0.16
Balance Sheet Data:						
(at year end)						
Current assets	3,251.1	4,577.7	4,128.0	4,034.8	3,940.2	3,709.8
Total assets	6,469.9	9,109.9	8,422.4	8,218.8	8,181.9	8,065.0
Short-term debt	185.7	261.5	10.8	15.3	127.8	44.1
Long-term debt	992.5	1,397.5	1,143.3	1,552.8	1,671.4	2,031.1
Total debt	1,178.2	1,659.0	1,154.1	1,568.1	1,799.2	2,075.2
Net Assets/Shareholders' equity	2,153.8	3,032.7	3,329.4	3,107.6	3,111.1	2,620.6
Issued capital - value	1,154.9	1,626.1	2,210.3	2,032.3	1,973.7	1,213.8
Millions of shares						
Issued capital - number of outstanding shares ⁽⁶⁾	1,225.5	1,225.5	1,212.5	1,184.7	1,176.8	1,164.5

⁽¹⁾ Merely for the convenience of the reader, certain selected financial data has been converted into US dollars at the Noon Buying Rate on July 23, 2004, the last trading day of the fiscal year, of A\$1.00 = US\$0.7102. These translations should not be construed as representations that the A\$ amounts actually represent such US\$ amounts or could be converted into US\$ at the rate indicated. For a more recent A\$/US\$ exchange rate, refer below.

⁽²⁾ Results for 2000 reflect 53 trading weeks compared to 52 trading weeks for other fiscal years shown.

⁽³⁾ Sales for 2000 include Wholesale Sales Tax (WST). Sales for 2001 to 2004 exclude Goods and Services Tax (GST).

⁽⁴⁾ Dividends for 2000 to 2002 include the interim and final dividends relating to each respective fiscal year. As a result of the change in accounting policy for providing for dividends, (refer Notes 2 and 6 of the consolidated financial statements included at Item 18), dividends for 2003 include the 2002 final dividend and the 2003 interim dividend and dividends for 2004 include the 2003 final dividend and the 2004 interim dividend.

⁽⁵⁾ Based on the Noon Buying Rate for cable transfers in A\$ as at each payment date as certified for customs purposes by the Federal Reserve Bank of New York. The actual rates of exchange used in determining the dollar payments to ADS holders were the exchange rates on the dates payments were made to the Depositary, being November 10, 2003 and May 10, 2004.

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⁽⁶⁾ Balance excludes number of Reset Convertible Preference Shares (ReCAPS) and includes partly paid shares.

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The following table sets forth, for the last five complete financial years, the average rate of exchange of A\$ into United States dollars (US\$) based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate).

Fiscal Year	2004	2003	2002	2001	2000
	(all figures in US\$ per A\$)				
Average rate ⁽¹⁾	0.7181	0.5884	0.5270	0.5262	0.6184

⁽¹⁾ The average of the Noon Buying Rates on the last day of each full month during the period.

The high and low exchange rates for the previous six complete months are:

Months	High	Low
	(all figures in US\$ per A\$)	
June 2004	0.7067	0.6855
July 2004	0.7334	0.6980
August 2004	0.7238	0.7001
September 2004	0.7244	0.6880
October 2004	0.7478	0.7207
November 2004	0.7903	0.7447

The exchange rate at December 2, 2004 was A\$1.00 = US\$0.7773

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

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This section describes some of the risks that could affect the Company's business. The factors below should be considered in connection with any forward-looking statements in this Annual Report. The risks below are not the only ones the Company faces – some risks may not be known to the Company, and some, which are not currently considered to be material, could later turn out to be material.

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The major risk factors, which may impact Coles Myer, include:

Risks Related to Coles Myer

There is a risk that the Company may not fully realize benefits expected from better leverage of the Group's operations which may affect its future competitive position.

The Group's future plans include expected benefits from greater efficiencies in areas that are common across the Group and access to greater economies of scale, for example by upgrading the supply chain and reducing the duplication of back office structures in Coles and Bi-Lo. There is a risk that the Company may not leverage the benefits available from its scale, depth and breadth of its retail capability. If the Company is not able to realize these benefits, its future ability to reduce costs and remain competitive may be reduced.

There is a risk that the Company may put too much focus on Group change management to the detriment of the retail operations.

The Company currently has a significant agenda of implementing change across the Group, particularly in Retail Support areas such as Supply Chain and Information Technology. There is a risk that if the change agenda is not well managed, there may be a loss of focus with inadequate resources being directed to core retail activities. If these core retail activities do not perform in line with expectations, there is a risk that the Company's future financial performance may suffer.

There is a risk that the Company's customer proposition is unsuccessful, which may affect its future competitive position and growth opportunities.

Coles Myer's stated vision is to be the number one retailer in its brands, most of which operate in relatively mature retail markets. The Company must regularly evaluate its customer proposition for each of its brands in a dynamic and competitive marketplace. Growth initiatives are based on expanding share within existing markets through differentiated product offers and competitive pricing. In the Food and Liquor business, this includes planned expansion of house brand and fresh food market shares. There is a risk that if the Company does not continue to innovate and improve its customer offer relative to its competitors, its market share and future growth may be impacted, which may negatively affect future profitability.

There is a risk that Coles Myer does not achieve expected reductions in operating expenses which may affect future profitability.

One of the Company's strategies for improving future profitability is the reduction in operating expenses through initiatives including Supply Chain and Information Technology. If Coles Myer is unable to decrease its operating expenses on a sustainable basis it may not be able to compete effectively in the market and improve profitability.

There is a risk that Coles Myer may not achieve the expected growth in House Brand lines in the Food and Liquor business which may affect future sales growth.

The Company believes that house brands in Food and Liquor represent a growth opportunity, both in terms of a differentiated product offering and increased profit margins. There is a risk that Coles Myer is unable to execute its house brand strategy due to an inappropriate offer, sourcing difficulties with suppliers or lack of customer acceptance of house brand products, which may affect future profitability.

If Coles Myer is unable to locate appropriate store sites, it may not be able to deliver expected store growth.

The Company's growth strategy includes the opening of new stores, together with the enhancement of existing stores. Coles Myer's ability to open new stores is dependent on identifying and entering into leases on commercially reasonable terms for properties that are suitable for its needs. If Coles Myer

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fails to identify and enter into leases on premium retail sites on a timely basis for any reason, including its inability due to competition from other companies seeking similar sites, the Company's growth may be impaired because it may be unable to open new stores as anticipated.

The Company's retail businesses are dependant upon their ability to source merchandise.

The Company's ability to find qualified vendors and access products in a timely and efficient manner is a critical deliverable for the business. Political or financial instability, trade restrictions, tariffs, transport capacity and other factors relating to foreign trade are beyond the Company's control and may impact the Company's performance. If the Company is unable to source the merchandise it requires, its retail operations may under-perform.

There is a risk that the Company's retail businesses may be affected if its retail offer does not cater to customer demands.

Continued growth of retail brand profitability is influenced by well-judged customer propositions and successful marketing programs. The ability of Coles Myer to successfully gauge and satisfy consumer preferences is critical to Coles Myer maintaining its competitive position. Failure to do so may adversely affect Coles Myer's business and trading results.

There is a risk that if the Company is unable to implement its new Information Technology (IT) systems, or if its investment in this IT strategy is inadequate, the future performance of the Group may be affected.

The Company's growth strategy includes significant