2019 Annual Report

Sustainably feed all Australians to help them lead healthier, happier lives.
Coles acknowledges the Traditional Custodians of Country throughout Australia and pays its respects to elders past and present. We recognise their rich cultures and continuing connection to land and waters. Aboriginal and Torres Strait Islander peoples are advised that this document may contain names and images of people who are deceased.

All references to Indigenous people in this document are intended to include Aboriginal and/or Torres Strait Islander people.

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Forward-looking statements

This report contains forward-looking statements in relation to Coles Group Limited (‘Coles’ or the ‘Company’) and its related bodies corporate (together, the ‘Group’), including statements regarding the Group’s intent, belief, goals, objectives, initiatives, commitments or current expectations with respect to the Group’s business and operations, market conditions, results of operations and financial conditions, and risk management practices. Forward-looking statements can generally be identified by the use of words such as ‘forecast’, ‘estimate’, ‘plan’, ‘will’, ‘anticipate’, ‘may’, ‘believe’, ‘should’, ‘expect’, ‘intend’, ‘outlook’ and ‘guidance’ and other similar expressions. These forward-looking statements are based on the Group’s good-faith assumptions as to the financial, market, regulatory and other relevant environments that will exist and affect the Group’s business and operations in the future. The Group does not give any assurance that the assumptions will prove to be correct. The forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors, many of which are beyond the reasonable control of the Group, that could cause the actual results, performances or achievements of the Group to be materially different from future results, performances or achievements expressed or implied by the statements.

Readers are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements in this report speak only as at the date of issue. Except as required by applicable laws or regulations, the Group does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based.
Welcome to Coles.

Our Vision
Become the most trusted retailer in Australia and grow long-term shareholder value.

Our Purpose
Sustainably feed all Australians to help them lead healthier, happier lives.

From our origins in 1914 as a variety store in Collingwood, Victoria, Coles has grown to become a leading Australian retailer and a household name.

Customers trust Coles, as part of the fabric of Australian society for more than 100 years, to provide great value food and drinks. We are known for our value, range and customer service through our extensive store network and for providing online shopping solutions across Australia.

Our vision to become the most trusted retailer in Australia and grow long-term shareholder value is underpinned by our purpose and our strategy. We believe this will enable us to ‘Win in our second century’.

This is our first annual report after rejoining the ASX as a listed company.

Welcome.
2019 performance.

3.1% sales growth¹
87.7% customer satisfaction for Supermarkets
1.5% Supermarkets sales density growth

$1.3bn EBIT¹
$520m net debt
110% cash realisation²

35.5c dividends per share⁴
3 pp (percentage point) improvement in team member engagement
20.3% reduction in Total Recordable Injury Frequency Rate³

2019 highlights.

celebrated
105 years
in retailing

entered
Witron
partnership

entered into a
New Alliance Agreement
with Viva Energy

4,100+ Indigenous team members

$32.1bn payments to suppliers

entered Ocado partnership

$3.7bn cash taxes paid

$115m community support

113,000+ team members

$19m funding to food producers through Coles Nurture Fund since 2015

$3.7bn EBIT²

6.6m active flybuys households

established
Hotels and Retail Liquor JV
with Australian Venue Co.

1. On a non-IFRS basis (excluding fuel sales and Hotels).
2. On a non-IFRS basis (excluding Hotels and Significant Items).
3. Refer to Glossary of terms on page 28 for definition.
4. Comprising a final dividend of 24.0 cents per share and a special dividend of 11.5 cents per share.
Message from the Chairman.

James Graham

In this milestone year for the Company, it is pleasing to see the energy and commitment of our 113,000+ team members establishing such a strong foundation for our future.

Coles has a proud history as an Australian company, having started 105 years ago when G.J. Coles opened our first store in Collingwood, Victoria. Since that time we have built upon the principles he established of providing quality goods and customer service and lowering the cost of living for Australian families.

During the period 2007 to 2018, Coles formed part of Wesfarmers Limited. During this period, considerable transformation of the business took place, facilitating its demerger in November 2018. This was a significant and complex initiative and, on behalf of the Board, I express my thanks to all of the Coles and Wesfarmers team members who contributed to this successful outcome.

Coles has a proud history as an Australian company, having started 105 years ago when G.J. Coles opened our first store in Collingwood, Victoria. Since that time we have built upon the principles he established of providing quality goods and customer service and lowering the cost of living for Australian families.

Our focus

in our first period since listing on the ASX, a number of important initiatives have been undertaken as we set our course for the period ahead.

Team

Under the leadership of our new Managing Director and Chief Executive Officer Steven Cain, we have established a leadership team which is customer obsessed and committed to our vision of becoming the most trusted retailer in Australia and growing long-term shareholder value.

Our more than 113,000 team members are adapting to our changing customer expectations and the opportunities offered by new technology to improve our service delivery. The market environment is dynamic and requires our identifying opportunities early and adapting our operations, at pace.

Portfolio

Two important initiatives in reshaping our portfolio have been implemented since the demerger.

Firstly, through Coles Express, we have restructured our fuel alliance with Viva Energy to better align our contributions and incentives. From March 2019, Coles Express has offered customers fuel through our Shell-branded service stations under a commission agent model, and Viva Energy has set the price of retail fuel. This has ensured that Coles Express can focus upon its retail shop operations, which is a core competency.

Secondly, Coles Liquor has entered into a joint venture with Australian Venue Co. (AVC) relating to the Spirit Hotels business formerly operated by Coles and Coles’ associated Retail Liquor business. This has allowed Coles to focus on management of its retail liquor businesses operated through the Liquorland, First Choice Liquor and Vintage Cellars brands. Again a much better alignment, which allows Coles to focus on its core competencies.

Technology

In the fast-changing customer and competitive landscape, Coles is investing in new technology and new strategic partnerships.

Since the demerger, Coles has entered into new long-term commitments with global leaders in automated distribution centres, online fulfilment centres, and digital software and systems provision, to name but a few.

These investments in new technology and new partnerships are, of necessity, long term and will progressively transform our capacity to operate more quickly and more efficiently. These commitments are substantial and, in many cases, have been secured on a basis that provides Coles with exclusivity in the Australian market for these new facilities.

Sustainability

We are committed to driving sustainability in all aspects of our business as we set course for our second century.

Critical to our success is the social impact of our business through investment in team and community. We are committed to being a major employer of Indigenous Australians where, pleasingly, we have seen our Indigenous team members grow from just 65 eight years ago to more than 4,100 today. We have recently committed to growing this number further to 6,000 by 2023.

Similarly, we are committed to making a difference in the communities in which we live and work across Australia. We have many wonderful community partnerships, including those with SecondBite, where we donate unsold, edible food to Australians in need, and where our food donated since the inception of our partnership has exceeded 84 million meal equivalents; and with Redkite, where we have supported directly and with our customers the wellbeing of children with cancer and their families in a way that is making a difference.

In 2015, Coles established the Nurture Fund to support small and medium-sized Australian businesses to innovate and grow. Through this fund, we have supported more than 50 producers. We have also provided direct support in aid of drought relief and enabled producers to undertake projects to reduce the impact of water scarcity.

Important, part of Coles’ DNA is ensuring that we address our long-term environmental sustainability. With significant focus across all aspects of our relationships with suppliers, our logistics operations, our distribution centres, our stores, our energy utilisation, packaging and our water usage, it is our aim to be the most sustainable supermarket in Australia. We are determined to contribute to improving environmental sustainability. I encourage you to review the details of these initiatives, which are set out in our 2019 Sustainability Report.

Future

As a significant Australian company, Coles is committed to operating in a way that is transparent and builds trust with its team, its customers and its community. We recognise the increasing expectations of all our stakeholders whose support and engagement is critical to our enduring success.

With the support of our Board and management team, I look forward to the challenges ahead as we build upon the contributions of all those who underpinned our first century. We are encouraged by our early initiatives and customer responses as an independently listed company and believe that we have a strong team and a strong balance sheet to actively build our business in this competitive environment.

James Graham AM
Chairman, Coles Group Limited.
I am extremely proud to be leading Coles at the most exciting time in retailing history. It has been a year of far-reaching change at Coles, not least our demerger from Wesfarmers, rejoining the ASX as a listed company in our own right, a new board and a number of new appointments to the leadership team. Importantly, one thing hasn’t changed - the passionate dedication of our 113,000+ team members around Australia to serving our customers and contributing to the communities in which we live and work.

Our success is in our hands, and our team is acutely aware that our pace of execution needs to increase as we rise to the challenges ahead of us. Customer expectations and behaviours are changing faster than ever. Whilst time-poor customers demand healthier and more convenient solutions, there are also many in Australia who are struggling to make ends meet week by week and we must continue to deliver better value and keep prices low. It’s also clear that new international entrants, raising costs of doing business and an ongoing shift towards online shopping present potential headwinds. However, the Australian food and beverage market is resilient and continues to grow. The adoption of new technology and automation, and analysing increasing amounts of data, present significant growth opportunities for a business prepared to meet these challenges head-on. Our strategy at Coles is to do just that.

‘Winning in our second century’

For more than 100 years, the success of Coles has been built on innovation that inspires our customers, and we are proud of the contribution Coles has made to the Australian community and economy. We are determined to make the second century of our Company every bit as successful.

Our aim to at least maintain our market share in the medium term is based on a practical and realistic assessment of the highly competitive and rapidly changing retail landscape. Costs in our business have been growing faster than sales in recent times and this must be addressed as a matter of urgency. With our Smarter Selling initiative we have set ourselves a gross cumulative cost-out target of $1bn over four years and this will be delivered through a simpler, streamlined organisation with significant technology investments that will improve efficiency.

We are also pursuing new growth opportunities, including our most export business by building on the brand credentials we have established in key Asian markets.

During the past year, our leadership team has reflected on our history, our place in the market today, our role in the Australian community and how we best secure success into the future. Our refreshed strategy is outlined on the following pages.

Our vision

Become the most trusted retailer in Australia and grow long-term shareholder value.

That’s why we have declared that our purpose is to ‘sustainably feed all Australians to help them lead healthier, happier lives’. We will deliver this by:

- Inspiring customers through best-value food and drink solutions to make lives easier;
- Smarter selling through efficiency and pace of change, and
- Winning together with our team members, suppliers and communities.

Inspire customers

Coles will become a retailer that is truly customer obsessed. Using our insights from more than one billion transactions each year, we can make more informed decisions on our offer to customers including the use of advanced analytics to support better ranging decisions in our stores. We will continue to focus on building customer trust in value via Own Brand and an increased focus on Everyday Low Prices. Coles will become the destination of choice for convenience and healthy solutions, with our Wellness Road health products, Nature’s Kitchen vegan range and I’m Free From products, designed for customers with allergies and intolerances, all launched over the past year.

We will lead in online shopping through a compelling digital experience. In March, we entered into an exclusive partnership with Ocado, a global leader in online grocery retailing, to launch an end-to-end online shopping solution. The agreement will provide Coles customers with a market-leading online customer experience through Ocado’s proprietary applications. The deal also includes two automated customer fulfilment centres, one in each of Victoria and New South Wales, increasing capacity while reducing cost to serve.

Smarter selling

Just as technology is transforming the retail industry landscape, the needs and expectations of customers are also evolving rapidly. We will tailor our offer through a simpler, streamlined organisation with significant technology investments that will improve efficiency. We are also pursuing new growth opportunities, including our most export business by building on the brand credentials we have established in key Asian markets.

During the past year, our leadership team has reflected on our history, our place in the market today, our role in the Australian community and how we best secure success into the future. Our refreshed strategy is outlined on the following pages.

A strategy is only a good strategy if it can be delivered and executed well at pace. We are changing our ways of working at Coles to become more agile, and we are investing in the new skills we need to complement our existing ones.

Win together

We have an exceptional team at Coles, and they are dedicated to executing our strategy to bring a great retail experience to our customers. Their commitment is demonstrated in the ‘mysay’ team member survey, which this year recorded an increased level of engagement during the year. It has been an exciting journey sharing the vision and ambitions of our business with team members at Coles. As further evidence of engagement, our team member share offer was well supported. That’s a vote of confidence in Coles’ future by the people operating the business.

We know that innovation is often best formulated through partnerships, and we also know we are better together through diversity. I like to think Coles has the most diverse team in Australia, and we need to continue to celebrate that. We have a modern workforce – we now have more Indigenous team members than any other private sector employer in Australia, and more women in senior management positions. The Coles team also reflects Australia’s great multicultural diversity.

Coles to become more agile, and we are investing in the new skills we need to complement our existing ones.

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For Coles, trust is primarily about knowing that we do the right thing by team members, our customers, the community, our partners and our shareholders. Safety is a priority for Coles.
There is nothing more important than everyone going home safely at the end of the working day. I am delighted to report a significant improvement in our safety performance. In FY19, our total number of recordable injuries dropped by more than 70% compared to the previous year, an outstanding result.

At Coles we are all committed to helping the community and this year contributions increased by 26% to $176m. Our relationships, with our major partners SecondBite and Redkite continue to grow, helping provide meals for those in need and support for kids with cancer.

Our financial position
Coles’ financial framework is aligned with our objective of providing shareholders with sustainable earnings growth and attractive dividends over the long term.

Coles is committed to maintaining a strong balance sheet and credit metrics, sustainable cash flow generation and a disciplined approach to capital allocation focused on growth and efficiency initiatives while returning surplus capital to shareholders. Statutory EBIT for the Group was $1,467m ($1,343m excluding Significant Items) for the year. Increased EBIT from Supermarkets and Liquor was more than offset by declines in Express from lower fuel volumes, as well as Significant Items and additional corporate costs associated with becoming a standalone ASX-listed company. We also achieved a reduction in net debt during the year despite a 38% increase in gross operating capital investment to $893m.

Our financial performance for FY19 includes a number of Significant Items, with the demerger and our transition to a Retail calendar creating further complexity in the statutory results. For FY19, the Retail (non-IFRS) calendar also covers a 53-week period.

In terms of segment performance on a retail basis, Supermarkets continues to show resilience in an increasingly competitive market, with 3.2% sales growth and total revenue of $30.890m for the year. Pleasingly, Supermarkets EBIT returned to full year growth for the first time in three years driven by higher sales and improved gross margin. Within this result, Coles Online also delivered strong sales growth of 30%. Our Liquor business (excluding Hotels) achieved sales growth of 19% to $3,063m and improvements in gross margin during the year.

Our target to realise $1bn in cumulative cost savings over four years will be delivered through increased use of technology in stores and across our supply chain, strategic sourcing, optimising our store network and formats, and more efficient store support centres. As a highly cash generative business, Coles aims to achieve cash realisation greater than 100% each year.

Our new partnership arrangements
In February, a new 10-year Alliance Agreement was signed with Viva Energy. Under this agreement Coles Express became a commission agent - a strategic step that allows Coles Express to focus on what we do best as we work to become the leading Australian convenience retailer.

In March, we entered into an incorporated joint venture with AVC Australian convenience retailer, to focus on what we do best as we work to become the leading commission agent – a strategic step that allows Coles Express to become a Viva Energy. Under this agreement Coles Express became a listed company. We have made a solid start to our four year transformation program but we recognise there is still much to do!

Looking ahead
Very few organisations in this country can lay claim to a history of more than 100 years, let alone in retail. As we embrace the opportunities of the future, it is vital that we maintain the customer focus and appetite for innovation that our customers and stakeholders love about Coles. This energy and dynamism will help us to deliver a second century of success for Coles.

I would like to thank the Board for their support through a year of significant change and for applying their valuable skills and insights to the important tasks of governance and setting our future course.

I pay tribute to our team of more than 113,000 dedicated people in stores, our distribution centres and our store support centres who come to work every day to provide the best retail experience possible for our customers.

To our more than 7,000 suppliers, we are grateful for your ongoing support in delivering great quality food, drinks and other products that inspire our customers and enable our businesses to grow together.

To the millions of customers we serve every week, we are working harder than ever to understand and meet your needs so that we can earn your ongoing loyalty and help you live healthier, happier lives with your friends and family.

To the Australian communities we operate in, we are committed to making Coles the most sustainable supermarket - for the next generation of Australians.

Finally to our approximately 460,000 shareholders, I thank you on behalf of the Board and team for your ongoing support as we strive to increase long-term shareholder value in our great Australian company. We have made a solid start to our four year transformation program but we recognise there is still much to do!

Steven Cain
Managing Director and Chief Executive Officer, Coles Group Limited.
Our vision, purpose and strategy.

**Our vision.**
Become the most trusted retailer in Australia and grow long-term shareholder value.

**Our purpose.**
Sustainably feed all Australians to help them lead healthier, happier lives.

**Smarter selling through efficiency and pace of change.**

**Win together with our team members, suppliers and communities.**

**Inspire customers through best value food and drink solutions to make lives easier.**

**Our LEaD behaviours**
- Look ahead
- Energise everyone
- Deliver with pride

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Our strategy

Three pillars underpin our strategy: Inspire customers, Smarter selling and Win together.

We will **Inspire customers** through best value food and drink solutions to make lives easier. This means being customer obsessed, where we know our customers better than anyone else. We will take the stress out of ‘what’s for dinner tonight?’ by tailoring our offer with trusted and targeted value, inspiring Coles Own Brand products, being a destination for convenience and health, leading anytime, anywhere shopping and accelerating growth through new markets.

Coles Own Brand is the portfolio of product brands owned by Coles. All Own Brand products are exclusive to Coles and only available to Coles customers. We go to great lengths to ensure they are compelling, great value and loved by our customers.

**Smarter selling** through efficiency and pace of change will enable us to invest in the areas that matter for our customers. We will take a more disciplined approach to operating costs, with a gross cumulative cost reduction target across the business of $1bn by FY23. The retail world is rapidly changing. To keep pace we will be creating agile ways of working to deliver changes faster. We will be technology-led across our stores and supply chain to provide safe, high quality products at the best price to our customers. We will optimise our existing store network and work more efficiently at our store support centres.

We need to **Win together** with our team members, suppliers and communities to help make a positive difference for all Australians. We will continue to build a great place to work, where we are better together through diversity, and have wellbeing and safety in our DNA. To drive generational sustainability, we will focus on building sustainable communities, delivering sustainable products and using sustainable environmental practices. Coles strives to be recognised as an employer of choice by building and retaining a diverse team, acting sustainably on behalf of our customers and rapidly driving innovation through a culture of collaboration.

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Wellness Road is a Coles Own Brand product. Own Brand products are sourced ethically and responsibly with a focus on protecting human rights and animal welfare.
We are driven by our purpose to... sustainably feed all Australians to help them lead healthier, happier lives...which means we need to consider our social and environmental impacts in all that we do.

Our vision is centred on earning the trust of Australians and creating long-term shareholder value. For Coles, trust is primarily about being reliable and responsible. It is also recognising that we have a significant responsibility as a food provider.

Customers tell us that they want to shop with a company that does the right thing by farmers and suppliers. Customers are seeking to purchase products that have been sourced responsibly and ethically, without compromising on food safety, quality or nutrition.

Sustainability at Coles is broader than environmental management. It is about the way we treat people, the way we govern ourselves and manage the impact of our business on society. We understand that focusing on all these areas is not only the right thing to do, it creates value for all our stakeholders.

**How we create value.**

We support local economic growth through our investment in new stores and infrastructure, while continuing to reduce greenhouse gas emissions. We are driving innovation to provide online grocery and convenience shopping experiences to make life easier for our customers.

We are committed to providing safe, responsibly sourced, nutritious products at competitive prices.

Through our community partnerships, we are supporting Australians and reducing our environmental impact. Our work with SecondBite provides Australians in need with healthy, nutritious food that might otherwise have gone to waste. Disaster relief and business continuity plans support customers and communities in times of extreme weather events.

**Coles economic value creation**

<table>
<thead>
<tr>
<th>Suppliers</th>
<th>Team members</th>
<th>Shareholders</th>
<th>Governments</th>
<th>Community</th>
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</thead>
<tbody>
<tr>
<td>$32.1bn</td>
<td>$4.5bn</td>
<td>$473.5m</td>
<td>$3.7bn</td>
<td>$115m</td>
</tr>
</tbody>
</table>

**Team members**

With more than 113,000 team members, including the largest number of Indigenous team members in Australia’s private sector, our workforce reflects the diversity of our customers and the community. We strive for a safe and inclusive workforce for all.

**Customers and community**

Through our community partnerships, we are supporting Australians and reducing our environmental impact. Our work with SecondBite provides Australians in need with healthy, nutritious food that might otherwise have gone to waste. Disaster relief and business continuity plans support customers and communities in times of extreme weather events.

**Farming and production**

Through our commitment to Australian-first sourcing and long-term partnerships, we are supporting Australian farmers, growers and suppliers who provide us with healthy, quality products, sourced in a responsible and ethical way with a focus on protecting human rights and animal welfare. Our support includes the $50m Coles Nurture Fund.

**Packaging and processing**

Our targets and commitment to work with our suppliers on sustainable Own Brand packaging will make it easier for our customers to recycle, including through our soft plastics recycling program with REDcycle, which is available in all supermarkets. We help customers make sustainable choices by promoting country of origin labelling and health star ratings.

**Retail and store network**

We support local economic growth through our investment in new stores and infrastructure, while continuing to reduce greenhouse gas emissions. We are driving innovation to provide online grocery and convenience shopping experiences to make life easier for our customers.

We are committed to providing safe, responsibly sourced, nutritious products at competitive prices.

**Transport and distribution**

Working with our logistics partners, we are reducing our environmental footprint through more efficient fleet movements. Our quality inspection program completes more than 200,000 fresh food checks annually to make sure we are providing customers with quality, safe products.

**Five Freedoms for animal welfare**

Freedom:
- from hunger and thirst;
- from discomfort;
- from pain, injury or disease;
- to express normal behaviour;
- from fear and distress.

**Coles Online**

Convenience

**Innovation R&D**

in supplier and services spend

payments and benefits to team members

total dividend payment

cash taxes paid

in community support
Proud moment

In FY19, Coles was awarded the Marine Stewardship Council’s Oceania Sustainable Supermarket of the Year for the third year in a row.

The award recognises that we have the widest eco-labelled fresh seafood range of any Australian supermarket, with all Own Brand seafood products labelled according to the methodology to which they are certified.

Sustainability overview.

Our Sustainability Strategy has a key role in realising our purpose to sustainably feed all Australians to help them lead healthier, happier lives. Our credentials provide assurance that shopping with Coles means making sustainable choices.

Understanding our key sustainability issues

During FY19, we assessed our environmental, social and economic issues and impacts to identify the material aspects of sustainability. This shaped our Sustainability Strategy and forms the basis of our 2019 Sustainability Report.

The sustainability issues that matter most to our stakeholders are grouped under key focus areas:

- Sustainable communities
  Coles is supporting Australian farmers and suppliers and contributing to the communities in which we live and work.

- Sustainable products
  Coles is committed to sourcing quality, healthy products in an ethical and responsible way.

- Sustainable environmental practices
  Coles is reducing environmental impacts across our business.

Details of our performance across our key sustainability areas are set out in our 2019 Sustainability Report. Our material economic, environmental and social sustainability risks, including risks associated with climate change, are also explained in How we manage risk (refer to page 30).
Sustainability highlights.

Sustainable communities

$16m to provide drought relief in FY19

114m meals\(^1\) donated to Australians in need

Australian First sourcing policy

100% Own Brand fresh lamb, pork, chicken, beef, milk and eggs sourced from Australian suppliers

110 tonnes of salt

150 tonnes of sugar removed from Own Brand products in FY19

Sustainable products

Health stars on 1,900+ Own Brand products at the end of FY19

Sustainable environmental practices

Removed 1.7bn lightweight, single-use plastic shopping bags in FY19

Greenhouse gas emissions ↓ 6% from FY18 (Scope 1 and 2)

\(^1\) Total meal equivalents donated to SecondBite since 2011 and Foodbank since 2003.

We are proud of our responsible sourcing and animal welfare commitments.

Our approach and FY19 performance

In FY19, we set our Sustainability Strategy to focus on sustainable communities, products and environmental practices. In doing this, our Board, Executive Leadership Team and all team members will work to achieve our ambition to be Australia’s most sustainable supermarket.

During the year, with the assistance of our customers and team members, we provided more than $115m in community support. We worked with food rescue organisations to help sustainably feed Australians and marked a special milestone with the equivalent of 114 million meals donated to food charity organisations.

We continued to build our credentials around sustainable Own Brand products, particularly human rights in the supply chain, with 97% of Own Brand direct suppliers registered on the global ethical supply chain management platform Sedex and monitored under the Coles Ethical Sourcing Program. For Own Brand, we reduced sugar and salt, removed artificial colours and flavours, and enhanced our animal welfare and responsibly sourced seafood programs.

Plastic packaging was an important challenge during the year. While packaging plays a key role in maintaining food safety, supporting product longevity and reducing food waste, we are continually looking for opportunities to further reduce packaging and help drive more recyclable packaging in our supply chain. In FY19, we removed 1.7bn lightweight single-use plastic bags.

We are committed to climate change mitigation and managing its impacts on our business and operations. We have reduced our carbon emissions by 36% four years earlier than targeted. Solar is now installed on 30 supermarkets and in August 2019 we announced a 10-year agreement to purchase renewable energy from three solar plants. As part of our commitment to sustainable environmental practices, all Coles supermarkets and distribution centres are now connected to programs diverting food waste from landfill.

During the year, Coles joined the United Nations Global Compact, committing to its 10 principles. This is an important platform for driving corporate leadership and collective action.

We are making progress on our journey to drive generational sustainability, supported by our dedicated team members, loyal customers and committed suppliers. Looking ahead, our focus will be on:

- increasing the number of Indigenous team members to 5,500 including 500 in trade and leadership positions by 2023;
- achieving a year-on-year reduction in TRIFR;
- achieving 40% women in leadership positions by 2023;
- continuing to enhance our Ethical Sourcing Program to protect human rights;
- maintaining our leading animal welfare and responsibly sourced seafood programs;
- ensuring all Own Brand packaging can be recycled kerbside or in store by the end of 2020;
- diverting 90% of waste from landfill by 2022 and further reducing food waste; and
- developing and implementing new greenhouse emissions reduction targets.

By doing this, we will continue to create long-term shareholder value while delivering on our purpose to sustainably feed all Australians to help them lead healthier, happier lives.
Our financial and operating performance.

<table>
<thead>
<tr>
<th>Group performance highlights for continuing operations</th>
<th>$ MILLION</th>
<th>FY19</th>
<th>FY18</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supermarkets</td>
<td>321.2</td>
<td>325.9</td>
<td>-1.4%</td>
<td></td>
</tr>
<tr>
<td>liquor</td>
<td>13.1</td>
<td>13.5</td>
<td>-2.9%</td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>5.7</td>
<td>6.5</td>
<td>-12.3%</td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>339.0</td>
<td>345.9</td>
<td>-2.0%</td>
<td></td>
</tr>
<tr>
<td><strong>Profit</strong></td>
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<td></td>
<td></td>
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<tr>
<td>before tax</td>
<td>1,196.0</td>
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<td>-5.0%</td>
<td></td>
</tr>
<tr>
<td>after tax</td>
<td>1,078.2</td>
<td>1,123.2</td>
<td>4.0%</td>
<td></td>
</tr>
</tbody>
</table>

Highlights
- Statutory sales revenue growth of 3.2% in Supermarkets and 0.8% in Liquor
- Supermarkets EBIT returned to full year growth for the first time in three years driven by higher sales and improved gross margin
- 30% sales growth in Coles Online, generating $11bn in sales, and achieving profitability for the first time in FY19
- Robust balance sheet with investment-grade credit metrics
- Net cash flows from operating activities increased by 191%
- The Board has declared a fully franked total dividend of 35.5 cents per share (details on page 21)

Performance overview
Sales revenue from continuing operations reduced by 19% to $38,175.8m. Growth in Supermarkets and Liquor was offset by lower sales revenue in Express driven by a decline in fuel volumes and the move to a commission agent model under the new Alliance Agreement, effective 1 March 2019. In accordance with the terms of the New Alliance Agreement, Express no longer recognises fuel sales revenue; however, it is entitled to commission income (recognised in ‘other operating revenue’) from fuel sold at Alliance sites. Sales revenue growth in Supermarkets was achieved through Coles Online, new stores and successful collectable campaigns— including Little Shop.

Group EBIT from continuing operations reduced 0.9% to $1,349.6m during the period ended 30 June 2019. This result was driven by lower fuel volumes in Express, largely offset by EBIT growth in Supermarkets and from higher sales and improved gross margin.

Significant items impacting EBIT for the year include a restructuring provision of $415.8m relating to the Supply Chain Modernisation program, a one-off payment of $187.0m from Viva Energy in consideration for forgoing the retail fuel margin under the New Alliance Agreement, and a net gain of $133.0m associated with the establishment of the Queensland Venue Co. Pty Ltd (QVC) joint venture with AWC.

Retail after tax for the Group increased 5.4% to $1,078.2m, largely driven by lower income tax expense, partially offset by higher financing costs as a result of the drawdown of external borrowings post demerger. The lower income tax expense was driven by the non-assessable accounting gain arising from the establishment of QVC and the net credit to income tax expense from reset of the tax cost base of the Group’s assets following Coles’ decision to form an income tax consolidated group.

Non-IFRS information
This Annual Report contains non-IFRS financial information. IFRS financial information is financial information that is presented in accordance with all relevant accounting standards. Non-IFRS financial information is financial information that is not defined or specified under any relevant accounting standards and may not be directly comparable with other companies’ information.

Coles changed its statutory reporting calendar during FY19, on a pro forma basis, from a Gregorian calendar to a Retail calendar. This will align Coles’ statutory reporting calendar with internal management reporting. The financial and operating performance in this section is presented on a statutory (IFRS) basis. Results prepared on a retail (non-IFRS) calendar basis have also been included to support an understanding of comparable business performance. Retail results have been prepared on a 52 week basis, beginning 26 June 2018 and ending 23 June 2019.

Any non-IFRS financial information included in this section is clearly labelled to differentiate it from statutory financial information and is defined in the glossary on page 28. Non-IFRS measures are used by management to assess and monitor business performance at the Group and segment level and should be considered in addition to, and not as a substitute for, IFRS information. Non-IFRS information is not subject to audit or review.

The presentation of non-IFRS measures is in line with Regulatory Guide 230 issued by Australian Securities and Investments Commission (ASIC) to promote full and clear disclosure for investors and other users of financial information and minimise the possibility of those users being misled by such information.

Earnings per share and dividends
Earnings per share (EPS) increased to 80.8 cents, a 41 cent increase from the prior year.

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>FY19</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final</td>
<td>1.076</td>
<td>1.032</td>
</tr>
<tr>
<td>Spec.</td>
<td>1.333</td>
<td>1.333</td>
</tr>
</tbody>
</table>

The weighted average number of shares in FY19 has been restated to reflect the change in Coles’ capital structure as a result of the demerger from Wesfarmers, as if the change had occurred at the beginning of FY18. The Board has declared a fully franked total dividend of 35.5 cents per share (cps), comprising a final and a special dividend, which covers the period from 28 November 2018 (being the effective date of the demerger) to 30 June 2019.

<table>
<thead>
<tr>
<th>DIVIDEND AMOUNT (cents)</th>
<th>PERIOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>24.0</td>
<td>31 December 2018 to 31 March 2019</td>
</tr>
<tr>
<td>11.5</td>
<td>28 November 2018 to 30 December 2018 and 24 June 2019 to 30 June 2019</td>
</tr>
<tr>
<td>Total</td>
<td>35.5</td>
</tr>
</tbody>
</table>

Note: Wesfarmers paid an interim dividend in March 2019, which reflected in part Coles’ earnings up to and including 27 November 2018.
### Balance sheet

#### Key balance sheet accounts for the Group

<table>
<thead>
<tr>
<th>$ MILLION</th>
<th>30 JUNE 2019</th>
<th>30 JUNE 2018</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>940.4</td>
<td>688.1</td>
<td>37.7%</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>3,279.3</td>
<td>4,208.5</td>
<td>(27.6%)</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,964.7</td>
<td>3,442.3</td>
<td>(42.9%)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>4,119.2</td>
<td>5,223.0</td>
<td>(21.1%)</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,540.6</td>
<td>1,965.7</td>
<td>(21.6%)</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>364.9</td>
<td>540.3</td>
<td>(32.5%)</td>
</tr>
<tr>
<td>Other</td>
<td>1,128.7</td>
<td>1,120.1</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>9,777.0</td>
<td>12,544.7</td>
<td>(22.1%)</td>
</tr>
</tbody>
</table>

| **Liabilities** | | | |
| Trade and other payables | 3,379.9 | 8,008.5 | (57.8%) |
| Provisions | 1,341.3 | 1,097.0 | 22.9% |
| Interest-bearing liabilities | 1,128.7 | 1,120.1 | 0.8% |
| Other | 1,128.7 | 1,120.1 | 0.8% |
| **Total liabilities** | 6,419.9 | 9,295.1 | (30.9%) |

| **Net increase in cash and cash equivalents** | 384.4 | 170.4 | 125.6% |

Note: n/m denotes not meaningful.

Cash and cash equivalents growth of 371% to $940.4m largely reflects increased cash on deposit. Trade and other receivables reduced by 27.7% to $3,279.3m, largely due to the settlement of intercompany balances prior to the demerger from Wesfarmers.

The reduction in inventories, property, plant and equipment, deferred tax assets and intangible assets is largely the result of the transfer of Kmart, Target and OfficeWorks (KTO) to Wesfarmers as part of the corporate restructure associated with the demerger.

The increase in other assets is driven by the Group’s equity accounted investment in QVC.

Trade and other payables reduced by 57.8% to $3,379.9m driven by the transfer of KTO and the repayment of intercompany borrowings from Wesfarmers prior to demerger. The increase in provisions of 22.9% to $1,341.3m largely reflects the Group’s self-insurance liabilities, which were previously recognised by Wesfarmers prior to demerger. Provisions at 30 June 2019 also include the $145.8m restructuring provision associated with the Supply Chain Modernisation program.

#### Capital management

Interest-bearing liabilities of $1,460.0m reflect Coles’ external borrowings. At the time of the demerger, Coles drew down $2,000.0m from its initial $4,000.0m committed debt facilities. Since then part of this debt has been repaid, taking gross debt to $1,460.0m as at 30 June 2019. The repayment of debt is a result of strong cash generation during the period, together with proceeds received from the New Alliance Agreement and the sale of Spirit Hotels. As at 30 June 2019, the average debt maturity was 48 years, with undrawn facilities of $2,210.8m.

The leverage ratio as at 30 June 2019 was 0.5x with current published credit ratings of BBB+ with Standard & Poor’s and Baa3 with Moody’s. Borrowing costs for the period from 28 November 2018 to 30 June 2019 averaged approximately 2.9% per annum.

Net cash flows from operating activities increased by 19% to $2,275.4m. This was largely driven by the one-off payment of $137.0m from Viva Energy and a tax timing benefit due to the clear exit from the Wesfarmers’ Australian income tax consolidated group prior to demerger.

Net cash flows in investing activities decreased by 44.3% to $279.8m driven by proceeds associated with the transfer of KTO to Wesfarmers and the net cash received from the sale of Spirit Hotels. This was partially offset by an increase in net capital expenditure during the year from increased investment in efficiency initiatives and the store renewal program.

Net cash flows used in financing activities increased by 30.3% to $1,611.2m largely driven by repayment of borrowings from Wesfarmers prior to demerger, partially offset by net proceeds from the drawdown of new external borrowing facilities.

#### Review of operations

Employing more than 113,000 team members, Coles is a leading Australian retailer, with over 2,400 retail outlets nationally, providing customers with everyday products including fresh food, groceries, general merchandise, liquor, fuel and financial services through its store network and online platforms.

Following its demerger from Wesfarmers, Coles was listed on the ASX as an independent company on 21 November 2018.

The Group’s reportable segments are set out below:

- **Supermarkets:** fresh food, groceries and general merchandise retailer across a national network of 821 supermarkets, including Coles Online and Coles Financial Services.
- **Liquor:** liquor retailer with 910 stores nationally under the brands Liquorland, First Choice, First Choice Liquor Market and Vintage Cellars, including online liquor delivery services through Coles Online and Liquor Direct.
- **Express:** convenience store operator and commission agent for retail fuel sales across 714 outlets nationally.

Coles is a 50% shareholder of flybuys, one of Australia’s most popular loyalty programs with over eight million members, covering 66 million active households flybuys, as well as other business operations that are not separately reportable, such as Property, as well as costs associated with enterprise functions, such as Treasury, are included in Other on page 28.
Supermarkets

Segment overview

<table>
<thead>
<tr>
<th>MILLION</th>
<th>FY19</th>
<th>FY18</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>30,889.8</td>
<td>29,919.2</td>
<td>3.2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,735.3</td>
<td>1,714.1</td>
<td>1.2%</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td>3.8</td>
<td>3.9</td>
<td>(4bps)</td>
</tr>
</tbody>
</table>

Retail (non-IFRS)

<table>
<thead>
<tr>
<th>MILLION</th>
<th>FY19</th>
<th>FY18</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>30,992.6</td>
<td>30,018.2</td>
<td>3.2%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,728.3</td>
<td>1,714.1</td>
<td>1.2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>1,785.3</td>
<td>1,741.2</td>
<td>2.2%</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>24.8</td>
<td>24.6</td>
<td>20bps</td>
</tr>
<tr>
<td>Cost of doing business (CODB) (%)</td>
<td>(12.6)</td>
<td>(12.7)</td>
<td>(4bps)</td>
</tr>
<tr>
<td>CODB margin (%)</td>
<td>(8.6)</td>
<td>(8.9)</td>
<td>(4bps)</td>
</tr>
</tbody>
</table>

Operating metrics (non-IFRS)

<table>
<thead>
<tr>
<th>(25 WEEKS)</th>
<th>FY19</th>
<th>(27 WEEKS)</th>
<th>FY19</th>
<th>(25 WEEKS)</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable sales growth (%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Customer satisfaction (%)</td>
<td>877</td>
<td>877</td>
<td>877</td>
<td>877</td>
<td>877</td>
</tr>
<tr>
<td>Inflation (deflation) excl tobacco and fresh (%)</td>
<td>(12)</td>
<td>(12)</td>
<td>(12)</td>
<td>(12)</td>
<td>(12)</td>
</tr>
<tr>
<td>Sales per square metre (S$/m²)</td>
<td>16,704</td>
<td>16,504</td>
<td>16,333</td>
<td>16,233</td>
<td>16,233</td>
</tr>
</tbody>
</table>

Highlights

Statutory sales revenue increased 3.2% on the prior year to $30,992.6m driven by Coles Online, new stores and successful collectable campaigns, including Little Shop in the first quarter and Fresh Stikelz in the third quarter. Inflation also started to increase, impacted by drought conditions in Australia.

On a Retail calendar basis, sales increased by 3.2% to $30,889.8m, with comparable sales growth of 2.7%. For the fourth quarter, Supermarkets sales revenue increased by 3.0% and comparable sales growth was 2.2%, the 47th consecutive quarter of positive comparable sales growth. Comparable sales growth for the year was largely driven by basket size.

Transaction growth also showed signs of improvement since the beginning of the second quarter.

Sales growth for the year was recorded across all states, and category growth was particularly strong in bakery, meat and dairy. Flybuys also had a positive impact on customer engagement and sales, with flybuys membership reaching record highs in the fourth quarter with 6.6 million active households.

Coles continued to invest in lowering prices for its customers which saw deflation, excluding tobacco and fresh, of 1.1% for FY19. Adverse weather conditions throughout the year, most notably the drought, resulted in a marked inflationary period in fresh food. The Group continues to work hard with suppliers through these difficult times and to minimise the impact on our customers. Overall, total Supermarkets price inflation of 0.8% was recorded for FY19.

Own Brand sales grew by 5.9% in FY19 and now represents a $9bn business. New products were key to delivering this result, with over 1,200 new products introduced during the year across areas such as health foods, prepared and ready-to-cook meals, personal care and meat alternatives. New brands launched include Wellness Road health products, I'm Free From, designed for customers with allergies or intolerances. Of the new products introduced during the year, 90 products won awards for their quality, including Gold at the Sydney Royal Cheese & Dairy Awards for Coles Vanilla Bean and Coles Cookies and Cream ice cream and 2019 Product of the Year win for Coles Finest White Sourdough Vienna bread. In addition to Own Brand, Supermarkets continued to deliver trusted and targeted value via Everyday Low Prices.

Supermarkets expanded and improved its network during the year with 51 refurbishments, 22 openings and 10 closures, ending the period with 821 supermarkets.

Gross margin increased by 20bps to 24.8%, primarily due to strategic sourcing and the continued execution of Coles’ Own Brand powerhouse strategy.

Costs of doing business (CODB) as a percentage of sales increased by 24bps to 20.9%. This was largely due to higher energy costs and higher wages following the implementation of the new store enterprise bargaining agreement in April 2018, which resulted in pay increases for the majority of Coles’ in-store team members.

Statutory EBIT increased by 17% to $1,191.4m, while Retail EBIT increased by 22% to $1,162.9m driven by higher sales and improved gross margin, partially offset by higher administration expenses (noting second half EBIT included the Smarter selling restructuring provision of $18.7m).

Coles Online

Anytime, anywhere shopping is becoming increasingly important for customers, and Coles Online achieved $11bn of sales revenue in FY19, an increase of 30% on the prior year.

Coles Online now contributes 36% of Supermarkets sales and importantly, achieved profitability for the first time in its 20 year history. Profitability has been largely achieved through scale, the growth in Click & Collect and technology investments in home delivery which have optimised van utilisation rates and reduced delivery times. Click & Collect also provides flexibility for customers and, with over 1000 locations at year end, contributed strongly to sales growth.

Click & Collect now represents more than 30% of online sales and is the fastest growing channel in the Coles Online offering, by increasing the number of delivery slots available for customers, shortening delivery windows and simplifying delivery fees, online customer satisfaction was maintained in an increasingly competitive market.

Financial services

Through Coles Financial Services, the Group offers credit cards in partnership with Citigroup to approximately 360,000 customer accounts and home, car and landlord insurance in partnership with Insurance Australia Group (IAG) to approximately 400,000 policy holders.

The Coles Financial Services business model changed in FY18 transitioning to a 100% white-labelled partnership via the sale of the Coles cards portfolio to Citigroup.
Liquor.

Segment overview

<table>
<thead>
<tr>
<th>$ MILLION</th>
<th>FY19</th>
<th>FY18</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>3,063.0</td>
<td>3,005.9</td>
<td>1.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>152.7</td>
<td>146.1</td>
<td>4.5%</td>
</tr>
<tr>
<td>EBIT</td>
<td>120.3</td>
<td>111.0</td>
<td>8.4%</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>22.3</td>
<td>21.7</td>
<td>1.5%</td>
</tr>
<tr>
<td>Cost of doing business (CODB) (%)</td>
<td>38.4</td>
<td>37.1</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Retail excluding Hotels (non-IFRS)

<table>
<thead>
<tr>
<th>$ MILLION</th>
<th>FY19</th>
<th>FY18</th>
<th>CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>1,047.9</td>
<td>1,035.5</td>
<td>1.2%</td>
</tr>
<tr>
<td>EBIT</td>
<td>49.5</td>
<td>16.1</td>
<td>75.5%</td>
</tr>
<tr>
<td>EBIT margin (%)</td>
<td>4.7</td>
<td>1.6</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Operating metrics (non-IFRS)

<table>
<thead>
<tr>
<th></th>
<th>FY19 (52 WEEKS)</th>
<th>FY19 (25 WEEKS)</th>
<th>FY19 (27 WEEKS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable sales growth (%)</td>
<td>4.5</td>
<td>2.0</td>
<td>0.8</td>
</tr>
<tr>
<td>AVE* adjusted comparable sales growth (%)</td>
<td>4.7</td>
<td>2.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Sales per square metre (MATT $/sqm)</td>
<td>14,354</td>
<td>14,354</td>
<td>14,354</td>
</tr>
</tbody>
</table>

Highlights

Liquor sales revenue was $3,204.8m for the year on a statutory basis, an increase of 0.8% from the prior year. Sales revenue on a Retail calendar basis (excluding Hotels) was $3,063.0m for the year, an increase of 1.9% from the prior year with comparable sales growth of 1.2%. Sales performance was positively impacted by the First Choice Liquor Market (FCLM) rollout during the year and growth in online, partially offset by moderating growth in the broader retail liquor market.

Liquor continued to grow during the year, albeit at a lower rate, as its renewal program neared completion.

Investment in the Liquor store network continued, with 27 new Liquorland stores opened and 16 stores closed (one FCLM, two Vintage Cellars and 13 Liquorland), resulting in a total of 910 Liquor sites at the end of the year.

Across all banners, Exclusive Liquor Brand (ELB) sales in the wine category continued to be strong, with ELB sales growth more than double the rate of the rest of the Liquor business. There were 64 new ELB lines launched, and a total of 189 medals and awards received over the year.

Gross margin increased by 4bps to 22.3% driven by gross margin improvements from ELB and improved supplier collaboration.

Express.

Incorporated joint venture with Australian Venue Co

As previously announced, Coles entered into an incorporated joint venture with AVC for the operation of:

- the 87 hotels that comprised the Group’s hotel and gaming business (Spirit Hotels); and
- the 243 retail liquor stores in Queensland, and the 10 retail liquor stores in South Australia and Western Australia attached to Spirit Hotels’ venues (collectively the ‘Retail Liquor business’).

These operations were previously held within a wholly-owned subsidiary of the Group, Liquorland (Qld) Pty Ltd and its controlled entities (collectively ‘LLQ’). Under the new structure, LLQ has been converted into an incorporated joint venture company, QVC, whereby:

- Coles holds ‘R-class’ shares in QVC which confer rights to the economic benefits of the Retail Liquor business; and
- AVC holds ‘H-class’ shares in QVC which confer rights to the economic benefits of Spirit Hotels.

The transaction was completed on 29 April 2019. Coles recognised a net gain of $133.0m relating to the sale of Spirit Hotels, the transfer of its Retail Liquor business assets to QVC and the fair value of its interest in QVC.

Operating metrics (non-IFRS)

<table>
<thead>
<tr>
<th></th>
<th>FY19 (52 WEEKS)</th>
<th>FY19 (25 WEEKS)</th>
<th>FY19 (27 WEEKS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparable c-store sales growth (%)</td>
<td>4.0</td>
<td>2.4</td>
<td>1.2</td>
</tr>
<tr>
<td>Weekly fuel volumes (ml/1,000 litres)</td>
<td>63.9</td>
<td>56.5</td>
<td>12.4</td>
</tr>
<tr>
<td>Fuel volume growth (%)</td>
<td>10.1</td>
<td>9.5</td>
<td>15.8</td>
</tr>
<tr>
<td>Comparable fuel volume growth (%)</td>
<td>10.1</td>
<td>9.5</td>
<td>15.8</td>
</tr>
</tbody>
</table>

Highlights

Statutory sales revenue for Express decreased by 30.6% to $3,978.4m driven by a decline in fuel volumes and the move to a commission agent model under the New Alliance Agreement, effective 1 March 2019. In accordance with the terms of the New Alliance Agreement, Express no longer recognises fuel sales revenue; however, it is entitled to commission income (recognised in ‘other operating revenue’) from fuel sold at Alliance sites.

Statutory EBIT decreased by 72.1% to $45.8m, largely the result of lower fuel volumes.

Convenience store (c-store) sales growth was 12% for the year and 0.1% on a comparable c-store sales growth basis, largely a result of declining tobacco sales.

Outside of tobacco, the trends were positive with the food to go (FTG) category growing at double digit rates. Coles Express continues to rollout convenience offerings in store, delivering healthy meal solutions, with the FTG offer now rolled out to 93% of stores. Express has an extensive network, and during the year, six new sites were opened and three sites closed, taking the total network to 794 sites.

Fuel volumes declined by 13.0% during the year, with comparable fuel volumes declining by 13.7%. CODB as a percentage of sales increased 17bps to 56.7%, impacted by higher store operating costs.

New Alliance Agreement

The New Alliance Agreement with Viva Energy aims to deliver more competitive customer offer, providing an opportunity to expand the network and better align contributions and incentives for both Coles and Viva Energy to jointly grow the business. It allows each party to leverage their core competencies, Coles in respect of convenience retailing and Viva Energy in respect of fuel retailing, together in a competitive, integrated offering.

Certain terms relating to Coles achieving a satisfactory return on capital over the medium term have also been included in the New Alliance Agreement.

Coles received a one-off payment of $137.0m at transaction close in consideration of forgiving the retail fuel margin (recognised in ‘other income’). Ongoing commission per litre is recognised in ‘other operating revenue’.

Coles Group Limited 2019 Annual Report
Other

Other includes corporate costs, Coles’ 50% share of flybuys net profit and the net gain generated by the Group’s property portfolio. In aggregate, this resulted in a $278m net loss for the year.

Corporate costs incurred in FY19 were slightly below the estimated annualised costs of $260.0m. This was due to the full run rate of costs only being reached in the second half once all corporate functions had been established.

Coles’ share of net profit for its 50% equity interest in flybuys was $50m in FY19, down from $163m in the prior year.

This result was predominantly due to investment in setting up flybuys to operate as an independent standalone business and higher redemptions experienced in the first half, particularly during the Christmas period.

A net gain of $70m from property related activities was also recognised for the year, along with one-off demerger costs of $170m.

Glossary of terms

Average basket size: A measure of how much each customer spends on average per transaction
bps: Basis points. One basis point is equivalent to 0.01%
Cash realisation: Calculated as operating cash flow excluding interest and tax, divided by EBITDA (excluding Significant Items)
CODE: Cost of doing business. These are expenses which relate to the operation of the business below gross profit and above EBIT
Comparable sales: A measure which excludes stores that have been opened or closed in the last 12 months and excludes demonstrable impact on existing stores from store disruption as a result of store refurbishment or new store openings
EBIT: Earnings before interest and tax
EBITDA: Earnings before interest, tax, depreciation and amortisation
EPS: Earnings per share
Gross margin: The residual income remaining after deducting cost of goods sold, total loss and logistics from sales, divided by sales revenue
Group sales revenue or Group EBIT: Total sales revenue or EBIT generated by the Group for the period
IFRS: International Financial Reporting Standards
Leverage ratio: Gross debt less cash at bank and on deposit, divided by EBITDA
MAT: Moving Annual Total. Sales per square metre is calculated as sales divided by Net Selling Area. Both sales and Net Selling Area are based on a MAT, or exit rate calculated on a rolling 12 months of data basis
pp: Percentage point
Retail calendar basis: A reporting calendar based on a defined number of weeks, with the annual reporting period ending on the last Sunday in June
Significant Items: Large gains, losses, income, expenditure or events that are not in the ordinary course of business. They typically arise from events that are not considered part of the core operations of the business
TColes: A post-shop customer satisfaction survey completed by over two million customers annually, through which we monitor customers’ satisfaction with service, product availability, quality and price
TRIRF: Total Recordable Injury Frequency Rate. The number of lost time injuries, medically treated injuries and restricted duties injuries per million hours worked, calculated on a rolling 12 month basis. TRIRF includes all injury types including all musculoskeletal injuries

Looking to the future

Our vision is to become the most trusted retailer in Australia and grow long-term shareholder value. Competition in the Australian food and liquor market is strong and constantly evolving with new entrants challenging the existing operating model. Guided by our purpose to ‘Sustainably feed all Australians to help them lead healthier, happier lives’ we are transforming Coles into a retailer of the future leveraging global partnerships, technology and the energy and ideas of our more than 113,000 team members.

In FY20, we will continue to implement our refreshed strategy focusing on our programs of work to Inspire customers through best value food and drink solutions to make lives easier, deliver Smarter selling through efficiency and pace of change, and Win together with our team members, suppliers and communities.

We will aim to inspire customers by being customer obsessed in our decision making processes enabling a more tailored offer with trusted value to be rolled out across our stores and sites. We will continue to drive innovation and differentiation by growing our Own Brand range of products and building a destination for convenience and health. This will include introducing a convenience destination at the front of around 100 supermarkets. Our anytime, anywhere shopping offer will continue to evolve to meet customer needs including expansion of our Click & Collect network. In Supermarkets, re-platforming of the Liquor online site and trials with UberEats.

Given the competitor activity in the market, cycling the comparable sales growth in Supermarkets from last year’s highly successful Little Shop will be challenging in the early part of FY20. In Express, it will take time to build fuel volumes to target levels, following the reset of the Alliance with Viva Energy.

Acceleration of growth in new markets will include further investment into flybuys to enable new offers, products and services. The recently established export team will continue to build our meat export business from today’s sales baseline of approximately $400m.

Implementing Smarter selling initiatives will be a focus as we work towards our cumulative cost-out target of $1bn by FY22.

Deployment of technology in stores and supply chain to drive efficiency, control loss and lower expenses will be a key activity for our operations teams. The Store Support Centre will become simpler and more efficient through removing 450 roles and introducing agile working practices. We expect to deliver in excess of $150m annualised gross cost savings in FY20 as a result of these initiatives. Optimisation of our network and formats will continue with the rollout of approximately 75 Format A and Format C new supermarkets, further Coles Local rollouts, First Choice Liquor Market rollouts in Liquor, and the opening of new stores predominantly in population growth corridors.

Longer term, the partnerships with Wilton, to build two automated distribution centres, and Ocado, to build two customer fulfilment centres for online orders, will be important components of the Smarter selling agenda. Dedicated teams for delivery of these transformational initiatives are well established and property and design work is underway.

Working with our team, suppliers and communities has always been integral to the culture of Coles and that will not change in FY20. We will continue to improve safety outcomes, foster a culture that embraces diversity and create a workplace our team are proud of. Driving generational sustainability is an important priority for us. By FY22 we are aiming to divert 90% of waste from landfill and we are working to develop new greenhouse emission reduction targets. Continuing to enhance our ethical and responsible sourcing programs in FY20 to ensure we meet stakeholder and community expectations will build upon the good work done in this space over the last decade.

While we have made early progress on our refreshed strategy, there is more work to do, and FY20 will be an important year in embedding our strategy pillars.
Managing our risks and opportunities

Coles operates in a rapidly changing environment that is becoming increasingly competitive. The following describes the material risks to Coles, including strategic, operational, compliance and financial risks, and how we seek to manage them. Our performance may also be impacted by risks that apply generally to Australian businesses and the retail industry, as well as by the emergence of new material risks not reported below.

We continually monitor, assess, manage and report on our risks through the implementation of our Coles Risk Management Framework. You can find more information about our Risk Management Framework by viewing the Coles Corporate Governance Statement, available on our website www.colesgroup.com.au/corporategovernance.

Additional information on environmental and sustainability risks is available in our 2019 Sustainability Report.

Strategic Risks

Competition, changing consumer behaviour and digital disruption

Our market is changing, with new entrants, including international discount retailers, digital disruptors and specialist retailers contributing to an increasingly competitive market. Consumer behaviours and expectations are also rapidly evolving, with more reliance placed on digital platforms and greater expectations for convenience, lower prices and targeted range. If Coles fails to respond to competitive pressures or to meet customer behaviours and expectations, or if an existing or new competitor adapts to these more rapidly, this could result in loss of market share and ultimately, declining profits.

Key programs to manage these risks are embedded in the implementation of our strategy, which is focused on inspiring our customers, Smarter selling and Winning together. Programs include using advanced analytics to support ranging decisions, forecasting, promotions and markdows; introducing changes to store formats, products and pricing to better meet customer needs; trialing new technologies and in-store initiatives to keep pace with emerging trends; and developing strategic technology partnerships such as those recently established with SAP and Optus.

Strategy and transformation

To deliver our strategy, we are currently running multiple large-scale programs, including our partnerships with Walmart and Ocado; pursuing growth from exports; executing our Smarter selling program; and undertaking technology implementations, including SAP Ariba and HR/Success Factors. We have joint ventures with Wesfarmers (Flybuys) and AVC (Sprint Hotels and associated liquor retail) and an alliance with Viva Energy. In addition to these existing programs and partnerships, Coles may undertake future acquisitions and divestments and may enter into other third-party relationships, so we can more effectively execute our strategy.

Implementation and delivery of these programs may be challenged by several variables, including changes to the macro-economic environment, ineffective project management, loss of key talent, lack of specialist skills, or ineffective change management. Inability to properly execute these programs of work or manage our third-party relationships could result in failure to maintain or increase operating margins, loss of market share, and variability in earnings to Coles.

We have governance structures and processes in place to oversee, manage and execute strategic and transformational programs of work. We also have contractual agreements and governance arrangements in place to manage our joint venture partners and strategic partnerships. We recently appointed a Group Executive, Transformation to oversee the execution of our Smarter selling program, and, in concert with our people resources, we are investing in systems, data collection and automation technology.

Operational Risks

Talent management and capability

We know that our team members are central to our success, and we must attract, retain, develop, and effectively engage our team to execute and deliver on our strategy.

To manage our talent and people risks, we have talent retention, succession planning and talent development programs, such as our Retail Leaders Program in Supermarkets, our leading graduate programs, and Coles’ functional academies. Our culture is underpinned by our LEaD behaviours (Look ahead, Energise everyone, and Deliver with pride), which embodies the behaviours of our team and are integrated throughout our ways of working. We assess and drive actions to address team member engagement through our ongoing ‘mysay’ surveys. Our Better Together pillars (Accessibility, Gender balance, Pride, Flexibility, and Indigino) are critical to our engagement program.

We take proactive steps to manage these risks, including appropriate enterprise bargaining and employee relations strategies; maintaining and developing strong working relationships with unions and industry organisations; and constructively liaising with our team members, third-party suppliers, transport and service logistic providers. We also continue to manage the renegotiation of collective bargaining agreements when they expire, and we have business continuity plans in place to mitigate disruption to operations if industrial action occurs.

Climate change

Climate change presents an evolving set of risks for Coles. These include potential for disruption to our operations due to extreme weather events and changing weather patterns; changing customer behaviours as demand moves to food and products with lower carbon footprints; changes to government policy, law and regulation, which can result in increased costs to operate and potential for litigation; and failure to meet expectations of
stakeholders (investors, non-government organisations) resulting in reputational damage.

In the case of extreme weather events, we have business continuity processes for sourcing and delivering goods to stores. To minimise the impact of climate change over the longer term, we are supporting suppliers to implement new technology and growing methods as well as providing ongoing support of climate change resilience strategies to industry.

To reduce our impact on the environment, we have an Energy Strategy that includes our approach to energy purchasing, monitoring and management, commitment to initiatives and investment in renewable energy.

Security of supply

Potential disruption to the supply of goods for resale can occur due to production risks associated with climate change, disruption to key growing regions and suppliers, changes in overseas and domestic competitor demand and regulatory risks. Potential consequences include loss of market share, price volatility, inflation, and adverse financial impacts.

We have business continuity plans to manage the supply chain and goods to stores during extreme weather events. We also monitor commodity prices to determine cost pressures and have agreements in place to secure supply across key food categories.

Future plans to manage this risk include analysis of Coles supply chain resilience across a number of food categories being conducted in a collaborative project with CSIRO. The results will be used to contain possible future disruptions to supply.

Health and safety

The safety of our team, customers, third parties and contractors is paramount to Coles. We employ an extensive workforce, including third parties, with high volumes of people interactions daily. This brings risk of fatigue, or life-threatening injuries to team members, customers, suppliers, contractors or visitors, due to unsafe work practices, accidents or incidents.

Our Coles SafetyCARE System is the documented safety practices, accidents or incidents.

Future plans to manage this risk include analysis of Coles' supply chain resilience across a number of food categories being conducted in a collaborative project with CSIRO. The results will be used to contain possible future disruptions to supply.

Legal, regulatory and compliance

The diversity of our operations necessitates compliance with extensive legislative requirements at all levels of government, including Corporations Law, Competition and Consumer Law, including the Grocery Code of Conduct and Country of Origin labeling standards, Product and Food Safety, Environment, Council By-Laws, Privacy and Bio-security.

Non-compliance with key laws and regulations could expose Coles to significant enforcement action, including loss of licence to operate, substantial financial penalties, reputational risk and a deterioration in relationships with regulators. Furthermore, regulatory changes may adversely impact the execution of our strategy and result in increased cost to operate, resulting in adverse financial performance.

We maintain relationships with regulators and industry bodies, monitor new and impending legislative and policy changes and implement our Compliance Framework, which sets out the standards, requirements and accountability for managing compliance obligations across the Group. Coles has targeted controls in place across the various areas of compliance, including policies, procedures, training and system controls. The framework is subject to assurance to ensure controls are in operation and operating effectively.

Product and food safety

Product and food safety and quality are critical for Coles. Serious illness, injury or death are the most severe potential consequences from compromised product or food safety. Loss of customer trust, damage to reputation, loss of sales and market share, regulatory exposure and potential litigation could also occur.

We have a Food Safety governance program in place, with oversight by an experienced technical team. We have targeted policies and procedures, including well-established food recall and withdrawal processes, specific supplier requirements for different food categories (for example, chilled versus ambient) and a supporting assurance program to ensure key controls are operating and effective. A Product and Food Safety Steering Committee was established in FY19 to oversee continuous improvement of food and product safety risks and issues across Coles.

Food and plastic waste

There is a potential for significant reputational risk if we do not reduce food and plastic waste in line with consumer, shareholder and government expectations. Food and plastic waste negatively impacts the environment, economy and society, particularly given the current external waste collection and recycling challenges in Australia.

Coles also has an opportunity to become a leader in reducing food and packaging waste within Australia. We have made public commitments to minimise waste and promote recycling including to divert 90% of all waste from landfill by 2022 and to help customers recycle by rolling out the Australasian Recycling Label on Own Brand products and have all Own Brand packaging recyclable by the end of 2020.

We have waste management strategies in place to support these commitments, which include multiple food donation partnerships (SecondBite, Foodbank and local farmers) that divert food waste from landfill, and industry partnerships and internal programs that target recycling (such as REcycle).

Detailed information on how we manage food and packaging waste is provided in our 2019 Sustainability Report.

Ethical sourcing

We are a responsible retailer and continually aim to ensure we are sourcing and operating ethically in all areas, with specific emphasis on compliance with the Modern Slavery legislation and Fair Work Act, including working with our third parties to ensure they are sourcing responsibly and in compliance with the law.

An ethical sourcing incident in our supply chain or operations, such as committing human rights abuses or breaching labour rights, can result in material reputational damage, loss of consumer confidence and market share, regulatory fines and penalties, and adverse financial performance.

We have an Ethical Sourcing policy, program and requirements which establish the minimum standards for all suppliers providing Own Brand products, fresh produce and meat sold in Coles supermarkets. A whistle-blower hotline enables reporting of breaches of ethical obligations. Our Human Rights Steering Committee oversees ethical sourcing governance, including human rights risks, issues and improvement actions across Coles.

Plains are in place to roll out the ethical sourcing program more broadly across Coles.

Technology resilience, data and cyber security

Coles relies on our own, as well as third-party, information technology applications and infrastructure for its operations, including processing customer transactions, maintaining our websites, product ordering, warehouse management and logistics systems, and maintaining other back-office functions. Any failure of or disruption to these systems, including a cyber security event, could impede the processing of customer transactions or limit our ability to procure or distribute stock for our stores. Furthermore, our technology and data-rich environment also expose us to the risk of unintentional or unauthorised release of secret, confidential, financial, or private information, which can result in loss of consumer confidence, loss of market share, regulator fines and penalties, and reputational damage.

We manage the risk of a disruption to our technology environment through continuous monitoring of our technology operations and the existence of a service management function to respond to incidents. A Change Advisory Board manages technology changes, to reduce the risk of system instability especially during peak trading periods. We also have information technology recovery plans in place.

Our Group Privacy and Digital Security frameworks include policies, procedures, governance forums, and education and awareness programs to help assess and manage ongoing data and cyber security threats. We regularly test and review our information technology infrastructure, systems and processes to assess security threats and the adequacy of controls. We are also committed to the ongoing delivery of our Cyber Security program to continuously improve our people, process and technology controls.

Financial Risks

Financial and treasury

The availability of funding and management of capital and liquidity are important requirements to support our business operations and growth. In addition, we are exposed to material adverse fluctuations in interest rates, foreign exchange rates and commodity movements, which could impact business profitability.

We have Treasury policies approved by the Board, which govern the management of our financial risks, including liquidity, interest rates, foreign currency, commodity risks and the use of other derivatives. To manage these risks we have a Treasury function that is responsible for managing our cash funding positions and supports the management of these financial, interest rate and foreign currency risks. Further information is included in the Notes to the consolidated financial statements.

Insurance

Insurance is a tool to protect our customers, team members and the Group against losses from accidents, natural disasters and other unplanned events. In some cases, we choose to self-insure risks. This means that, in the event of an incident, we cannot make a claim against a third-party insurer but we will pay or absorb the losses ourselves. We monitor our self-insured risks and have active programs to help us pre-empt and mitigate losses. Our insurance function is also responsible for managing the purchase of insurance where we determine this is prudent.
Climate change presents an evolving set of risks and opportunities for Coles. These range from potential disruption to our operations due to extreme weather events, to changes to government policy, law and regulation. We understand that stakeholders expect us to manage and mitigate climate change risks in line with local and global commitments and recommendations.

We support the United Nations Sustainable Development Goals and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The information in this section responds to the four thematic areas against which the TCFD recommendations are structured. Going forward, we will work towards more comprehensive disclosures.

Governance
The Board has oversight of material risks, including climate change, through the Audit and Risk Committee. Members of this committee are listed on page 43, and further information is available in the Corporate Governance Statement on our website www.colesgroup.com.au/corporategovernance.

In recognition of the importance of climate change as an emerging issue, we have a Climate Change Steering Committee chaired by our Chief Property and Export Officer, who reports to the Chief Executive Officer. The committee includes representatives from across Coles, including senior members of the risk and compliance, finance and operational functions, and will prepare quarterly updates on material risks for the Audit and Risk Committee.

Risk management
Our Risk Management Framework and Risk Management Policy detail our approach to identifying, assessing and managing risk, including climate-related risks. Our approach to risk management can be found on page 30 and in the corporate governance section of our website.

While we have tactical plans to manage climate-related risks and opportunities, as detailed in the following section, the Climate Change Steering Committee is preparing a more comprehensive Climate Change Strategy, which will be informed by further risk analysis and scenario planning and will include new greenhouse emission reduction targets. An external consultant will assist us with this work.

Following the development of the Climate Change Strategy, we expect to provide more detailed information in next year’s Annual and Sustainability Reports.

Strategy
In FY19, following the Coles demerger from Wesfarmers and as part of the development of the corporate risk profile, climate change was identified as a material business risk. The risk profile was presented to and endorsed by the Audit and Risk Committee in May 2019 and approved by the Board in June 2019.

We acknowledge that climate change is a complex and multidimensional risk to the business and to our supply chains and includes risks related to:
- potential disruption to our operations due to extreme weather events and changing weather patterns.

As one of Australia’s largest companies, we know we have a responsibility to minimise our environmental footprint. Our business is impacted by climate change, and we need to adapt to be able to respond to extreme weather events and maintain security of food supply as our climate changes in order to sustainably feed all Australians.

Proud moment
Fruit and vegetable grower Brian Crust and his sons Matthew and Clinton hope to increase their water storage by 20% by using $183,000 support from the Coles Nurture Fund to line a dam on their property at Mt Sylvia near Toowoomba in Queensland. They also installed a new pumping station to reduce their use of water and power.
Maintaining supply to customers

We understand that climate change and extreme weather events can impact supply security and our ability to provide goods to our customers. This could include severe or total disruption to the production and transportation of goods due to extreme weather events, as well as production risks associated with climate change.

We seek to manage these risks through business continuity processes for sourcing and delivering goods to stores in the event of extreme weather events, such as floods, storms and bushfires. For example, following floods in far north Queensland in early 2019, special road trains and air freight were organised to transport food and groceries to our supermarkets.

We work with suppliers impacted by extreme weather events. In early 2018 and early 2019, apple suppliers in South Australia were hit by severe hailstorms. As a result, we introduced the ‘hailstorm heroes’ apple range, providing suppliers with the opportunity to sell hail-damaged fruit. An excessively hot summer in FY19 also impacted the growth of citrus and apples. We amended our specifications to allow smaller fruit to be sold in our stores.

To minimise the impact of climate change on supply of products over the longer term, we are supporting suppliers in developing new technology and growing methods and supporting industry with climate change resilience strategies. Lack of action could include loss of market share, increased costs and price volatility.

Through the Coles Nurture Fund, we are supporting suppliers with climate adaptation programs, particularly to mitigate the impact of drought. More information can be found in the 2019 Sustainability Report.

We participate in the Australian Beef Sustainability Framework, an initiative of the Red Meat Advisory Council managed by Meat and Livestock Australia. The framework has identified six priority areas to drive continuous improvement across the value chain. We consider the framework as the most appropriate way to address climate and environmental issues facing the beef industry from a national and industry-wide perspective.

Metrics and targets

We had set a target to reduce greenhouse emissions by 30% from a 2009 baseline by 2020. Through a focus on reducing all emissions, particularly emissions associated with refrigeration, we were able to meet this target in 2019. This included refrigeration upgrades and replacement and investment in leak detection technology. New greenhouse targets are being developed as part of our Climate Change Strategy, and details on our energy and greenhouse emissions reduction activities can be found in our 2019 Sustainability Report.
Corporate governance.

The Board and the management team of Coles are committed to the highest standards of corporate governance and believe that a robust and transparent corporate governance framework is central to the success of our business. We are committed to maintaining and building on the confidence of our shareholders, our customers, our suppliers, our team members and the broader community as we strive to achieve our vision to become the most trusted retailer in Australia and to grow long-term shareholder value.

**Corporate governance framework**

The 2019 Corporate Governance Statement contains a comprehensive overview of Coles’ corporate governance framework and FY19 highlights and is available on our website www.colesgroup.com.au/corporategovernance.

**FY19 corporate governance highlights**

FY19 was a significant year for Coles with its demerger from Wesfarmers Limited and listing on the ASX as an independent company. As a standalone entity, Coles has established a strong governance framework and continues to be committed to a high level of integrity and ethical standards in all its business practices. The FY19 corporate governance highlights and focus areas included:

- **Corporate governance framework**
  - The 2019 Corporate Governance Statement contains a comprehensive overview of Coles’ corporate governance framework and FY19 highlights and is available on our website www.colesgroup.com.au/corporategovernance.
- **Board**
  - Establishing the new Board of Directors, appointing a new Managing Director and Chief Executive Officer (CEO) Steven Cain and adopting new Board and Committee Charters and Group policies.
- **Strategy**
  - Announcing our refreshed strategy to ‘Win in our second century’, which is underpinned by our vision to become the most trusted retailer in Australia and grow long-term shareholder value.
- **Risk management**
  - Reviewing and updating the Group’s risk management processes and procedures.
- **Diversity and Inclusion**
  - Continuing our progress towards achieving our Better Together commitments and objectives, including in relation to gender diversity, with the proportion of men and women across Coles’ workforce for FY19 being 49% men, 51% women.
  - Reviewing gender pay equity to identify, target and reduce any gender pay gaps within the organisation.
- **Remuneration**
  - Reviewing the executive remuneration framework so that there is a greater focus on performance-based pay, including the development of new principles to guide future decisions in relation to remuneration.
  - Introducing a minimum shareholding policy for executives and Directors to drive greater alignment with shareholders.

**Our Board of Directors**

The Board provides leadership and approves the strategic direction and objectives of the Group in the long-term interests of, and to maximise value to, shareholders. The Board is accountable to shareholders for the overall performance of the Company, having regard to the interests of other stakeholders, including team members, customers, suppliers and the broader community.

The Board has a Charter that outlines the responsibilities of the Board, including powers that are expressly reserved to the Board and powers that are specifically delegated to the CEO and management.

- **Shareholders**
  - The Board
  - Nomination Committee
  - Audit and Risk Committee
  - People and Culture Committee
- **Managing Director and Chief Executive Officer**
- **Executive Leadership Team**
- **Coles Team Members**

Left to right: David Cheesewright, Jacqueline Chow, Wendy Stops, James Graham (Chairman), Steven Cain (Managing Director and CEO), Zlatko Todorcevski, Abi Cleland and Richard Freudenstein.

- **Board role and responsibilities**
  - The Board provides leadership and approves the strategic direction and objectives of the Group in the long-term interests of, and to maximise value to, shareholders. The Board is accountable to shareholders for the overall performance of the Company, having regard to the interests of other stakeholders, including team members, customers, suppliers and the broader community.
  - The Board has a Charter that outlines the responsibilities of the Board, including powers that are expressly reserved to the Board and powers that are specifically delegated to the CEO and management.

- **Board composition**
  - The Constitution states that the number of Directors shall be not less than three Directors and not more than 10 Directors. Other than the Managing Director, Directors may not retain office without re-election for more than three years or past the third annual general meeting following their last election or re-election. Any newly appointed Directors are required to seek re-election at the first annual general meeting after their appointment.
  - The Board will review periodically its composition and the duration of terms served by Directors, upon recommendation from the Nomination Committee.
James Graham AM
BEng (Hon), MBA, FIE Aust, FTSE, FIA, FIN
Chairman, Chairman, Nomination Committee and Member of the People and Culture Committee
Age: 71
James Graham has extensive investment, corporate and governance experience, including as a Non-executive Director of Wesfarmers Limited for 20 years, prior to his retirement in July 2018. James is Chairman of Gresham Partners Limited, having founded the Gresham Partners Group in 1985. From 2001 to 2009 he was a Director of Rabobank Australia Limited, initially as Deputy Chairman and then Chairman, responsible for the Bank’s operations in Australia and New Zealand. He was also Chairman of the Darling Harbour Authority between 1989 and 1995. James was made a member of the Order of Australia in 2008.

Directorships of listed entities, current and recent (last three years):
- Director of Wesfarmers Limited (May 1998 to July 2018)

Steven Cain
MEng (Hon)
Managing Director and CEO
Age: 54
Steven Cain has over 20 years experience in Australian and international retail. Steven was previously Chief Executive Officer of Supermarkets and Convenience at Metcash Limited. He was Chief Executive of Carlton Communications plc, a FTSE 100 media group company, and Operating Director and Portfolio Company Chairman at Pacific Equity Partners, a private equity firm. He was Group Marketing Director, Store Development Director and Grocery Trading Director of Asda Stores Ltd (UK) during its turnaround and has held roles at UK retail group Kingfisher plc, and B&Q Company. Steven was previously the Managing Director of Food, Liquor and Fuel at Coles Myer and was an advisor to Wesfarmers Limited on its takeover of the Coles Group in 2007.

David Cheesewright
BSc, Mathematics and Sports Science (Hon)
Non-executive Director, Member of the Nomination Committee and the People and Culture Committee
Age: 57
David Cheesewright retired in early 2018 as President and Chief Executive Officer of Walmart International, which comprises Walmart’s operations outside the United States, including more than 6,200 stores and more than 796,000 employees in 27 countries. David was also responsible for Walmart’s global sourcing operations and offices around the world. He was previously President and CEO of Walmart EMEA (Europe, Middle East and Africa) and Canada region, overseeing the integration of the Massmart acquisition, as well as growth in the UK and Canada. David’s other prior roles include Chief Operating Officer of Asda in the UK and a range of key positions with Mars Confectionery in the UK. David is also a previous board member of Chinese online grocery business Yihaodian, South African retailer and distributor Massmart, Queens Business School, The Retail Council of Canada and ECR Europe and is a prior Chair of Walmart Canada Bank. David currently sits on the Dean’s Advisory Board at the Queen’s University School of Business.

Jacqueline Chow
MBA, BSc (Hons), GAICD
Non-executive Director, Member of the Nomination Committee and the Audit and Risk Committee
Age: 47
Jacqueline Chow is a Director of nib Holdings Limited (appointed 2016) and a Senior Advisor at Horkinsky Consulting RTIs, advising clients across industrial, retail, telecommunications, financial services and consumer sectors on performance transformation projects. From 2016 to June 2019, Jacqueline was a Director of Fisher & Paykel Appliances. Jacqueline previously held senior management positions with Fonterra Co-operative Group, one of the world’s largest dairy product producers and exporters, including most recently as Chief Operating Officer, Global Consumer and Food Service. Prior to that, she was in senior management with Campbell Arnott’s and Kellogg Company. She was also Programme Steering Group Director, Ministry for Primary Industries, NZ (2013 to 2016) and Deputy Chair, Global Dairy Platform Inc (2014 to 2018).

Directorships of listed entities, current and recent (last three years):
- Director of nib Holdings Limited (since April 2016)

Abi Cleland
MBA, BCom
Non-executive Director, Member of the Nomination Committee and the People and Culture Committee
Age: 45
Abi Cleland is a Director of Computershare Limited (appointed 2016), Sydney Airport Corporation Limited (appointed 2018) and Orora Limited (appointed 2014). Abi is also a Director of Swimming Australia and Chairman of Planmeca Australia. Abi’s previous board appointments include Australian Independent Business Media and membership of the advisory committee of Lazard PE Fund 2. From 2012 to 2017, Abi established and ran an advisory and management business, Absolute Partners, focusing on strategy, mergers and acquisitions and disruption. Before that, she held senior management roles at KordaMentha’s 303, where she was Managing Director, and at ANZ, Incitec Pivot Limited and Amcor Limited.

Directorships of listed entities, current and recent (last three years):
- Director of Computershare Limited (since February 2016)
- Director of Sydney Airport Corporation Limited (since April 2018)
- Director of Orora Limited (since February 2014)
- Director of BWX Limited (August 2017 to December 2017)

Richard Freudenstein
LLB (Hons), BSc
Non-executive Director, Chairman, People and Culture Committee, and Member of the Nomination Committee
Age: 54
Richard Freudenstein has been a Director of REA Group Limited since 2006, including as Chairman from 2007 to 2012. He is also currently a board member of Cricket Australia, Deputy Chancellor of the University of Sydney and a member of the Advisory Committee of start-up artificial intelligence software company Affini Ltd. Richard was previously Chief Executive Officer of Foxtel (2011 to 2016), Chief Executive Officer of The Australian and News Digital Media at News Ltd (2006 to 2010), and Chief Operating Officer at British Sky Broadcasting plc (2002 to 2006). His previous board positions include Ten Network Holdings (2015 to 2016), Foxtel (2009 to 2011) and ESPN STAR Sports ESS (2009 to 2012).

Directorships of listed entities, current and recent (last three years):
- Director of REA Group Limited (since November 2006)
- Director of Astro Malaysia Holdings Berhad (September 2016 to August 2019)

Wendy Stops
MAppSc (Information Technology), GAICD
Non-executive Director, Member of the Nomination Committee and the Audit and Risk Committee
Age: 58
Wendy Stops is a Director of Commonwealth Bank of Australia Limited (appointed 2010) and Altium Limited (appointed 2019). She is also a Director of Fitted for Work, a Council member at the University of Melbourne and Chair of the Advisory Board for the Melbourne Business School’s Centre for Business Analytics. Wendy was previously a senior management executive in the information technology and consulting sectors, including 16 years with Accenture in various senior management positions in Australia, Asia Pacific and globally. Her previous board experience includes Accenture Software Solutions Australia and Diversi. She is currently a member of Chief Executive Women.

Directorships of listed entities, current and recent (last three years):
- Director of Commonwealth Bank of Australia Limited (since March 2015)
- Director of Altium Limited (since February 2018)

Zlatko Todorcevski
MBA, BCom
Non-executive Director, Chairman, Audit and Risk Committee and Member of the Nomination Committee
Age: 51
Zlatko Todorcevski is Deputy Chairman and Lead Independent Director of Adelaide Brighton Ltd, having served as Chairman from May 2018 to May 2019. He is also a Director of The Star Entertainment Group Ltd and a Council member of the University of Wollongong. Zlatko’s previous appointments include President of the Group of 100 and Chairman of the ASIC Accounting and Audit Standing Committee. Zlatko’s executive career included four years as Chief Financial Officer of Brambles Ltd and from 2009 to 2012 as Chief Financial Officer of Oil Search Ltd. From 1986 to 2005 he held various senior roles at BHP, including Chief Financial Officer of Energy based in London and Houston.

Directorships of listed entities, current and recent (last three years):
- Director of Adelaide Brighton Limited (since March 2017)
- Director of Star Entertainment Group (since May 2018)
The Board recognises the importance of having Directors who possess a broad range of skills, background, expertise, diversity and experience in order to facilitate constructive decision making and facilitate good governance processes and procedures.

The Board, on the recommendation of the Nomination Committee, determines the composition, size and structure requirements for the Board and will regularly review its mix of skills to make sure it covers the skills needed to address existing and emerging business and governance issues relevant to the entity.

The curtail mix of skills and experience represented on the Board is set out in the below skills matrix:

<table>
<thead>
<tr>
<th>Skill/Experience</th>
<th>Number of Directors with the required skill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate governance</td>
<td>8</td>
</tr>
<tr>
<td>Executive experience</td>
<td>6</td>
</tr>
<tr>
<td>Financial acumen</td>
<td>6</td>
</tr>
<tr>
<td>Strategic thinking</td>
<td>6</td>
</tr>
<tr>
<td>People, culture and reputation</td>
<td>8</td>
</tr>
<tr>
<td>Risk management</td>
<td>8</td>
</tr>
<tr>
<td>Retail and FMCG skills and experience</td>
<td>8</td>
</tr>
<tr>
<td>Customer service delivery</td>
<td>7</td>
</tr>
<tr>
<td>Supply chain</td>
<td>5</td>
</tr>
<tr>
<td>Interstate / global business experience</td>
<td>8</td>
</tr>
<tr>
<td>Property development and asset management</td>
<td>8</td>
</tr>
<tr>
<td>Marketing</td>
<td>4</td>
</tr>
<tr>
<td>Digital technology and innovation</td>
<td>8</td>
</tr>
<tr>
<td>Sustainability, environment, health and safety</td>
<td>8</td>
</tr>
<tr>
<td>Regulation and public policy</td>
<td>7</td>
</tr>
</tbody>
</table>

The Board of Coles recognises that Directors are expected to have a range of skills and experience to enable them to contribute to the effective governance of the Group. As part of the Board’s ongoing review of its composition, in August 2019 the Board also decided to change the composition and name of the Remuneration Committee to the People and Culture Committee. The decision was made to ensure the Committee’s role and responsibilities were more accurately reflected.

The Board, in exercising its responsibilities, has charged the People and Culture Committee with the task of identifying and recruiting appropriately qualified candidates for appointment or election to the Board. In particular, emphasis is placed on ensuring the Board has a composition that reflects a range of skills and experience to provide the best advice and guidance to the Group. The Committee is made up of Directors who possess a broad range of skills, background, expertise, diversity and experience in order to facilitate constructive decision making and facilitate good governance processes and procedures.

Each committee has a separate charter that sets out the roles and responsibilities of that committee, as well as the membership, and any other requirements for the running of the committee. All committees are chaired by, and comprise a majority of, independent Non-executive Directors. Each committee keeps the Board informed of its activities through the provision of the minutes of each meeting, and the Chairman of each committee formally advises the Chairman of the Board of any matters or recommendations requiring the Board’s attention.

The Remuneration Committee was renamed the ‘People and Culture Committee’ in August 2019 to more accurately reflect the Committee’s role and responsibilities.

The members of each committee are set out in the table below.

| Nomination Committee | James Graham (Chairman) David Cheesewright Jacqueline Chow Ali Celadon Richard Freudendaln Wendy Stopa Zdravko Todorcevski |
| Audit and Risk Committee | Zdravko Todorcevski (Chairman) Jacqueline Chow Wendy Stopa |
| People and Culture Committee | Richard Freudendaln (Chairman) David Cheesewright Ali Celadon James Graham |

A culture of acting lawfully, ethically and responsibly

Our LEaD framework

LEaD provides a framework for the behaviours and actions expected of all team members, including executives and Directors. The LEaD framework comprises three key pillars that drive the way we work to execute our strategy, deliver against our purpose and build long-term sustainable value for our shareholders. The three pillars are: Look ahead, Energise everyone and Deliver with pride.

Look ahead is all about being future focused: knowing the landscape, being less reactive and more planned and communicating the vision well.

Energise everyone is all about bringing people on the journey: collaborating across the business, supporting and empowering everyone, while taking the time to celebrate the wins along the way.

Deliver with pride is all about executing; being accountable and holding each other to account, staying the course and having fun while we do it.

LEaD underpins our recruitment, induction, training and development programs for all team members and managers. By meeting these behaviours, we can build deeper longer-term relationships with our suppliers, provide an outstanding customer experience and have caring and passionate team members. Our behaviours and the LEaD framework reflect the expectations of our customers, investors, regulators and the community.

Our LEaD Behaviours

- Look ahead
  - Know your stuff
  - Have a plan
  - Explain the why
- Energise everyone
  - Build it together
  - Empower and support
  - Celebrate progress
- Deliver with pride
  - Open it
  - Stay the course
  - Have fun with it

Code of Conduct

Coles has a Code of Conduct that sets out the standards of behaviour expected of its Directors and team members (including senior executives). This is supported by key policies, including our Whistleblower Policy, Anti-bribery Policy, Health, Safety and Wellbeing Policy, Securities Dealing Policy, as well as a number of other Company policies which outline expected standards of behaviour of Directors and team members.
Our Executive Leadership Team

Steven Cain
Managing Director and Chief Executive Officer

Leah Weckert
Chief Financial Officer

Greg Davis
Chief Executive - Commercial and Express

Matthew Swindells
Chief Operations Officer

Thinus Koeve
Chief Property and Export Officer

Lisa Ronson
Chief Marketing Officer

Kris Webb
Chief People Officer

Roger Sniezek
Chief Information and Digital Officer

David Brewster
Chief Legal Officer

Cathi Scarcce
Acting Chief Executive Liquor

Alister Jordan
Chief Executive Online and Corporate Affairs

Ian Bowring
Group Executive, Transformation

Daniella Pereira
Company Secretary

Directors’ report.
The Directors present their report on the consolidated entity consisting of Coles Group Limited (‘Coles’ or the ‘Company’) and its controlled entities at 30 June 2019 (the ‘Group’).

The information referred to below forms part of and is to be read in conjunction with this Directors’ Report:

- the Operating and Financial Review comprising the Message from the Chairman (pages 6 to 7), the Managing Director and Chief Executive Officer’s report (pages 8 to 10), Our financial and operating performance (pages 20 to 28), Looking to the future (page 29) and how we manage risk (pages 30 to 36);
- the Remuneration Report (pages 50 to 62);
- biographical details of the current Directors (pages 40 to 41) and the Company Secretary (page 46);
- Note 9.5 (Events after the reporting period) to the financial statements accompanying this report;
- Note 9.3 (Auditor’s remuneration) to the financial statements accompanying this report; and
- the auditor’s independence declaration required under section 307C of the Corporations Act 2001 (Cth) (page 49).

Directors

The Directors in office as at the date of this report were:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Period as a director during FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Graham</td>
<td>Chairman and independent, Non-executive Director</td>
<td>Appointed 19 November 2018</td>
</tr>
<tr>
<td>Steven Cain</td>
<td>Managing Director and Chief Executive Officer</td>
<td>Appointed Chief Executive Officer 17 September 2018</td>
</tr>
<tr>
<td>Jacqueline Chow</td>
<td>Independent, Non-executive Director</td>
<td>Appointed 19 November 2018</td>
</tr>
<tr>
<td>Abi Cleland</td>
<td>Independent, Non-executive Director</td>
<td>Appointed 19 November 2018</td>
</tr>
<tr>
<td>Richard Freudenstein</td>
<td>Independent, Non-executive Director</td>
<td>Appointed 19 November 2018</td>
</tr>
<tr>
<td>Wendy Stops</td>
<td>Independent, Non-executive Director</td>
<td>Appointed 19 November 2018</td>
</tr>
<tr>
<td>Zlatko Todorcevski</td>
<td>Independent, Non-executive Director</td>
<td>Appointed 19 November 2018</td>
</tr>
</tbody>
</table>

The following persons were also Directors during FY19:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position held</th>
<th>Period as a director during FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rob Scott</td>
<td>Director</td>
<td>1 July 2018 to 19 November 2018</td>
</tr>
<tr>
<td>Anthony Gianotti</td>
<td>Director</td>
<td>1 July 2018 to 19 November 2018</td>
</tr>
<tr>
<td>John Durkan</td>
<td>Director</td>
<td>1 July 2018 to 17 September 2018</td>
</tr>
<tr>
<td>Leah Weckert</td>
<td>Director</td>
<td>17 September 2018 to 19 November 2018</td>
</tr>
</tbody>
</table>

Company Secretaries

Daniella Pereira, LLB (Hons), BA

Daniella Pereira was appointed the Company Secretary of Coles Group Limited on 19 November 2018. Daniella has an extensive career in legal, governance and company secretarial, including a 14-year career with ASX-listed industrial chemicals company Incoles Pivott Limited. Daniella began her career as a lawyer with Ashurst (formerly Blake Dawson), advising on corporate transactions.

Directors’ shareholdings in Coles

Details of Directors’ shareholdings in Coles as at the date of this Directors’ Report are shown in the table below. All Directors have met the minimum shareholding requirement under the Board Charter.

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of shares held (as at 30 June 2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Graham</td>
<td>460,188</td>
</tr>
<tr>
<td>Steven Cain</td>
<td>50,000</td>
</tr>
<tr>
<td>David Cheesewright</td>
<td>20,000</td>
</tr>
<tr>
<td>Jacqueline Chow</td>
<td>20,000</td>
</tr>
<tr>
<td>Abi Cleland</td>
<td>19,816</td>
</tr>
<tr>
<td>Richard Freudenstein</td>
<td>19,000</td>
</tr>
<tr>
<td>Wendy Stops</td>
<td>20,000</td>
</tr>
<tr>
<td>Zlatko Todorcevski</td>
<td>19,000</td>
</tr>
</tbody>
</table>

These operations were previously held within a wholly-owned subsidiary of the Group, Liquorland (Qld) Pty Ltd, and its controlled entities (collectively LLQ). Under the new structure, LLQ has been converted into an incorporated joint venture company, Queensland Venue Co. Pty Ltd (QVC).

Under the new structure, Coles has rights to the economic performance of the Retail Liquor business and QVC has rights to the economic performance of Spirit Hotels.

The transaction was completed on 29 April 2019.

There were no other significant changes in the nature of the principal activities of Coles during the financial year.

State of affairs

Demerger

A significant change in the state of affairs of Coles Group Limited was its demerger from Wesfarmers during the financial year. Details of the demerger proposal were set out in the Demerger Scheme Booklet dated 5 October 2018, which was distributed to Wesfarmers shareholders. The demerger was approved by Wesfarmers shareholders on 15 November 2018.

On Wednesday 21 November 2018, Coles Group Limited listed as a separate standalone entity on the ASX. Economic separation was effective on Wednesday 29 November 2018.

To implement the demerger, changes were made to the corporate structure of Coles. In particular, ownership of Kmart, Target and OfficeWorks and associated entities (KTO) was transferred to Wesfarmers. The results of the Group for the year ended 30 June 2019 therefore include the results of the KTO businesses up until the date of transfer, being 19 November 2018. These businesses have been reported as discontinued operations in the Financial Report.

Deed of Cross Guarantee

On 17 December 2018, certain of Coles’ Australian wholly owned subsidiaries entered into a Deed of Cross Guarantees (Deed) with Coles in accordance with ASIC Corporations (Wholly-owned Companies) Instrument 2016/765 (ASIC Instrument). Under the ASIC Instrument, relief has been granted from specific accounting and financial reporting requirements. Refer to Note 74 of the financial statements on pages 90 to 91 for further information in relation to the Deed.

There were no other significant changes in the state of affairs of the Group during the year.
Review and results of operations
A review of the operations of the Group during the financial year, the results of those operations and the Group’s financial position are contained in the Operating and Financial Review (OFR), comprising the Message from the Chairman, the Managing Director and Chief Executive Officer’s report, Our financial and operating performance. Looking to the future and How we manage risk.

Business strategies and prospects for future financial years
The OFR sets out information on the business strategies and prospects for future financial years and refers to likely developments in Coles’ operations and the expected results of those operations in future financial years. Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Group. Information that could give rise to likely material detriment to the Group, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage, has not been included. Other than the information set out in the OFR, information about other likely developments in the Group’s operations and the expected results of those operations in future financial years has not been included.

Dividends
On 22 August 2019, the Directors declared a total fully franked dividend of 35.5 cents per share, comprising a final dividend of 24.0 cents per share and a special dividend of 11.5 cents per share, which covers the period from 28 November 2018 to 30 June 2019.

Environmental regulations
The activities of the Company are subject to a range of environmental regulations under the law of the Commonwealth of Australia and its states and territories. The Group is also subject to various state and local government food licensing requirements, and may be subject to environmental and town planning regulations incidental to the development of shopping centre sites.

The Group has not incurred any significant liabilities under any environmental legislation during the financial year.

The Group has introduced a range of initiatives to make a positive difference on waste and recycling, resource efficiency and responsible and ethical sourcing. More specific details about our sustainability initiatives and performance can be found in the 2019 Sustainability Report.

Indemnification and insurance of officers
The Company’s Constitution requires the Company to indemnify any person who, or has been, an officer of the Company, including the Directors, the Company Secretary and other executive officers, against the liabilities incurred whilst acting as such officers to the extent permitted by law.

In accordance with the Company’s Constitution, the Company has entered into a Deed of Indemnity, Insurance and Access with each of the Company’s Directors, Company Secretary, Chief Financial Officer and certain executives. No Director or officer of the Company has received benefits under an indemnity from the Company during or since the end of the financial year.

The Company has paid a premium in respect of a contract insurance current and former directors, company secretaries and executives of the Company and its subsidiaries against liability that they may incur as an officer of the Company, including liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with certain exceptions. It is a condition of the insurance contract that no details of the premiums payable or the nature of the liabilities insured are disclosed.

Indemnification of Auditors
Pursuant to the terms of engagement, Coles has with its auditors, Ernst and Young (EY), Coles has agreed to indemnify EY to the extent permitted by law and professional regulations, against any losses, liabilities, costs or expenses incurred by EY where they arise out of or occur in relation to any negligent, wrongful or wilful act or omission by Coles. No payment has been made to EY by Coles pursuant to this indemnity, either during or since the end of the financial year.

Non-audit services and Auditor’s independence
Details of the non-audit services undertaken by, and amounts paid to EY are detailed in Note 9 to the financial statements in section 9. The Board is satisfied that the provision of non-audit services during the year by the Auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 (Cth) for the following reasons:

• all non-audit services provided by EY were reviewed and approved to ensure they do not impact the integrity and objectivity of the Auditor; and

• the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the Auditor’s own work, acting in a management or decision making capacity, acting as an advocate of the Company or jointly sharing risks or rewards.

A copy of the Auditor’s independence declaration is contained on page 49 and forms part of this report.

Proceedings on behalf of Coles
No application has been made under section 237 of the Corporations Act 2001 (Cth) in respect of Coles, and there are no proceedings that the Company is a party to in its own right.

Rounding
The amounts shown in this report and in the financial statements have been rounded off, except where otherwise stated, to the nearest one hundred thousand dollars, with the Company being in a class specified in the ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2006/97.

Signed on behalf of the Board in accordance with a resolution of the Directors of the Company.

James Graham AM
Chairman
20 September 2019

Steven Cain
Managing Director and Chief Executive Officer
20 September 2019

Auditor’s Independence Declaration to the Directors of Coles Group Limited
As lead auditor for the audit of the financial report of Coles Group Limited for the financial year ended 30 June 2019, I declare 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 Coles Group Limited and the entities it controlled during the financial year.

Ernst & Young
Fiona Campbell
Partner
20 September 2019

Fiona Campbell
Partner
Dear shareholder,

On behalf of the Board, I am pleased to present to you the inaugural Remuneration Report for Coles. The Remuneration Report provides you with information on the remuneration arrangements for our Key Management Personnel (KMP) which include the Managing Director and Chief Executive Officer (Managing Director and CEO), Other Executive KMP and Non-executive Directors of the Company.

A year of transition

As FY19 was a year of significant transition for Coles, we have outlined the remuneration framework that was in place for FY19, the remuneration outcomes for FY19 and a summary of the changes to the KMP remuneration arrangements that we propose to make for future years.

The remuneration arrangements put in place by Wesfarmers for FY19 were intended to be transitional only. The remuneration structure for our Executive KMP at the time of demerger reflected a material change from prior years, provided much needed stability and focused our leadership team on the task at hand to support our successful demerger.

Outcomes for FY19

For the purposes of calculating short-term incentive awards for Executive KMP, the Board assessed performance against a number of metrics including EBIT, safety, team member engagement and other key strategic measures that set the foundation for strong growth as a newly listed public company. Statutory EBIT performance (pre-Significant Items) for the Group was below that set the foundation for strong growth as a newly listed public company. In a strong display of leadership across a year of such significant change, this had a material impact on the overall STI performance (pre-Significant Items) for the Group was below that set the foundation for strong growth as a newly listed public company.

Statutory EBIT performance (pre-Significant Items) for the Group was below that set the foundation for strong growth as a newly listed public company.

In doing so, we recognise that our remuneration framework needs to support sustainable short and long term performance for Coles and outcomes for our shareholders as we put in place a new strategy to transform the business. We know that we will need a market competitive framework to attract the best talent to help us do this. We also understand that the external environment in which we operate is changing - with heightened community, regulatory and shareholder expectations of executive remuneration.

We have developed principles to guide future decision in relation to remuneration at Coles. The market competitive, performance-based, create long-term value for shareholders, and be fit-for-purpose.

Our new framework for FY20, which applies to the Managing Director and CEO and all of his executive-level direct reports, is a step towards achieving this. Our new remuneration framework, outlined in section 5 of this report, will include a change to how we assess short-term performance and achieve a greater focus on performance-based pay through the removal of restricted shares as a long-term incentive vehicle. The Board is also of the belief that encouraging executives to build their own shareholdings in Coles will drive alignment between executives and shareholders. As such, equity will be a greater feature from FY20, with the introduction of a deferral into equity for the short-term incentive plan and minimum shareholding guidelines for the Managing Director and CEO, and all of his executive-level direct reports.

As a Board, we believe this new remuneration framework is a true enabler of our strategy, and delivers on the expectations of you, our shareholders.

Looking to the future

While the FY19 remuneration arrangements were appropriate for supporting Coles transition as a separate listed company, as a newly formed People and Culture Committee, we have spent considerable time and effort this year considering what a fresh, fit-for-purpose remuneration framework for a successful Coles looks like.

In this Remuneration Report, Executive KMP includes the Managing Director and CEO, and all other executives considered to be KMP. References to ‘Other Executive KMP’ mean the Executive KMP excluding the Managing Director and CEO.

Richard Freudenstein
Chair of the People and Culture Committee

Structure of this report

The Remuneration Report is divided into the following sections:

Section Page No.
(1) Key Management Personnel 51
(2) Remuneration governance 52
(3) FY19 remuneration policy and incentive overview 53
(4) FY19 Executive KMP remuneration outcomes 54
(5) FY20 Executive KMP remuneration framework 55
(6) FY20 Non-executive Director remuneration 57

Executive KMP

- name Position held Period as KMP during FY19
  - Steven Cain Chief Executive Officer From 17 September 2018
  - James Graham Chairman and Non-executive Director From 19 November 2018
  - Zlatko Todorcevski Non-executive Director From 19 November 2018
  - Jacqueline Chow Non-executive Director From 19 November 2018
  - Mr Scott and Mr Gianotti are considered KMP as they were Directors of Coles during the pre and post demerger periods, the focus of this Remuneration Report is on the remuneration arrangements of Coles as a separately listed entity post demerger, including Coles’ remuneration policy, opportunities and components that will apply with effect from FY20.

Introduction

The Directors of Coles Group Limited (‘Coles’ or the ‘Company’) present the Remuneration Report (‘Report’) for the Company and its controlled entities (collectively, the ‘Group’) for the financial year ended 30 June 2019 (‘FY19’). This Report forms part of the Directors’ Report. For FY19, the Remuneration Report covers in accordance with section 300A of the Corporations Act 2001 (Cth) is and is audited.

This is Coles’ first Remuneration Report as a newly listed public company following our demerger from Wesfarmers Limited (‘Wesfarmers’). On 15 November 2018, shareholders of Wesfarmers approved the demerger of Coles. On 29 November 2018, Coles shares commenced trading on the ASX on a deferred settlement basis. Effectively 28 November 2018, the demerger was completed, and Coles ceased to be a wholly owned subsidiary of Wesfarmers.

This Remuneration Report therefore covers two periods:

- the pre demerger period from 1 July 2018 to 27 November 2018; and
- the post demerger period from 28 November 2018 to 30 June 2019.

While this Remuneration Report covers both the pre and post demerger periods, the focus of this Remuneration Report is on the remuneration arrangements of Coles as a separately listed entity post demerger, including Coles’ remuneration policy, opportunities and components that will apply with effect from FY20.

Coles is required to prepare a Remuneration Report in respect of the Group’s KMP, being the people who have the authority and responsibility for planning, directing and controlling the Group’s activities, either directly or indirectly, including any Director. For FY19, the Remuneration Report covers the full financial year (pre and post demerger) and captures any individuals who were Coles KMP during this period.

In this Remuneration Report, ‘Executive KMP’ includes the Managing Director and CEO, and all other executives considered to be KMP. References to ‘Other Executive KMP’ mean the Executive KMP excluding the Managing Director and CEO.

Table 1 sets out the details of those persons who were considered KMP of the Coles Group during FY19.

Table 1: Non-executive Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position held</th>
<th>Period as KMP during FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Graham</td>
<td>Chairman and Non-executive Director</td>
<td>From 19 November 2018</td>
</tr>
<tr>
<td>Zlatko Todorcevski</td>
<td>Non-executive Director</td>
<td>From 19 November 2018</td>
</tr>
<tr>
<td>Jacqueline Chow</td>
<td>Non-executive Director</td>
<td>From 19 November 2018</td>
</tr>
<tr>
<td>Mr Davis</td>
<td>Non-executive Director</td>
<td>From 15 November 2018</td>
</tr>
<tr>
<td>Richard Freudenstein</td>
<td>Non-executive Director</td>
<td>From 19 November 2018</td>
</tr>
<tr>
<td>Wendy Stops</td>
<td>Non-executive Director</td>
<td>From 19 November 2018</td>
</tr>
<tr>
<td>John Durkan</td>
<td>Non-executive Director</td>
<td>From 17 September 2018</td>
</tr>
<tr>
<td>James Graham</td>
<td>Chairman and Non-executive Director</td>
<td>From 19 November 2018</td>
</tr>
<tr>
<td>Rob Scott</td>
<td>Chairman of Coles</td>
<td>Between 1 July 2018 - 19 November 2018</td>
</tr>
<tr>
<td>Anthony Gardner</td>
<td>Director of Coles</td>
<td>Between 1 July 2018 - 19 November 2018</td>
</tr>
<tr>
<td>John Durkan</td>
<td>Director of Coles</td>
<td>Between 1 July 2018 - 19 November 2018</td>
</tr>
<tr>
<td>John Durkan</td>
<td>Chief Executive Officer</td>
<td>From 20 November 2018</td>
</tr>
</tbody>
</table>

For the purposes of calculating short-term incentive awards for Executive KMP, the Board assessed performance against a number of metrics including EBIT, safety, team member engagement and other key strategic measures that set the foundation for strong growth as a newly listed public company.
Section 2: Remuneration governance

2.1 Governance framework

The diagram below provides an overview of the remuneration governance framework that has been established by Coles. Further information regarding the membership and meetings of the People and Culture Committee is provided on page 47 of this Annual Report.

2.2 Corporate governance policies related to remuneration

2.2.1 Securities Dealing Policy

Coles has adopted a Securities Dealing Policy that applies to all Coles board members including Non-executive Directors and Executive KMP and their connected persons, as defined within the policy. This policy has been introduced to ensure compliance with insider trading laws, to protect the reputation of the Group, maintain confidence in trading in Coles securities, and prohibit specific types of transactions being made which are not appropriate for Coles as a newly listed public company. Further details of the policy can be found in section 2 of the Coles Group Limited 2019 Annual Report.

2.2.2 Minimum Shareholding Policy

To build strong alignment between KMP and our shareholders, Coles has established a Minimum Shareholding Policy. The policy requires both Executive KMP and Non-executive Directors to build and maintain a significant shareholding in Coles.

Executive KMP

Each Executive KMP is required to achieve a minimum shareholding equivalent to 100% of total fixed compensation (TFC) by the later of five years from the date they commence, or five years from the introduction of the policy on 1 July 2019.

In addition to Executive KMP, this policy also applies to all other executive-level direct reports to the Managing Director and CEO.

Non-executive Directors

Each Non-executive Director is required to hold at least 100 ordinary shares in the Company within six months of their appointment. The shares may be held by a Non-executive Director either in his or her own name, or indirectly in the name of either an entity controlled by the Non-executive Director or a closely related party. As at the date of this Remuneration Report, each Non-executive Director meets this requirement.

Within five years of appointment, each Non-executive Director is expected to increase his or her shareholding to an amount equivalent to 100% of their ordinary base fee at that time.

Section 3: Remuneration policy and structure overview

3.1 Remuneration policy for FY19

The FY19 remuneration policy for Coles reflects arrangements that were put in place by Wesfarmers pre demerger and the remuneration principles applicable for FY19 are outlined in the diagram under section 3.2. The Demerger Scheme Booklet noted that the Coles Board was committed to reviewing executive remuneration in FY19 to ensure that it continued to be appropriate for Coles as a newly listed public company. Further details of the proposed changes for FY20 are outlined in section 5.

During FY19, to support the transition of our business through the demerger, we followed three remuneration principles:

- Reward for sustained business performance
- Minimise change from established remuneration framework
- Retention of key talent (during a period of significant change)

To drive this, we delivered remuneration through five key elements:

<table>
<thead>
<tr>
<th>Fixed elements</th>
<th>Variable elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>How it is delivered</td>
<td>How it works</td>
</tr>
<tr>
<td>• Total Fixed Compensation (TFC)</td>
<td>• Equity</td>
</tr>
<tr>
<td>• Restricted Shares (RS)</td>
<td>• Cash</td>
</tr>
</tbody>
</table>

The Board

The Board maintains overall accountability for oversight of the Group’s remuneration policies. Specifically, the Board approves all remuneration and benefits arrangements as they relate to the Managing Director and CEO, and executive-level direct reports to the Managing Director and CEO. The Board also has the power to delegate any of its duties to the People and Culture Committee and the remuneration arrangements for Non-executive Directors.

People and Culture Committee

The role of the Committee is to advise the Board in fulfilling its responsibilities to shareholders and regulators in relation to the Group’s remuneration policies. The Committee does this by reviewing and making recommendations to the Board on matters including (but not limited to):

- remuneration arrangements of Non-executive Directors, Managing Director and CEO and executive-level direct reports to the Managing Director and CEO
- annual performance reviews of the Managing Director and CEO and executive-level direct reports to the Managing Director and CEO
- remuneration outcomes for the Managing Director and CEO and executive-level direct reports to the Managing Director and CEO
- delegating power for the operation and administration of all Group (executive and equity plans to management (as appropriate).

External advisors

The People and Culture Committee may seek advice from independent remuneration consultants in determining appropriate remuneration policies for the Group, and specifically remuneration arrangements for the Managing Director and CEO, and executive-level direct reports to the Managing Director and CEO.

Management

Management makes recommendations to the People and Culture Committee on matters including (but not limited to):

- remuneration arrangements of executive-level direct reports to the Managing Director and CEO, including the establishment of any new, or amendment to the terms of any existing, incentive and equity plans
- annual performance review of executive-level direct reports to the Managing Director and CEO
- changes to the Group’s remuneration policies

2.2.3 Securities Dealing Policy

Coles has adopted a Securities Dealing Policy that applies to all Coles board members including Non-executive Directors and Executive KMP and their connected persons, as defined within the policy. This policy has been introduced to ensure compliance with insider trading laws, to protect the reputation of the Group, maintain confidence in trading in Coles securities, and prohibit specific types of transactions being made which are not appropriate for Coles as a newly listed public company. Further details of the policy can be found in section 2 of the Coles Group Limited 2019 Annual Report.
4.3 Company performance

This section of the report provides an overview of how the Company’s performance for FY19 has driven remuneration outcomes for our Executive KMP.

Coles’ remuneration framework has been designed to reward Executive KMP for their contribution to the collective performance of Coles and to support the alignment between the remuneration of Executive KMP and shareholder returns.

Table 3 summarises key indicators of the performance of Coles and relevant shareholder returns over FY19.

As Coles only listed on the ASX on 21 November 2018, it is not possible to address the statutory requirement that Coles provides a five-year discussion of the link between Company performance and remuneration. This table will be expanded in future years to provide comparative metrics for the financial years in which Coles is listed.

Table 3

<table>
<thead>
<tr>
<th>Financial Summary for year ended 30 June</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings before interest and tax (EBIT)</td>
<td>$1,466.7m</td>
</tr>
<tr>
<td>Return on capital employed (%)</td>
<td>36.0%</td>
</tr>
<tr>
<td>Dividends paid per ordinary share (cents)*</td>
<td>42</td>
</tr>
<tr>
<td>Closing share price (as at 30 June)*</td>
<td>$13.35</td>
</tr>
<tr>
<td>Total shareholder returns (TSR) (%)</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

*EBIT is calculated on a statutory basis. ROCE is EBIT divided by capital employed. Capital employed is calculated on a six-month rolling average basis.

1. Company performance

For FY19, the STI for Other Executive KMP was calculated using two key performance factors, one based on Company performance, and one based on individual performance.

1. Company performance

The Company performance is based on a scorecard with four key performance categories, Financial, Safety, People, and a Discretionary Financial component, allowing the Board the flexibility to adjust a small portion of the scorecard (either downward or upward) to deliver appropriate outcomes.

The STI award calculation for Other Executive KMP is demonstrated in the diagram below. The Board retains ultimate discretion to adjust the Company performance component, the individual performance component, or the overall STI outcome to ensure outcomes remain appropriate. This includes considering compliance with Company policies and governance requirements.

4.3 Short-term incentive (STI) (continued)

For FY19, the STI for Other Executive KMP was calculated using two key performance factors, one based on Company performance, and one based on individual performance.

1. Company performance

For CFO, the STI calculation is based on Company performance over the four-year period ending 30 June 2019. The scorecard is a balanced set of metrics that align with the Company’s strategy, and is designed to reward and retain CFO for driving strong earnings through the business cycle, which aligns with shareholder interests.

2. Individual performance

For CFO, the individual performance is based on the performance rating assessment for each Executive KMP. Performance ratings are determined based on both the achievement of strategy aligned objectives within the Other Executive KMP direct area of influence, and the way those outcomes were delivered.

FY19 Company Performance Scorecard

Table 5 provides an overview of the specific performance metrics included within the FY19 Company Performance Scorecard, and the actual performance achieved against each metric.

Table 5

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Weighting</th>
<th>Rationale for Performance Metric</th>
<th>Outcome</th>
<th>Summary of Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial earnings before interest and tax (EBIT)</td>
<td>40%</td>
<td>EBIT aligns STI awards with Coles’ focus on delivering strong earnings through the business cycle, which aligns with shareholder interests.</td>
<td>Between threshold and target</td>
<td>Statutory EBIT decreased by 58%, with an increase in Supermarkets (17%) and Liquor (21%) offset by declines in Express (72%) and higher corporate costs associated with Coles being a separately listed entity.</td>
</tr>
<tr>
<td>Safety: Total recordable injury frequency rate (TRIFR)</td>
<td>30%</td>
<td>Coles is committed to reinforcing a strong safety culture and improving safety leadership. This metric measures a focus on safety performance, as measured by TRIFR, to prevent serious injuries.</td>
<td>Above target</td>
<td>The total number of recordable injuries decreased by more than 70% compared to the prior year – a 20.3% improvement in TRIFR.</td>
</tr>
<tr>
<td>People: Engagement</td>
<td>15%</td>
<td>People are the core of Coles’ success. Engagement measures the level of connection, motivation and commitment our team members feel for Coles and our Company result in the mypy engagement survey.</td>
<td>Above target</td>
<td>Team engagement increased by 2 percentage points compared to the prior year’s survey.</td>
</tr>
<tr>
<td>Individual strategic metrics</td>
<td>20%</td>
<td>A number of strategic metrics and measures determine the individual performance and effectiveness of the Managing Director and CEO as assessed by the Board.</td>
<td>Majority fully achieved</td>
<td>The Board assessed each strategic metric and the achievements delivered during FY19, and determined the Managing Director and CEO met or exceeded the targeted performance for most metrics.</td>
</tr>
</tbody>
</table>

Table 6

<table>
<thead>
<tr>
<th>Name</th>
<th>STI (Maximum Opportunity)*</th>
<th>STI Target (Opportunity)</th>
<th>STI Awarded (FY19) ($)</th>
<th>STI Awarded (% of TFC)</th>
<th>STI Perfected (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven Cain</td>
<td>36.0% of TFC</td>
<td>47.5% of TFC</td>
<td>$822,214</td>
<td>52.0%</td>
<td>58.5%</td>
</tr>
<tr>
<td>Greg Batin</td>
<td>50.0% of TFC</td>
<td>60.0% of TFC</td>
<td>$942,940</td>
<td>45.4%</td>
<td>62.0%</td>
</tr>
</tbody>
</table>

*The STI Awarded and STI Perfected amounts are calculated based on the actual performance achieved against the STI targets.

**The STI Target Opportunity is the maximum opportunity available for the STI award.

At the conclusion of FY19, the Board assessed the Company’s performance against the scorecard and the individual performance of each Executive KMP to determine any STI award outcome payable based on this assessment.

Details of the Executive KMP STI opportunity and actual payments received for FY19 are provided in Table 6.

The Board awarded full achievement of this metric due to strong performance in supermarkets, rest of the business being lower, and the strategic investments in Safety, People, and Corporate Affairs, as well as commercial transactions for the total business and Fuel Energy Alliance.
Terms of the FY19 STI

Short-term incentive (STI) offer

What was the Performance Period?
1 July 2018 – 30 June 2019

What were the performance conditions?
For the Managing Director and CEO, the STI award was calculated using a balanced scorecard that includes both Company and individual metrics.
For other Executive KMP, two key performance factors were used:
2. Individual performance rating.
See above for further details.

How were the conditions assessed?
Performance against the Company Group Performance Scorecard and Managing Director and CEO Scorecard was assessed by the Board on the Company’s annual audited results and financial statements and other data provided to the Board.
For the individual performance of the Managing Director and CEO, the Board, upon recommendation of the People and Culture Committee, determined the assessment of the Managing Director and CEO’s individual performance.
For other Executive KMP, the Board, upon recommendation of the People and Culture Committee and Managing Director and CEO, determined their individual performance rating.
The methods adopted to assess performance were chosen as the Board believes they are the most appropriate way to assess the true financial performance of the Company, the Executive KMP’s individual contribution and determine remuneration outcomes.

When was the FY19 STI award paid?
15 September 2019

What happens if an Executive KMP left the organisation?
In the event of resignation or dismissal for cause or significant underperformance, no STI award will be paid to the Executive KMP, an STI award would be calculated up to the last day of their employment. Any such STI award would have been paid in September 2019 if an Executive KMP had left prior to 1 April 2019 due to retirement, redundancy, permanent disability, or death, they may have been eligible for the STI award calculated up to the last day of their employment.

Can the Board amend the STI program?

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Can the Board amend the STI program?
4.6 Transition awards

Wesfarmers put in place a number of transition arrangements for certain Coles executives. These arrangements are temporary and will not be replicated post demerger. The transition arrangements are outlined below.

Managing Director and CEO

As part of Mr Cain’s employment agreement with Wesfarmers, he agreed to compensate Mr Cain for short and long term incentives that were forfeited or forgone with his prior employer, due to his acceptance of the role with Coles.

As disclosed in the Demerger Scheme Booklet, the maximum cash amount of compensation payable to Mr Cain is $13,900,000. This amount has been structured into three tranches: 1. $900,000, which was paid by Coles on 4 December 2018; 2. $1,500,000, which was paid by Coles on 28 December 2018; 3. $1,500,000, which will be paid by Coles at the end of December 2019.

In order to receive the final instalment (tranche 3), on the date of payment, Mr Cain must not have terminated his resignation or been dismissed for cause. The payments made at the end of December 2018 and December 2019 are subject to clawback (for example, where there is a material misstatement in, or omission from, the Company’s financial statements or as a result of fraud, dishonesty or breach of obligations) for a period of two years from the date of payment.

Table 7

<table>
<thead>
<tr>
<th>Short-term</th>
<th>Long-term</th>
<th>Post employment</th>
<th>Value of share-based payments*</th>
</tr>
</thead>
<tbody>
<tr>
<td>BASE SALARY</td>
<td>OTHER BENEFITS</td>
<td>CASH STI</td>
<td>SUPERANNUATION BENEFITS</td>
</tr>
<tr>
<td>BENEFITS</td>
<td>SHARE-BASED PAYMENTS</td>
<td>TOTAL COMPENSATION</td>
<td></td>
</tr>
<tr>
<td>Current Executive KMP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steven Cain</td>
<td>2019</td>
<td>$1,687,513</td>
<td>$2,403,010</td>
</tr>
<tr>
<td>Leah Wickett</td>
<td>2019</td>
<td>$525,574</td>
<td>$70,235</td>
</tr>
<tr>
<td>Greg Davis</td>
<td>2019</td>
<td>$410,003</td>
<td>$58,607</td>
</tr>
<tr>
<td>Former KMP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>John Durkan</td>
<td>2019</td>
<td>$497,563</td>
<td>$6,5012</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$3,414,957</td>
<td>$3,751,433</td>
</tr>
</tbody>
</table>

*Other benefits include costs associated with employment (including any applicable fringe benefits) not including awards noted under section 4.4.

The figures in this column for share-based payments represent share-based awards that are not actually vested in favour of the Executive KMP in the financial period presented (the exception of Mr Durkan, see footnote 5). The amounts represent the accounting fair value of the grants of Restricted Shares, Performance Shares, and legacy Wesfarmers share awards allocated to Ms Weckert and Mr Davis prior to the demerger pursuant to Wesfarmers share plans, which Ms Weckert and Mr Davis received as Wesfarmers employees and are being expensed over the relevant performance period, in accordance with the Accounting Standards the accounting fair value of the grants is recognized proportionally over the grant’s performance period. Refer to sections 4.4 and 4.5 for further details of the grants, their performance conditions and performance periods. If the performance conditions are not met, the Executive KMP will not be entitled to the shares.

Wesfarmers remuneration received as Coles KMP (FY 2019) 12 September 2019. Total base salary received by Ms Wickett for FY19 was $605,877. Prior to the demerger, Ms Weckert participated in the 2015, 2016 and 2017 Wesfarmers Employee Share Acquisition Plan (WESAP) and was granted a total of 50,250 Wesfarmers Restricted Shares subject to service conditions and 6,842 Wesfarmers Performance Shares subject to service and performance conditions. On 26 November 2018, 11,951 Wesfarmers Restricted Shares granted under the 2015 WESAP were released from holding lock in, $1,800,000 Wesfarmers Restricted Shares granted under the 2016 WESAP are eligible to be released from holding lock on or around November 2019 and 6,842 Wesfarmers Performance Shares granted under the 2017 WESAP are eligible to vest and be released from holding lock on or around December 2020.

Wesfarmers remuneration received as Executive KMP on 26 September 2019. Total base salary received by Mr Davis for FY19 was $765,254. Prior to the demerger, Mr Davis participated in the 2015, 2016 and 2017 Wesfarmers Employee Share Acquisition Plan (WESAP) and was granted a total of 26,146 Wesfarmers Restricted Shares subject to service conditions and 2,649 Wesfarmers Performance Shares subject to service and performance conditions. On 26 November 2018, 6,057 Wesfarmers Restricted Shares and 2,649 Wesfarmers Performance Shares granted under the 2015 WESAP are vested and were released from holding lock, 1,947 Wesfarmers Restricted Shares granted under the 2016 WESAP are vested and be released from holding lock on or around November 2019 and 2,649 Wesfarmers Restricted Shares and 6,842 Wesfarmers Performance Shares granted under the 2017 WESAP are eligible to vest and be released from holding lock on or around December 2020.

Mr Durkan was a Director of Coles in FY19 from 1 July 2018 until 17 September 2019 (during the pre demerger period). The value of share-based payments disclosed in Table 6 refers to Wesfarmers Performance Shares, Wesfarmers Restricted Shares and Wesfarmers Performance Shares received by Mr Durkan pre demerger under the Wesfarmers 2015 and 2017 by Executive Equity Performance Plan and the 2015 Wesfarmers Long-Term Incentive Plan and are subject to the satisfaction of vesting conditions. Refer to the Coles Remuneration Report for further details.

4.7 Summary of remuneration received by Executive KMP

Table 7 details the nature and amount of each element of remuneration of the Executive KMP. There were no transactions or loans between Executive KMP and the Company or any of its subsidiaries during FY19.

Table 8

<table>
<thead>
<tr>
<th>NAME AND HOLDING</th>
<th>BALANCE OF SHARES HELD AT 1. JULY 2019</th>
<th>SHARES ACQUIRED THROUGH DEMERGER</th>
<th>SHARES ACQUIRED AS RESULT OF INCREASED CAPITALISING RESERVES DURING THE YEAR IN CAPITAL</th>
<th>OTHER CHANGES DURING THE YEAR</th>
<th>CLOSING BALANCE AT 30 JUNE 2020</th>
<th>ACCOUNTING FAIR VALUE OF SHARE AT VESTING DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven Cain</td>
<td>Coles Ordinary Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,000</td>
<td>$30,000</td>
</tr>
<tr>
<td></td>
<td>Coles Restricted Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$65,007</td>
<td>$65,007</td>
</tr>
<tr>
<td></td>
<td>Coles Performance Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$65,007</td>
<td>$65,007</td>
</tr>
<tr>
<td>Leah Wickett</td>
<td>Coles Ordinary Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,107</td>
<td>$37,053</td>
</tr>
<tr>
<td></td>
<td>Coles Restricted Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$65,007</td>
<td>$65,007</td>
</tr>
<tr>
<td></td>
<td>Coles Performance Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$65,007</td>
<td>$65,007</td>
</tr>
<tr>
<td>Greg Davis</td>
<td>Coles Ordinary Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23,445</td>
<td>$71,335</td>
</tr>
<tr>
<td></td>
<td>Coles Restricted Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>32,402</td>
<td>$97,303</td>
</tr>
<tr>
<td></td>
<td>Coles Performance Shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>32,402</td>
<td>$97,303</td>
</tr>
</tbody>
</table>

*No shareholdings were held nominally by the Executive KMP or their related parties as at 30 June 2019.

**The fair value of Restricted Shares and Performance Shares is an estimate of the total value of grants in future financial years. Restricted Shares and Performance Shares are subject to the satisfaction of conditions and therefore the minimum total value of the awards in future financial years is nil.

Restricted Shares acquired through demerger are only subject to a holding lock until Mr Weckert and Mr Davis remain employed by Coles, or until the date the Wesfarmers shares, that these Coles shares were allocated as a result of vest, whichever date is earlier.

**Includes shares purchased and sold on-market.

**Mr Durkan was a Director of Coles in FY19 from 1 July 2018 until 17 September 2019 (during the pre demerger period). The value of share-based payments disclosed in Table 7 refers to Wesfarmers Performance Shares, Wesfarmers Restricted Shares and Wesfarmers Performance Shares received by Mr Durkan pre demerger under the Wesfarmers 2015 and 2017 by Executive Equity Performance Plan and the 2015 Wesfarmers Long-Term Incentive Plan and are subject to the satisfaction of vesting conditions. Refer to the Coles Remuneration Report for further details.

4.8 Summary of Executive KMP shareholding

Table 8 shows the movements of Coles ordinary shares, Restricted Shares and Performance Shares, held directly, indirectly or beneficially, by each Executive KMP, including their related parties during FY19.

Table 9
Section 5: FY20 Executive KMP remuneration framework

Following completion of the demerger and as part of our commitment to ensuring a remuneration framework which is fit-for-purpose for Coles into the future, new remuneration principles have been developed during the year. We have developed these principles to guide future decisions in relation to remuneration at Coles: be market competitive, be performance-based, create long-term value for shareholders, and be fit-for-purpose.

As a newly listed entity, we have developed our business strategy to enable Coles to ‘win in our second century’. The People and Culture Committee and the Board have spent a significant amount of time and effort considering the most appropriate remuneration framework to support the delivery of this new strategy, and to enable the business culture we want to create. This process included consultation with external stakeholders, including the proxy advisor community and working with subject matter experts in KPMG and Mercer, to help inform our final position.

Market competitive
Retail is a globally competitive industry. We need to be able to attract, motivate and retain high calibre executives in both the local and global talent market.

Performance-based
A strong link to performance-based pay to support the achievement of strategy aligned short, medium and long-term financial targets.

Creates long-term value for shareholders
Ensuring there is a common interest between executives and shareholders by aligning reward to the achievement of sustainable shareholder returns.

Fit-for-purpose
Designed to be relevant to how Coles operates. It needs to be simple to articulate, drive the right behaviours and ensure we deliver on our strategy.

Aligned to our guiding principles, our new remuneration framework for FY20:

- Is market competitive, but does not lead the market.
- Is better aligned to Company and individual performance outcomes.
- Is better aligned with shareholders through more focus on equity.
- Is fit-for-purpose for Coles, aligned to our new strategy.

The FY20 framework is more heavily focused on performance-based pay delivered through equity awards. Under the terms of his appointment, the Managing Director and CEO was contractually entitled to an LTI award for FY20 equal to 150% of TFC. With the shift to greater performance-based pay under the FY20 framework, the Company will instead provide the Managing Director and CEO with an LTI opportunity for FY20 which is equal to 170% of TFC and remove the time-based Restricted Share arrangements which applied in FY19. This results in a shift from 51% of the Managing Director and CEO’s overall remuneration package being performance-based in FY19, to 78% in FY20. The People and Culture Committee considers the new levels of ‘at risk’ remuneration to be appropriate, when balanced with the performance conditions to be met, and believes the overall framework is appropriately aligned to our new strategy and the interests of our shareholders.

<table>
<thead>
<tr>
<th>Component</th>
<th>FY19</th>
<th>FY20 (Change)</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market Positioning and Determined Comparator Group</td>
<td>50th Percentile against the ASX 100 and performance to local and international retailers.</td>
<td>50th Percentile against the ASX 10-40 and performance to local and international retailers.</td>
<td>A more focused comparator group, and relative positioning against that comparator group, that better aligns with the size of the Group and will include the organisations we compete with most for talent.</td>
</tr>
<tr>
<td>Short-term incentive</td>
<td>Structure</td>
<td>Company and Individual Performance components</td>
<td>Balanced Scorecard (20% Financial; 40% Strategic and 40% Non-financial metrics)</td>
</tr>
<tr>
<td>Opportunity</td>
<td>Target amount: 60% of TFC</td>
<td>Target amount: 70% of TFC</td>
<td>New target opportunity requires the deferral of a portion into equity and is appropriately benchmarked across the ASX 10-40.</td>
</tr>
<tr>
<td>Delivery</td>
<td>100% Cash</td>
<td>No Deferral</td>
<td>Managing Director and CEO: 50% Cash and 50% Deferral into equity (5-year deferral); Other Executive KMP: 75% Cash and 25% Deferral into equity (5-year deferral);</td>
</tr>
<tr>
<td>Restricted Shares</td>
<td>Opportunity</td>
<td>Managing Director and CEO: 50% of TFC; Other Executive KMP: 50% of TFC;</td>
<td>NIL – no offer for FY20; (reflected increased performance-based LTI)</td>
</tr>
<tr>
<td>Long-term incentive</td>
<td>Opportunity</td>
<td>Managing Director and CEO: 50% of TFC; Other Executive KMP: 50% of TFC;</td>
<td>Coles is committed to delivering long-term value for shareholders. To support the strategy a greater shift to long-term performance-based pay has been made. The overall quantum of the LTI award has been benchmarked against the ASX 10-40 and the Board believes this quantum appropriately recognises a transition from the FY19 structure, specified by the removal of Restricted Shares (which were not subject to performance conditions).</td>
</tr>
<tr>
<td>Delivery</td>
<td>Performance Shares</td>
<td>Performance rights allocated at face value</td>
<td>Performance rights are considered the most widely used instrument for STI programs across the ASX 100. With the use of performance rights Executive KMP do not receive an entitlement to a Coles share until the vesting conditions are satisfied.</td>
</tr>
<tr>
<td>Performance Conditions</td>
<td>Performance Shares</td>
<td>Performance Shares</td>
<td></td>
</tr>
<tr>
<td>Treatment of Dividends</td>
<td>Dividends held in escrow on behalf of the participant with funds released to the extent that the underlying shares vest.</td>
<td>Dividend equivalent payment in the form of additional shares provided on vesting.</td>
<td>This approach is to ensure Executive KMP continue to receive a similar benefit in the transition from Performance Shares to performance rights.</td>
</tr>
</tbody>
</table>

Other
Minimum Shareholding Policy
Applicable to Non-executive Directors only: 1,000 shares within 6 months from appointment. Holding equivalent to 100% of base fees within 5 years.

Applicable to both Non-executive Directors (no change) and Executive KMP:
For Executive KMP 100% of TFC within 5 years from the date they commence serving as KMP or commencement of policy.

Coles considers the accumulation of shares in the Company by both Non-executive Directors and Executive KMP will drive an increase in the alignment between those individuals and the shareholders of our Company.
Section 6: FY19 Non-executive Director remuneration

6.1 Non-executive Director remuneration framework

Non-executive Director remuneration is designed to ensure that the Company can attract and retain suitably qualified and experienced Non-executive Directors.

Non-executive Directors receive a base fee for their services as a director of the Company, and other than the Chairman, an additional fee for membership of, or for chairing a Board committee. To maintain the independence of directors, Non-executive Directors do not receive shares or any performance-related incentives as part of their remuneration from the Company. A minimum shareholding policy applies to Non-executive Directors (see section 2.2.2).

Non-executive Directors are reimbursed for travel and other expenses reasonably incurred when attending meetings of the Board or conducting the business of the Company.

The People and Culture Committee reviews and makes recommendations to the Board with respect to Non-executive Directors’ fees and Board committee fees.

6.2 Current Non-executive Director remuneration policy

The Non-executive Director remuneration policy enables the Company to attract and retain high-quality directors with relevant experience. The remuneration policy is reviewed annually by the People and Culture Committee. Non-executive Director fees are set after consideration of fees paid by companies of comparable size, complexity, industry, and geography and reflect the qualifications and experience necessary to discharge the Board’s responsibilities.

The current Non-executive Director aggregate fee limit is $3,600,000 and reflects the qualifications and experience necessary to discharge the Board’s responsibilities.

6.3 FY19 Non-executive Director remuneration

6.3.1 Directors considered KMP in the pre demerger period

During the pre demerger period, Rob Scott and Anthony Gianotti (as MD and CEO and CFO of Wesfarmers respectively) both acted as Directors of Coles. Mr Scott and Mr Gianotti received remuneration from Wesfarmers in their capacity as executives of Wesfarmers and did not receive remuneration in their capacity as Directors of Coles. For this reason, no remuneration details have been disclosed for Mr Scott or Mr Gianotti in Table 11 below.

Their role as Directors of Coles ceased on 19 November 2018. Full details of the remuneration received by Mr Scott and Mr Gianotti for their role as executives of Wesfarmers will be disclosed by Wesfarmers in its FY19 Remuneration Report.

Ms Weckert was a Director of Coles from 17 September 2018 to 19 November 2018. She did not receive remuneration in her capacity as a Director of Coles. For the purposes of this Remuneration Report, Ms Durkan was an Executive Director from 1 July 2018 to 17 September 2018 and received remuneration for his role as an executive of Wesfarmers. Details of Ms Weckert’s and Ms Durkan’s executive remuneration for FY19 is disclosed in Table 7.

6.3.2 FY19 remuneration for Non-executive Directors

Table 11 outlines the remuneration for the Non-executive Directors of Coles during FY19. There were no transactions or loans between Non-executive Directors and the Company or any of its subsidiaries during FY19.

Table 11

<table>
<thead>
<tr>
<th>Name</th>
<th>Financial Year</th>
<th>Base and committee fees (excluding superannuation)</th>
<th>Other benefits1</th>
<th>Superannuation benefits</th>
<th>Total compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Graham</td>
<td>2019</td>
<td>$495,000</td>
<td>$125</td>
<td>$35,000</td>
<td>$540,175</td>
</tr>
<tr>
<td>David Cheesewright2</td>
<td>2019</td>
<td>$440,000</td>
<td>$0</td>
<td>$35,328</td>
<td>$475,328</td>
</tr>
<tr>
<td>Jacqueline Chow</td>
<td>2019</td>
<td>$340,000</td>
<td>$187</td>
<td>$35,100</td>
<td>$382,100</td>
</tr>
<tr>
<td>Abi Cleland</td>
<td>2019</td>
<td>$340,000</td>
<td>$0</td>
<td>$35,100</td>
<td>$375,100</td>
</tr>
<tr>
<td>Richard Freudentein</td>
<td>2019</td>
<td>$157,401</td>
<td>$0</td>
<td>$13,432</td>
<td>$170,833</td>
</tr>
<tr>
<td>Wendy Hays</td>
<td>2019</td>
<td>$140,329</td>
<td>$130</td>
<td>$13,110</td>
<td>$153,439</td>
</tr>
<tr>
<td>Zlatko Todorcevski</td>
<td>2019</td>
<td>$140,329</td>
<td>$0</td>
<td>$13,110</td>
<td>$153,439</td>
</tr>
<tr>
<td>Total</td>
<td>2019</td>
<td>$1,265,044</td>
<td>$907</td>
<td>$85,921</td>
<td>$1,387,652</td>
</tr>
</tbody>
</table>

1 Other benefits include costs associated with employment (inclusive of any applicable fringe benefits tax)
2 Mr Cheesewright’s superannuation benefits reflect the proportion of time spent working in Australia as a Non-executive Director of the Company during FY19.

6.4 Non-executive Director Ordinary Shareholdings

Table 12 shows the shareholdings and movements in shares held directly, or indirectly, by each Non-executive Director, including their related parties during FY19.

Table 12

<table>
<thead>
<tr>
<th>Name</th>
<th>Financial Year</th>
<th>Balance of shares held at 1 July 2018</th>
<th>Shares acquired</th>
<th>Shares disposed</th>
<th>Closing Balance as at 30 June 2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Graham</td>
<td>2019</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>David Cheesewright2</td>
<td>2019</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Jacqueline Chow</td>
<td>2019</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Abi Cleland</td>
<td>2019</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Richard Freudentein</td>
<td>2019</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Wendy Hays</td>
<td>2019</td>
<td>1,000</td>
<td>-</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Zlatko Todorcevski</td>
<td>2019</td>
<td>-</td>
<td>1,000</td>
<td>-</td>
<td>1,000</td>
</tr>
<tr>
<td>Total</td>
<td>2019</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1 Other benefits include costs associated with employment (inclusive of any applicable fringe benefits tax)
2 Mr Cheesewright, Mr Cleland and Mr Stips have all increased their shareholdings since the closing balance date of 30 June 2018. Refer to the Directors’ Report for further details.

No shareholdings were held nominally by the Non-executive Directors or their related parties as at 30 June 2018.
Financial report contents.

Consolidated financial statements.

Statement of Profit or Loss
Statement of Other Comprehensive Income
Statement of Financial Position
Statement of Changes in Equity
Statement of Cash Flows

Notes to the consolidated financial statements.

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22 Significant items

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34 Administration expenses
35 Financing costs
36 Income tax

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74 Subsidiaries
75 Parent entity information

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91 Related party disclosures
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Directors’ Declaration.
Independent Auditor’s Report.

The accompanying notes form part of the consolidated financial statements.
Statement of Other Comprehensive Income

for the year ended 30 June 2019.

<table>
<thead>
<tr>
<th>Notes</th>
<th>YEAR ENDED 30 JUNE 2019 $M</th>
<th>YEAR ENDED 30 JUNE 2018 $M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>1,434.7</td>
<td>1,578.8</td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Item that may be reclassified to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net movement in the fair value of cash flow hedges</td>
<td>(2.0)</td>
<td>-</td>
</tr>
<tr>
<td>Income tax effect</td>
<td>3.6</td>
<td>0.6</td>
</tr>
<tr>
<td>Other comprehensive income which may be reclassified to profit or loss in subsequent periods</td>
<td>(1.4)</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the parent entity</td>
<td>1,433.3</td>
<td>1,576.8</td>
</tr>
<tr>
<td>Total comprehensive income from continuing operations attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity holders of the parent entity</td>
<td>1,076.8</td>
<td>1,023.2</td>
</tr>
</tbody>
</table>

The accompanying notes form part of the consolidated financial statements.
## Statement of Changes in Equity

**for the year ended 30 June 2019**

<table>
<thead>
<tr>
<th>Attributable to equity holders of the parent</th>
<th>CONTRIBUTED EQUITY</th>
<th>SHARE-BASED PAYMENTS RESERVE</th>
<th>CASH FLOW HEDGE RESERVE</th>
<th>RETAINED EARNINGS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>At 1 July 2018</td>
<td>2,192.6</td>
<td>38.8</td>
<td>-</td>
<td>1,018.2</td>
<td>3,249.6</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,434.7</td>
<td>1,434.7</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>(14)</td>
<td>-</td>
<td>(14)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>(14)</td>
<td>1,434.7</td>
<td>1,433.3</td>
</tr>
<tr>
<td>Capital return</td>
<td>(538.0)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(538.0)</td>
</tr>
<tr>
<td>Share-based payments expense</td>
<td>-</td>
<td>4.6</td>
<td>-</td>
<td>-</td>
<td>4.6</td>
</tr>
<tr>
<td>Purchase of shares under Equity Incentive Plan</td>
<td>52</td>
<td>(26.8)</td>
<td>-</td>
<td>-</td>
<td>(26.8)</td>
</tr>
<tr>
<td>Distributions to Wesfarmers¹</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(765.6)</td>
<td>(765.6)</td>
</tr>
<tr>
<td>Balance as at 30 June 2019</td>
<td>1,627.8</td>
<td>43.4</td>
<td>(14)</td>
<td>1,687.3</td>
<td>3,357.1</td>
</tr>
</tbody>
</table>

| At 1 July 2017 | 2,192.6 | 38.8 | - | 1,047.4 | 3,278.8 |
| Net profit for the year | - | - | - | 1,578.6 | 1,578.6 |
| Total comprehensive income for the year | - | - | - | 1,578.6 | 1,578.6 |
| Distributions to Wesfarmers¹ | - | - | - | (1,018.2) | (1,018.2) |
| Balance as at 30 June 2018 | 2,192.6 | 38.8 | - | 1,018.2 | 3,249.6 |

¹ Includes retained earnings relating to discontinued operations.

## Statement of Cash Flows

**for the year ended 30 June 2019**

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>YEAR ENDED 30 JUNE 2019</th>
<th>YEAR ENDED 30 JUNE 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Cash flows from operating activities from continuing operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>41,125.5</td>
<td>41,756.1</td>
</tr>
<tr>
<td>Receipt from Viva Energy</td>
<td>-</td>
<td>137.0</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>36,644.6</td>
<td>39,351.4</td>
</tr>
<tr>
<td>Interest paid / received</td>
<td>(28.6)</td>
<td>2.7</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(233.9)</td>
<td>(497.5)</td>
</tr>
<tr>
<td>Net cash flows from operating activities from continuing operations</td>
<td>2,275.4</td>
<td>1,903.3</td>
</tr>
<tr>
<td>Cash flows used in investing activities from continuing operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment and intangibles</td>
<td>(1,104.0)</td>
<td>(714.7)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>286.4</td>
<td>253.0</td>
</tr>
<tr>
<td>Proceeds from sale of controlled entities</td>
<td>544.4</td>
<td>-</td>
</tr>
<tr>
<td>Net investment in joint venture</td>
<td>(6.3)</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of businesses, net of cash acquired</td>
<td>(2.3)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Net cash flows used in investing activities from continuing operations</td>
<td>(279.8)</td>
<td>(502.5)</td>
</tr>
<tr>
<td>Cash flows used in financing activities from continuing operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from borrowings</td>
<td>10,260.0</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of borrowings</td>
<td>(8,800.0)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from borrowings with related parties</td>
<td>169.6</td>
<td>-</td>
</tr>
<tr>
<td>Repayment of borrowings with related parties</td>
<td>(1,677.6)</td>
<td>(139.0)</td>
</tr>
<tr>
<td>Distributions to Wesfarmers</td>
<td>(320.4)</td>
<td>(110.6)</td>
</tr>
<tr>
<td>Redemption of redeemable preference shares</td>
<td>1,322.0</td>
<td>-</td>
</tr>
<tr>
<td>Capital return to Wesfarmers</td>
<td>(538.0)</td>
<td>-</td>
</tr>
<tr>
<td>Purchase of shares under Equity Incentive Plan</td>
<td>(26.8)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash flows used in financing activities from continuing operations</td>
<td>(1,611.2)</td>
<td>(1,237.0)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents from continuing operations</td>
<td>384.4</td>
<td>720.4</td>
</tr>
<tr>
<td>Cash at the beginning of the year from continuing operations</td>
<td>41</td>
<td>556.0</td>
</tr>
<tr>
<td>Cash at the end of the year from continuing operations</td>
<td>41</td>
<td>940.4</td>
</tr>
</tbody>
</table>
The Financial Report of Coles Group Limited (the ‘Company’) in respect of the Company and the entities it controlled at the reporting date or during the year ended 30 June 2019 (collectively, the ‘Group’) was authorised for issue in accordance with a resolution of the Directors on 20 September 2019.

Reporting entity
The Company is a for-profit company limited by shares which is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX).

The nature of the operations and principal activities of the Group are described in Note 3.1 Segments reporting for continuing operations.

2.1. Basis of preparation and accounting policies.
The Financial Report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Financial Report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value as explained in notes to the consolidated financial statements (the ‘Notes’).

Accounting policies have been applied consistently for all periods presented, except for the adoption of new standards effective as of 1 July 2018 (refer to Note 9.4).

Reporting period and comparatives
Following the demerger from Wesfarmers Limited (‘Wesfarmers’), the Group changed from a Gregorian calendar to a Retail calendar for statutory reporting purposes.

Under a Gregorian calendar, the annual reporting period is 12 months (from 1 July to 30 June), whilst under a Retail calendar the reporting period is based on a defined number of weeks, with the annual reporting period ending on the last Sunday in June.

The change to a Retail calendar has been applied retrospectively from 1 July 2018 and, therefore, the statutory reporting periods for this Financial Report are as follows:

Statutory reporting periods (Retail calendar applied retrospectively)

<table>
<thead>
<tr>
<th>Current</th>
<th>Commencing on 1 July 2018 and ending 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative</td>
<td>Commencing on 1 July 2017 and ending 30 June 2018</td>
</tr>
</tbody>
</table>

The comparative period commencing 1 July 2017 and ending 30 June 2018 reflects the original Gregorian calendar and has not been restated to a Retail calendar.

Had the Retail calendar been applied retrospectively for statutory reporting purposes, the reporting periods would have been:

Retail calendar applied retrospectively

<table>
<thead>
<tr>
<th>Current</th>
<th>Commencing on 1 July 2018 and ending 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparative</td>
<td>Commencing on 26 June 2017 and ending 24 June 2018</td>
</tr>
</tbody>
</table>

For the annual reporting period commencing on 1 July 2019 and ending 28 June 2020, the statutory reporting period will be aligned with the Retail calendar.

This Financial Report presents reclassified comparative information where required for consistency with current year’s presentation.

Key judgements, estimates and assumptions
The preparation of the financial statements requires judgement and the use of estimates and assumptions in applying the Group’s accounting policies, which affect amounts reported for assets, liabilities, income and expenses.

Judgements, estimates and assumptions are continuously evaluated and are based on the following:

- historical experience
- current market conditions
- reasonable expectations of future events

Actual results may differ from these judgements, estimates and assumptions. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

The key areas motivating judgement or significant estimates and assumptions are set out below:

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note 7</td>
<td>Equity accounted investments</td>
</tr>
<tr>
<td>Note 8</td>
<td>Operating lease commitments</td>
</tr>
<tr>
<td>Note 9</td>
<td>Income tax</td>
</tr>
<tr>
<td>Note 10</td>
<td>Inventories</td>
</tr>
<tr>
<td>Note 11</td>
<td>Non-current assets</td>
</tr>
<tr>
<td>Note 12</td>
<td>Share based payments</td>
</tr>
</tbody>
</table>

The Notes to the consolidated financial statements:

The Notes include information which is required to understand the consolidated financial statements and is material and relevant to the operations and financial performance and position of the Group.

Information is considered material and relevant, if for example:

- the amount in question is significant because of its size or nature
- it is important for understanding the results of the Group
- it helps to explain the impact of significant changes in the Group’s business
- it relates to an aspect of the Group’s operations that is important to its future performance

The Notes are organised into the following sections:

3. Performance: this section provides information on the performance of the Group, including segment results, earnings per share and income tax.

4. Assets and liabilities: this section details the assets used in the Group’s operations and the liabilities incurred as a result.

5. Capital: this section provides information relating to the Group’s capital structure and financing.

6. Risks: this section details the Group’s exposure to various financial risks, explains how these risks may impact the Group’s financial performance or position, and how the Group manages these risks.

7. Group structure: this section provides information relating to subsidiaries and other material investments of the Group.

8. Unrecognised items: this section provides information about items that are not recognised in the consolidated financial statements but could potentially have a significant impact on the Group’s financial performance or position in the future.

9. Other disclosures: this section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the consolidated financial performance or position.

Basis of consolidation
In preparing these consolidated financial statements, subsidiaries are consolidated from the date the Group gains control until the date on which control ceases. The Group’s share of results of its equity accounted investments is included in the consolidated financial statements from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. All intercompany transactions are eliminated.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Foreign currency
These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group. Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Accounting policies
Accounting policies that summarise the classification, recognition and measurement basis of financial statement line items and that are relevant to the understanding of the consolidated financial statements are provided throughout the Notes.

Rounding of amounts
The amounts contained in the Financial Report have been rounded to the nearest one hundred thousand dollars (unless specifically stated to be otherwise) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Foreign currency
These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group. Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Accounting policies
Accounting policies that summarise the classification, recognition and measurement basis of financial statement line items and that are relevant to the understanding of the consolidated financial statements are provided throughout the Notes.

Rounding of amounts
The amounts contained in the Financial Report have been rounded to the nearest one hundred thousand dollars (unless specifically stated to be otherwise) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Foreign currency
These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Group. Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at reporting date exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges.

Accounting policies
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Rounding of amounts
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2.2. Significant items.

Significant items are large gains, losses, income, expenditures or events that are not in the ordinary course of business. They typically arise from events that are not considered part of the core operations of the Group. These items have been highlighted below to help users of the Financial Report understand the financial performance of the Group.

Significant gains or income are included in ‘other income’, whilst significant losses or expenditures are included within ‘other expenses’ or ‘income tax expense’ in the consolidated Statement of Profit or Loss.

Demerger of Coles and corporate restructure

On 16 March 2018, Wesfarmers announced its intention to demerge its Coles division to create an independent ASX-listed company.

To implement the demerger, Wesfarmers undertook a capital reduction, the proceeds of which were automatically applied to the acquisition of the Company’s shares on behalf of Wesfarmers’ shareholders. Eligible Wesfarmers shareholders received one Coles Group Limited share for every Wesfarmers share held. Wesfarmers has retained a minority ownership interest of 15% in the Company following the demerger.

The Company’s shares commenced trading on the ASX on 21 November 2018, initially on a deferred settlement basis. Trading of the Company’s shares commenced trading on the ASX on 21 November 2018, initially on a deferred settlement basis. Trading of the Company’s shares on behalf of Wesfarmers’ shareholders.

On 5 March 2019, the Company announced its agreement to enter into an incorporated joint venture with Australian Venues Co. Ltd (AVC) for the operation of:

- the 87 hotels that comprised the Group’s hotel and gaming business (‘Spirit Hotels’);
- the 243 retail liquor stores in Queensland and the 10 retail liquor stores in South Australia and Western Australia attached to Spirit Hotels’ venues, which operate under the Liquorland, First Choice, First Choice Liquor Market and Vintage Cellars brands (collectively the ‘Retail Liquor business’).

These operations were previously held within a wholly-owned subsidiary of the Group, Liquorland (Qld) Pty Ltd, and its controlled entities (collectively ‘LLQ’). Under the new structure, LLQ has been converted into an incorporated joint venture company, Queensland Venue Co. Pty Ltd (QVC), whereby:

- the Company holds ‘R-class’ shares in QVC with entitlements that, in conjunction with its rights under an operations agreement, confer the right to the economic performance of the Retail Liquor business (‘R-Shares);
- AVC holds ‘H-class’ shares in QVC with entitlements that confer the right to the economic performance of Spirit Hotels (‘H-Shares’);
- R-Shares and H-Shares each represent 50% of the total shares in QVC.

The Company is responsible for managing the day-to-day operations of the Retail Liquor business and is entitled, for accounting purposes, the principal in retail liquor sales transactions. AVC is responsible for managing the operations of Spirit Hotels.

The transaction was completed on 29 April 2019. The Company recognised a net gain of $155.0 million (included in ‘other income’) relating to the sale of Spirit Hotels, the transfer of Retail Liquor business assets into the joint venture and the fair value of its interest in QVC.

Tax consolidation

During the year, the Company made a decision to form an income tax consolidated group with its 100% owned Australian resident subsidiaries with effect from 31 December 2018. As a consequence, the tax cost base of the Group’s assets has been reset resulting in a $49.0 million net credit to income tax expense.

New Alliance Agreement with Viva Energy

On 6 February 2019, the Company entered into an agreement to restructure the terms of its Alliance Agreement with Viva Energy Limited (‘Viva Energy’). Under the New Alliance Agreement which commenced on 1 March 2019, Viva Energy is responsible for setting the retail price of fuel and receives the retail fuel margin. The Company has been appointed as Viva Energy’s agent for selling fuel at Alliance sites.

The Company received a one-off payment of $157.0 million at transaction close in consideration for forgiving the retail fuel margin (recognised in ‘other income’). Ongoing commission per litre is payable to the Company and is recognised in ‘other operating revenue’.

Incorporated joint venture with Australian Venues Co. Ltd

On 5 March 2019, the Company announced its agreement to enter into an incorporated joint venture with Australian Venues Co. Ltd (AVC) for the operation of:

- the 87 hotels that comprised the Group’s hotel and gaming business (‘Spirit Hotels’);
- the 243 retail liquor stores in Queensland and the 10 retail liquor stores in South Australia and Western Australia attached to Spirit Hotels’ venues, which operate under the Liquorland, First Choice, First Choice Liquor Market and Vintage Cellars brands (collectively the ‘Retail Liquor business’).

The Group’s reportable segments are set out below:

<table>
<thead>
<tr>
<th>Segment</th>
<th>EBIT</th>
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<th>EBIT</th>
</tr>
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<tbody>
<tr>
<td>Supermarkets</td>
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<tr>
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The Group has identified its operating segments based on internal reporting to the Managing Director and Chief Executive Officer (the chief operating decision maker). The Managing Director or Chief Executive Officer regularly reviews the Group’s internal reporting to assess performance and allocate resources across the operating segments. The Group’s reportable segments are identified as follows:

- Supermarkets: Fresh food, groceries and general merchandise retailing (includes Coles Online and Coles Financial Services).
- Liquor: Liquor retailing, including online delivery services.
- Express: Convenience store operations and commission agent for retail fuel sales.


This section provides information on the performance of the Group, including segment results, earnings per share and income tax.

3.3 Segment reporting for continuing operations

The Group has identified its operating segments based on internal reporting to the Managing Director and Chief Executive Officer (the chief operating decision maker). The Managing Director or Chief Executive Officer regularly reviews the Group’s internal reporting to assess performance and allocate resources across the operating segments. The segments identified offer different products and services and are managed separately.

The Group’s reportable segments are as follows:

- Supermarkets: Fresh food, groceries and general merchandise retailing (includes Coles Online and Coles Financial Services).
- Liquor: Liquor retailing, including online delivery services.
- Express: Convenience store operations and commission agent for retail fuel sales.

Other business operations that are not separately reportable (such as Property), as well as costs associated with enterprise functions (such as Treasury) are included in ‘Other’.

There are varying levels of integration between operating segments. This includes the common usage of property, services and administration functions. Financing costs and income tax are managed on a Group basis and are not allocated to operating segments. EBIT is the key measure by which management monitors the performance of the Group. The Group does not have operations in other geographic areas or economic exposure to any individual customer that is in excess of 10% of sales revenue.

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Share of net profit of equity accounted investments included in EBIT

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</table>
Employee benefits expense includes the following:

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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Remuneration, bonuses and on-costs</td>
<td>4,905.5</td>
<td>3,975.8</td>
</tr>
<tr>
<td>Superannuation expense</td>
<td>345.8</td>
<td>327.8</td>
</tr>
<tr>
<td>Share-based payments expense</td>
<td>316.6</td>
<td>320.9</td>
</tr>
<tr>
<td>Total employee benefits expense</td>
<td>4,253.9</td>
<td>4,323.9</td>
</tr>
</tbody>
</table>

Employee benefits expense

The Group’s accounting policy for liabilities associated with employee benefit is set out in Note 4.8. The policy relating to share-based payments is set out in Note 9.2.

Share-based payments expense includes both awards granted by the Company that will be settled in equity of the Company and awards granted by Wesfarmers (pre demerger) to employees of the Group that will be settled in equity of Wesfarmers.

Retirement benefit obligations

The Group contributes to a number of superannuation funds on behalf of its employees, and the Group’s legal or constructive obligation is limited to these contributions. Participations by the Group are recognised as an expense in the Statement of Profit or Loss when incurred.

3.5 Financing costs

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds as well as the discount rate adjustments associated with non-current provisions (excluding employee benefits).

Financing costs are expensed in the period in which they are incurred.

3.6 Income tax

The major components of income tax expense in the consolidated Statement of Profit or Loss are set out below:

<table>
<thead>
<tr>
<th></th>
<th>YEAR ENDED 30 JUNE 2019</th>
<th>YEAR ENDED 30 JUNE 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Current income tax expense</td>
<td>438.5</td>
<td>460.5</td>
</tr>
<tr>
<td>Adjustments in respect of current income tax of previous years</td>
<td>8.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Deferred income tax relating to origination and reversal of temporary differences</td>
<td>(83.6)</td>
<td>(93.0)</td>
</tr>
<tr>
<td>Adjustments in respect of deferred income tax of previous years</td>
<td>(4.2)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Income tax expense reported in the Statement of Profit or Loss</td>
<td>347.8</td>
<td>456.3</td>
</tr>
</tbody>
</table>

3.6 Income tax (continued)

The components of income tax expense recognised in the consolidated Statement of Other Comprehensive Income are set out below:

<table>
<thead>
<tr>
<th></th>
<th>YEAR ENDED 30 JUNE 2019</th>
<th>YEAR ENDED 30 JUNE 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Deferred tax related to items recognised in OCI during the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss on revaluation of cash flow hedges</td>
<td>0.6</td>
<td></td>
</tr>
<tr>
<td>The tax expense included in the Statement of Profit or Loss consists of current and deferred income tax.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Current income tax is:

- the expected taxable income for the income tax year calculated using tax rates enacted or substantively enacted at the reporting date
- inclusive of any adjustment to income tax payable or recoverable in respect of previous years

Deferred income tax is:

- recognised using the liability method
- based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on the tax rates that have been enacted or substantively enacted by the reporting date.

Both current and deferred income tax are charged or credited to the Statement of Profit or Loss. However, when it relates to items charged or credited directly to the Statement of Changes in Equity or Statement of Other Comprehensive Income, the tax is recognised in equity, or other comprehensive income (OCI), respectively.

4.2 Revenue

The Group operates a network of supermarkets, retail liquor stores and convenience stores, as well as online platforms. Revenue is recognised by the Group when it is the principal in the sales transaction. Revenue from the sale of goods is recognised when control of the goods has transferred to the customer. For goods purchased in-store, control of the goods transfers to the customer at the point of sale. For goods purchased online, control of the goods transfers to the customer upon delivery, or when collected by the customer.

Revenue comprises the fair value of consideration received or receivable for the sale of goods and is recorded net of discounts and sales and services tax (GST).

4.4 Capital reserves

The tax cost base of revenue and capital assets was reset on 31 December 2018.

The tax cost base of revenue and capital assets was reset on 31 December 2018. This reset recognised the tax cost base associated with non-current provisions (excluding employee benefits).

The tax cost base of revenue and capital assets was reset on 31 December 2018. This reset recognised the tax cost base associated with non-current provisions (excluding employee benefits).

Reconciliation of the Group’s applicable tax rate to the effective tax rate

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<tr>
<th></th>
<th>YEAR ENDED 30 JUNE 2019</th>
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<tbody>
<tr>
<td></td>
<td>$H</td>
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</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td>1,435.5</td>
<td>1,497.3</td>
</tr>
<tr>
<td>Profit before tax from discontinued operations</td>
<td>150.5</td>
<td>701.5</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>1,586.0</td>
<td>2,208.8</td>
</tr>
</tbody>
</table>

At Australia’s corporate tax rate of 30% (30 June 2019: 30%) $592.1 $882.1

Adjustments in respect of income tax of previous years $41 $1.9

Share of joint venture (17) $19.9

Non-deductible expenses for income tax purposes $14.9 $13.8

Non-assessable income for income tax purposes (48.7) -

Tax consolidation adjustment9 $40.9 -

At the effective income tax rate of 35.8% (30 June 2019: 35.5%) $499.0 $590.0

Income tax expense recognised in the consolidated Statement of Profit or Loss $474.6 $546.1

Income tax attributable to discontinued operations $150.5 $701.5

$499.0 $590.0

Key estimate: Tax cost base of revenue and capital assets

Upon formation of the income tax consolidated group, the tax cost base of revenue and capital assets are required to be reset under Australian taxation legislation which is calculated by reference to independent market valuations. In performing these valuations certain judgements and assumptions are made such as future earnings and discount rates.

The tax cost base of revenue and capital assets was reset on 31 December 2018.

The tax cost base of revenue and capital assets was reset on 31 December 2018. This reset recognised the tax cost base associated with non-current provisions (excluding employee benefits).

Reconciliation of the Group’s applicable tax rate to the effective tax rate

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At Australia’s corporate tax rate of 30% (30 June 2019: 30%) $592.1 $882.1

Adjustments in respect of income tax of previous years $41 $1.9

Share of joint venture (17) $19.9

Non-deductible expenses for income tax purposes $14.9 $13.8

Non-assessable income for income tax purposes (48.7) -

Tax consolidation adjustment9 $40.9 -

At the effective income tax rate of 35.8% (30 June 2019: 35.5%) $499.0 $590.0

Income tax expense recognised in the consolidated Statement of Profit or Loss $474.6 $546.1

Income tax attributable to discontinued operations $150.5 $701.5

$499.0 $590.0

1 Reflects the reset of the tax cost base of revenue and capital assets associated with the formation of the income tax consolidated group (refer to Note 2.2).
### 4.2 Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30 June 2019</strong></td>
<td><strong>30 June 2018</strong></td>
</tr>
<tr>
<td><strong>Trade receivables</strong></td>
<td><strong>Trade receivables</strong></td>
</tr>
<tr>
<td></td>
<td><strong>30 June</strong></td>
</tr>
<tr>
<td></td>
<td><strong>2019</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$M</strong></td>
</tr>
<tr>
<td><strong>Cash on hand and in transit</strong></td>
<td>330.0</td>
</tr>
<tr>
<td><strong>Cash at bank and on deposit</strong></td>
<td>404.4</td>
</tr>
<tr>
<td><strong>Cash attributable to discontinued operations</strong></td>
<td>1,500.0</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td>3,434.4</td>
</tr>
</tbody>
</table>

- Includes commercial income due from suppliers of $349.9 million (2018: $349.7 million).
- GST, interest and credit card transactions have not yet been received from trade receivables on cash and cash equivalents (including in a $230.9 million adjustment for the comparative period).

- All receivables from EFT, credit card and debit card point of sale transactions during the period are classified as cash and cash equivalents.

- For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and in transit, at bank, and on deposit, net of outstanding bank overdrafts which are repayable on demand.

- Cash at bank earns interest at floating rates.

- Short-term deposits earn interest at the respective short-term deposit rates.

### 4.3 Cash and cash equivalents

Cash and cash equivalents are comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30 June 2019</strong></td>
<td><strong>30 June 2018</strong></td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td><strong>$M</strong></td>
</tr>
<tr>
<td><strong>Cash attributable to discontinued operations</strong></td>
<td>1,500.0</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td>3,434.4</td>
</tr>
</tbody>
</table>

### 4.4 Assets and liabilities

This section details the assets used in the Group’s operations and the liabilities incurred as a result.

### 3.6 Income tax (continued)

Deferred income tax balances recognised in the consolidated Statement of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30 June 2019</strong></td>
<td><strong>30 June 2018</strong></td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td><strong>$M</strong></td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>160.5</td>
</tr>
<tr>
<td><strong>Employee benefits</strong></td>
<td>277.0</td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td>15.7</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>60.1</td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>241.2</td>
</tr>
<tr>
<td><strong>Cash flow hedges</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Other individually insignificant balances</strong></td>
<td>46.6</td>
</tr>
<tr>
<td><strong>Deferred tax assets</strong></td>
<td>394.0</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td><strong>$M</strong></td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>30.9</td>
</tr>
<tr>
<td><strong>Employee benefits</strong></td>
<td>277.0</td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td>15.7</td>
</tr>
<tr>
<td><strong>Inventories</strong></td>
<td>60.1</td>
</tr>
<tr>
<td><strong>Property, plant and equipment</strong></td>
<td>241.2</td>
</tr>
<tr>
<td><strong>Cash flow hedges</strong></td>
<td>-</td>
</tr>
<tr>
<td><strong>Other individually insignificant balances</strong></td>
<td>46.6</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>183.7</td>
</tr>
<tr>
<td><strong>Net deferred tax assets</strong></td>
<td>540.3</td>
</tr>
</tbody>
</table>

### Tax assets and liabilities

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to utilise all or part of the assets to be recovered.

Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

The Group has an unrecognised deferred tax asset relating to a deductible temporary difference arising from its investment in Loyalty Pacific Pty Ltd (operator of flybuys loyalty program). A deferred tax asset has not been recognised for this item because the Group has determined that, at this time, it is not probable that eligible capital gains will be available against which the Group can utilise these benefits. The unrecognised deferred tax asset is $55.2 million (2018: $nil).

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax. Measurement is based on expectations of the outcome of decisions by taxation authorities. There were no uncertain tax provisions recognised by the Group at 30 June 2019.

### Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST, except:
- when the GST incurred on the sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case GST is recognised as part of the revenue from the expense or as part of the cost of acquisition of the asset, or
- when receivables are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities where recoverable or payable to the taxation authority is classified as part of operating cash flows.

### 4.1 Other assets

Other assets are comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>30 June 2019</strong></td>
<td><strong>30 June 2018</strong></td>
</tr>
<tr>
<td><strong>Prepayments</strong></td>
<td><strong>$M</strong></td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td><strong>324.3</strong></td>
</tr>
</tbody>
</table>

**Note:** Changes in assets and liabilities reflect continuing operations only and exclude KTO.
4.4 Inventories

Inventories comprise goods held for resale which are valued at the lower of cost and net realisable value, which is the estimated selling price less estimated costs to sell. The cost of inventory is based on purchase cost, after deducting certain types of commercial income and including logistics and store remuneration incurred in bringing inventories to their present location and condition. Volume-related supplier rebates, and supplier promotional rebates where they exceed spend on promotional activities, are accounted for as a reduction in the cost of inventory and recognised in the Statement of Profit or Loss when the inventory is sold.

Commercial income

Commercial income represents various discounts or rebates provided by suppliers. These include:
- settlement discounts for the purchase of inventory
- discounts based on purchase or sales volumes
- contributions towards promotional activity for a supplier's product

Depending on the type of arrangement with the supplier, commercial income will either be deducted from the cost of inventory (where it relates to the purchase of inventory) or recognised as a reduction in related expenses (where it relates to the sale of goods).

Amounts due from suppliers are recognised within trade receivables, except in cases where the Group currently has a legally enforceable right of set-off, in which case only the net amount receivable or payable is presented. Refer to Note 6.3 for details of amounts offset in the consolidated Statement of Financial Position.

4.5 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any recognised impairment. Cost comprises expenditure that is directly attributable to the acquisition of the item and subsequent costs incurred that are eligible for capitalisation. Repairs and maintenance costs are charged to the Statement of Profit or Loss during the period in which they are incurred. Property, plant and equipment is depreciated on a straight-line basis to its residual value over its expected useful life.

<table>
<thead>
<tr>
<th>Consolidated</th>
<th>LAND</th>
<th>BUILDINGS</th>
<th>PLANT &amp; EQUIPMENT</th>
<th>LEASEHOLD IMPROVEMENTS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$M</td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
<td></td>
</tr>
<tr>
<td>Useful life (range)</td>
<td>Not applicable</td>
<td>20 – 40 Years</td>
<td>3 – 20 Years</td>
<td>Term of lease</td>
<td></td>
</tr>
<tr>
<td>At 30 June 2019</td>
<td>Cost</td>
<td>472.1</td>
<td>251.4</td>
<td>449.5</td>
<td>4,119.2</td>
</tr>
<tr>
<td></td>
<td>Accumulated depreciation and impairment</td>
<td>(8.7)</td>
<td>(4.4)</td>
<td>(60.5)</td>
<td>(60.5)</td>
</tr>
<tr>
<td></td>
<td>Net carrying amount</td>
<td>472.1</td>
<td>251.4</td>
<td>449.5</td>
<td>4,119.2</td>
</tr>
<tr>
<td>Carrying amount at beginning of the financial year</td>
<td>Cost</td>
<td>627.9</td>
<td>334.8</td>
<td>4,119.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accumulated depreciation and impairment</td>
<td>(15.5)</td>
<td>(5.4)</td>
<td>(518.9)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net carrying amount</td>
<td>627.9</td>
<td>334.8</td>
<td>4,119.2</td>
<td></td>
</tr>
<tr>
<td>Carrying amount at end of the financial year</td>
<td>Cost</td>
<td>627.9</td>
<td>334.8</td>
<td>4,119.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accumulated depreciation and impairment</td>
<td>(15.5)</td>
<td>(5.4)</td>
<td>(518.9)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net carrying amount</td>
<td>627.9</td>
<td>334.8</td>
<td>4,119.2</td>
<td></td>
</tr>
</tbody>
</table>

1 Net loss on disposal of property, plant and equipment during the year from continuing operations was $4.7 million (2018: $28.2 million net gain).
4.6 Intangible assets

The Group’s intangible assets comprise licences, software and goodwill.

Licences and software

Licences and software are measured initially at acquisition cost or costs incurred to develop the asset. Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Following initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. They are amortised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are not amortised. Instead they are tested for impairment annually or more frequently if events or changes in circumstances indicate they may be impaired.

Licences have been assessed as having indefinite lives on the basis that events or changes in circumstances indicate they may be impaired. Instead they are tested for impairment annually or more frequently if lives. Intangible assets with indefinite useful lives are not amortised. They are amortised on a straight-line basis over their estimated useful lives at the date of initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. They are amortised on a straight-line basis over their estimated useful lives at the date of initial recognition.

For internally generated software, research costs are expensed as incurred.

4.7 Trade and other payables

Trade and other payables are comprised of the following:

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 JUNE 2019</td>
<td>30 JUNE 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>3,788.9</td>
<td>3,777.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>1,001.0</td>
<td>1,005.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>1,193.1</td>
<td>1,192.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>2,986.3</td>
<td>2,980.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>3,379.9</td>
<td>3,808.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total current</td>
<td>10,973.3</td>
<td>10,626.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current</td>
<td>2,940.6</td>
<td>3,166.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>2,322.4</td>
<td>2,308.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total non-current</td>
<td>5,263.0</td>
<td>5,475.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total trade and other payables</td>
<td>6,642.9</td>
<td>6,283.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>7,626.3</td>
<td>7,736.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current</td>
<td>3,347.0</td>
<td>3,190.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total trade and other payables</td>
<td>10,973.3</td>
<td>10,926.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additions

The Group recognises trade and other payables as they incur. At 30 June 2019, the Group’s trade and other payables consisted of:

<table>
<thead>
<tr>
<th></th>
<th>$M</th>
<th>$M</th>
<th>$M</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard trade</td>
<td>637.3</td>
<td>637.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General trade</td>
<td>2,488.6</td>
<td>2,488.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,125.9</td>
<td>3,125.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.8 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that cash will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured as the present value of the estimated cash outflow required to settle the obligation. Where a provision is non-current, and the effect is material, the nominal amount is discounted. The discount is recognised as a financing cost in the reporting period.

Self-insurance

Self-insurance provisions are based on a number of estimates including, but not limited to:

• number of employees
• average claim size
• claim development estimates
• claims frequency
• risk margin

Provisions are:

• recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that cash will be required to settle the obligation and the amount can be reliably estimated
• measured at the present value of the estimated cash outflow required to settle the obligation

Where a provision is non-current, and the effect is material, the nominal amount is discounted. The discount is recognised as a financing cost in the Statement of Profit or Loss.

Movements in restructuring, leases, self-insurance and other provisions

<table>
<thead>
<tr>
<th></th>
<th>Consolidated</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 JUNE 2019</td>
<td>30 JUNE 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Restructuring</td>
<td>598.4</td>
<td>375.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>256.3</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-insurance losses</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>9.0</td>
<td>12.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>873.7</td>
<td>503.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consolidated

The Group has not bought back employees’ services in the reporting period. These movements have been included in trade and other payables. The amounts provided for and the associated costs are included in the Consolidated Statements of Profit or Loss.
5. Capital

The Group’s capital management strategy aims to ensure the Group has continued access to funding for current and future business activities by maintaining a mix of equity and debt financing, while maximising returns to shareholders.

The Group’s objective is to maintain an investment grade credit rating to optimise the weighted average cost of capital over the long term, enable access to long term debt capital markets and build investor confidence.

The Directors consider the capital structure at least twice a year and provide oversight of the Group’s capital management. Capital is managed through the following:

- the amount of ordinary dividends paid to shareholders
- raising and repricing capital
- repaying or raising debt in line with ongoing business requirements and growth opportunities aligned with the Group’s strategic objectives.

5.3 Interest-bearing liabilities

Prior to the demerger, the Group was funded through working capital facilities and intercompany loans provided by Woolworths. In November 2018, the Group entered into a number of revolving multi-option and term loan facilities. These bilateral bank loan facilities in aggregate total $4,000.0 million (‘Coles facilities’). The Coles facilities have the following maturities: $2,540.0 million in November 2021, $1,310.0 million in November 2023 and $150.0 million in November 2025. At 30 June 2019, the facilities maturing in November 2023 and November 2025 were fully drawn. Interest-bearing loans and borrowings are initially recorded at fair value, net of attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised.

5.2 Contributed equity and reserves

Ordinary shares

| $m | 
|---|---|
| At 30 June 2018 | 1,200.3 |
| Share split associated with the demerger | 12.6 |
| Capital return to Woolworths | (334.0) |
| Purchase of shares under Equity Incentive Plans | (28.4) |
| At 30 June 2019 | 1,339.9 |

Ordinary shares

Ordinary shares issued are classified as equity, are fully paid and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares are recognised as a deduction from equity, net of any related income tax benefit.

Cash flow hedge reserve

The hedging reserve records the portion of the gain or loss on a cash flow hedging instrument that is determined to be in an effective hedge relationship. The effective portion of the gain or loss on the hedging instrument is recognised in the Statement of Other Comprehensive Income within the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit or Loss.

Share-based payments reserve

The share-based payments reserve reflects the fair value of awards recognised as an expense in the Statement of Profit or Loss.

5.3 Dividends and proposed

The Company considers current earnings, future cash flow requirements, targeted credit metrics and availability of franking credits in determining the amount of dividends to be paid.

Dividends are recognised as a liability in the Statement of Financial Position in the period in which they are declared by the Board.

Dividends proposed and not recognised as a liability

Since the reporting date, the Directors have declared a total dividend of 35.5 cents per fully paid ordinary share. This comprises a final dividend of 24.0 cents per fully paid ordinary share and a special dividend of 11.5 cents per fully paid ordinary share, fully franked at the corporate tax rate of 30%.

The aggregate amount of the total dividend to be paid out of profits, but not recognised as a liability at 30 June 2019, will be $473.5 million. The record date for determining entitlements to both dividends was 29 August 2019, with the payment date being 30 September 2019.

6. Risk

This section details the Group’s exposure to various financial risks, explains how these risks may impact the Group’s financial performance or position and how the Group manages these risks.

6.3 Impairment of non-financial assets

The Group tests property, plant and equipment and intangible assets for impairment to ensure they are not carried above their recoverable amounts.

- at least annually for goodwill
- where there is an indication that assets may be impaired (which is assessed at least at each reporting date).

These tests are performed by assessing the recoverable amount of each individual asset or, if this is not possible, the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash inflows. The recoverable amount, measured at the asset or CGU level, is the higher of fair value less costs of disposal (FVLCOD) or value in use (ViU). ViU calculations are based on the discounted cash flows expected to arise from the asset or CGU.

Key estimate: Assessment of recoverable amount

In assessing ViU, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. These calculations depend on judgements and estimates. In particular, significant judgements and estimates are made in relation to the following:

- Forecast future cash flows

These are based on the Group’s latest Board approved internal five-year forecasts and reflect management’s best estimate of income, expenses, capital expenditure and cash flows for each asset or CGU. Changes in selling prices and direct costs are based on past experience and management’s expectation of future changes in the markets in which the Group operates.

- Discount rates

Estimated future cash flows are discounted to their present value using discount rates that reflect the Group’s weighted average cost of capital, adjusted for risks specific to the asset or CGU. The rates have been calculated in conjunction with independent valuation experts.

| Goodwill allocation ($M) | 983.0 |
| Indefinite-life intangibles ($M) | 124.5 |
| Post-tax discount rate (%) | 8.3 |
| Growth rate (%) | 3.0 |

The following table presents a summary of the goodwill allocation and the key assumptions used in determining the recoverable amount of each CGU.

In the year ended 30 June 2019, goodwill and indefinite-life intangibles were allocated to CGUs on a consistent basis. The FVLCOD valuation methodology was used to determine the recoverable amount of each CGU, using a post-tax discount rate of 8.6% and a growth rate of 3.0%.

Based on current economic conditions and CGU performance, no reasonably possible change in a key assumption used in the determination of the recoverable value of CGUs is expected to result in a material impairment for the Group.
6.2 Financial risk management

The table below sets out the total forward exchange contracts at the reporting date and the carrying value of the derivative asset (liability) positions.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Exposure</th>
<th>Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market risks</td>
<td>Interest rate risk</td>
<td>The Group's exposure to interest rate risk relates primarily to interest-bearing liabilities, where interest is charged at variable rates.</td>
</tr>
<tr>
<td>Foreign exchange risk</td>
<td>The Group has experienced foreign exchange risk principally arising from purchases of inventory and capital equipment denominated in foreign currencies.</td>
<td></td>
</tr>
</tbody>
</table>

Liquidity risk is the risk that unforeseen liquidity needs, occurring on or before the Group's cash flows. Funding risk arises where sufficient funds will not be available to meet the Group's financial commitments in a timely manner.

Credit risk is the risk that counterparty default, or insolvency, will not be available to meet the Group's financial covenants in a timely manner.

Foreign exchange risk for continuing operations

The Group is primarily exposed to foreign exchange risk in relation to the United States dollar (USD) and the Euro (EUR). The Group considers its exposure in USD and EUR (with all other variables held constant), the Group's post-tax profit and OCI would have been affected by the change in value of its financial assets and financial liabilities.

The following sensitivities are based on the foreign exchange rate exposures in existence at the reporting date and the determination of reasonably possible movements based on management’s assessment of reasonable forecast.

The Group aims to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans with a variety of counterparty terms. The committed facilities of the Group are set out below:

### Foreign exchange rate sensitivity for continuing operations

At the reporting date, the Group has the following foreign assets and liabilities exposed to variable interest rate risk that, with the exception of interest rate swaps, are not designated as cash flow hedges:

<table>
<thead>
<tr>
<th>Rate Change</th>
<th>POST-TAX PROFIT (INCREASE)</th>
<th>POST-TAX OCI (INCREASE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1.0% (100 basis points)</td>
<td>$44.6</td>
<td>-</td>
</tr>
<tr>
<td>0.5% (50 basis points)</td>
<td>22.3</td>
<td>-</td>
</tr>
</tbody>
</table>

### Interest rate sensitivity for continuing operations

A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates. Based on the variable interest rate exposures in existence at the reporting date, if interest rates moved by +/-100 basis points, with all other variables held constant, the impact would be:

<table>
<thead>
<tr>
<th>Rate</th>
<th>POST-TAX PROFIT (INCREASE)</th>
<th>POST-TAX OCI (INCREASE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+100 basis points</td>
<td>$44.6</td>
<td>-</td>
</tr>
<tr>
<td>-100 basis points</td>
<td>22.3</td>
<td>-</td>
</tr>
</tbody>
</table>
6.2 Financial risk management (continued)

Maturity analysis for continuing operations

The table below sets out the Group’s financial liabilities across the relevant maturity periods based on their contractual maturity dates. At the reporting date, the remaining undiscounted contractual cash flows of the Group’s financial liabilities and their carrying amounts are as follows:

<table>
<thead>
<tr>
<th>Contractual Maturity</th>
<th>Financial Liabilities</th>
<th>Amounts</th>
<th>Carrying Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 12 months</td>
<td>Trade and other payables</td>
<td>3,278.1</td>
<td>3,278.1</td>
</tr>
<tr>
<td>1 to 2 years</td>
<td>Trade and other payables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2 to 5 years</td>
<td>Trade and other payables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>&gt; 5 years</td>
<td>Trade and other payables</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,278.1</td>
<td>3,278.1</td>
</tr>
</tbody>
</table>

30 June 2019

The Group presents its derivative assets and liabilities on a gross basis, with the exception of derivative financial instruments which are subject to enforceable master netting agreements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example when a credit event such as default occurs, all outstanding transactions under an ISDA agreement are terminated. The termination value is assessed, and only a single net amount is payable in settlement of all transactions.

Commercial income due from suppliers is recognised within trade receivables, except in cases where the Group has a legally enforceable right of set-off and the intention to settle on a net basis, in which case only the net amount receivable or payable is recognised.

6.3 Financial instruments

Financial assets and liabilities measured at fair value

The following table sets out the fair value measurement hierarchy of the Group’s financial assets at 30 June 2019 for continuing operations:

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>LEVEL 1</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forward exchange contracts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>(0.5)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Forward exchange contracts</td>
<td>(11.7)</td>
<td>(11.7)</td>
</tr>
</tbody>
</table>

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Fair value is calculated using quoted prices in active markets for identical assets or liabilities.

Level 2

Fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (in quoted prices) or indirectly (derived from quoted prices).

Level 3

Fair value is estimated using inputs for the asset or liability that are not observable on the market data (unobservable inputs).

Recognition date

At the date the hedging instrument is entered into.

Measurement

At fair value.

Changes in fair value

Changes in the fair value of derivatives designated as cash flow hedges are recognised directly in OCI and accumulated in equity in the hedging reserve to the extent that the hedge is highly effective. The extent to which the hedge is ineffective, changes in fair value are recognised immediately in the Statement of Profit or Loss.

Amounts accumulated in equity are transferred to the Statement of Profit or Loss, or the Statement of Financial Position for a non-financial asset, at the same time as the hedged item is recognised.

6.3 Financial instruments (continued)

Hedge accounting

Where the Group undertakes a hedge transaction, the documentation also demonstrates both at hedge inception and on an ongoing basis, that the hedge has been, and is expected to continue to be, highly effective. The Group uses derivative financial instruments for cash flow hedging purposes and designates them as such.

Cash flow hedges

Derivatives or other financial instruments that hedge the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or forecast transaction.

The Group uses cash flows hedges to mitigate the risk of variability of:

- future cash flows attributable to foreign currency fluctuations over the hedging period where the Group has highly probable purchase or settlement commitments denominated in foreign currencies; and
- interest rate fluctuations over the hedging period where the Group has variable rate debt obligations.

The Group presents its derivative assets and liabilities on a gross basis, with the exception of derivative financial instruments which are subject to enforceable master netting agreements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example when a credit event such as default occurs, all outstanding transactions under an ISDA agreement are terminated. The termination value is assessed, and only a single net amount is payable in settlement of all transactions.

Commercial income due from suppliers is recognised within trade receivables, except in cases where the Group has a legally enforceable right of set-off and the intention to settle on a net basis, in which case only the net amount receivable or payable is recognised.

The following table sets out the Group’s financial assets and financial liabilities which have been offset in the consolidated Statement of Financial Position at the reporting date:

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>TOTAL</th>
<th>Net Financial Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Financial Assets</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Financial Assets</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Current Assets</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Non-current Assets, net of current Liabilities</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>Net Financial Position</td>
<td>$M</td>
<td>$M</td>
</tr>
</tbody>
</table>

30 June 2019

Trade and other receivables | 409.8 | (94.5) |

Trade and other receivables | (3,150.9) | (3,150.9) |

30 June 2018

Trade and other receivables | 657.7 | (158.6) |

Trade and other receivables | (9,006.5) | (9,006.5) |
7. Group structure.

7.1 Equity accounted investments

This section provides information relating to subsidiaries and other material investments of the Group.

7.1.1 Loyalty Pacific Pty Ltd

A reconciliation of the carrying amount of the Group’s investment in Loyalty Pacific Pty Ltd is set out below:

<table>
<thead>
<tr>
<th>Ownership Interest</th>
<th>30 JUNE 2019 ($M)</th>
<th>30 JUNE 2018 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loyalty Pacific Pty</td>
<td>$4</td>
<td>$4</td>
</tr>
<tr>
<td>Ltd</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operator Rfly loyalty program</td>
<td>Australia</td>
<td>Joint venture</td>
</tr>
<tr>
<td>Operator Queensland</td>
<td>Australia</td>
<td>Associate</td>
</tr>
<tr>
<td>Spirit Hotels and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Queensland Retail</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquor Trust</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

An associate is an entity that is not controlled or jointly controlled by the Group, but over which the Group has significant influence.

The Group accounts for its investments in joint ventures and associates using the equity method of accounting in the consolidated financial statements. Under the equity method, the investment in a joint venture or associate is initially recognised at cost. Thereafter, the carrying amount of the investment is adjusted to recognise the Group’s share of profit after tax of the joint venture or associate, which is recognised in profit or loss. The Group's share of OCI is recognised within the Statement of Other Comprehensive Income. Dividends received from a joint venture or associate reduce the carrying amount of the investment.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss for its investment in a joint venture or associate. At each reporting date, the Group determines whether there is evidence that the investment in the joint venture or associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture or associate and its carrying value. Any impairment loss will be recognised within ‘share of net profit of equity accounted investments’ in the consolidated Statement of Profit or Loss.

Key judgement: Control and significant influence

The Group has a number of management agreements relating to its joint venture and associate investments which determine whether it has control, joint control or significant influence. The Group assesses whether it has the power to direct the relevant activities of the investee by considering the rights it holds to appoint or remove key management and the decision making rights and scope of powers specified in the agreements.

The Group’s interests in Loyalty Pacific Pty Ltd and Queensland Venue Co. Pty Ltd are accounted for using the equity method in the consolidated Statement of Financial Position.

7.2 Non-current assets held for sale

At 30 June 2019, six of the Group’s investments with a total carrying value of $941.0 million have been classified as held for sale (2018: $nil). The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. A sale is considered highly probable when actions required to complete the sale indicate that it is unlikely significant changes to the sale will be made or that the decision to sell will be withdrawn, and where management is committed to a plan to sell the asset, and the sale is expected to be completed within one year from the date of the classification.

7.3 Discontinued operations

The Group presents as discontinued operations any component of the Group that has either been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; and
- is part of a single coordinated plan to dispose of a separate major line of business, or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

The net result of the reclassifications are presented separately in the consolidated Statement of Profit or Loss.

The following entities were material wholly-owned subsidiaries during the financial year until 19 November 2018 when the Company transferred control of these entities to Woolworths as part of the corporate restructure:

- Kmart Australia Limited and controlled entities (‘Kmart’)
- Target Australia Pty Ltd and controlled entities (‘Target’)
- OfficeWorks Ltd and controlled entities (‘OfficeWorks’)

The profit for the year to KTO discontinued operations is set out below, including comparative information:

<table>
<thead>
<tr>
<th>YEAR ENDED</th>
<th>30 JUNE 2019 ($M)</th>
<th>YEAR ENDED 30 JUNE 2018 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$4</td>
<td>$4</td>
</tr>
<tr>
<td>Revenue</td>
<td>4,342.2</td>
<td>10,136.9</td>
</tr>
<tr>
<td>Expenses</td>
<td>(2,184.7)</td>
<td>(10,202.0)</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>2,157.5</td>
<td>793.9</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(252.0)</td>
<td>(231.5)</td>
</tr>
<tr>
<td>Profit for the period from discontinued operations</td>
<td>1,905.5</td>
<td>562.4</td>
</tr>
</tbody>
</table>

The profit for the period from discontinued operations reflects the period up to 19 November 2018.

Assets and liabilities of KTO discontinued operations at the date of transfer to Woolworths are set out below, including comparative information:

<table>
<thead>
<tr>
<th>30 JUNE 2019 ($M)</th>
<th>30 JUNE 2018 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$1</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>136.3</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>716.6</td>
</tr>
<tr>
<td>Inventories</td>
<td>1,707.4</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>977.0</td>
</tr>
<tr>
<td>Goodwill and intangibles</td>
<td>540.0</td>
</tr>
<tr>
<td>Other assets</td>
<td>270.9</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,453.3</td>
</tr>
</tbody>
</table>

Liabilities

<table>
<thead>
<tr>
<th>30 JUNE 2019 ($M)</th>
<th>30 JUNE 2018 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other payables</td>
<td>2,205.4</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>274.6</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>2,479.0</td>
</tr>
</tbody>
</table>

Net assets attributable to R-class shareholders | 3,403.3 | 3,100.8 |

Cash flows for KTO discontinued operations during the year are set out below, including comparative information:

<table>
<thead>
<tr>
<th>YEAR ENDED 30 JUNE 2019 ($M)</th>
<th>YEAR ENDED 30 JUNE 2018 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from operating activities</td>
<td>50.8</td>
</tr>
<tr>
<td>Net cash flows from (used in) investing activities</td>
<td>50.9</td>
</tr>
<tr>
<td>Net cash flows used in financing activities</td>
<td>(39.5)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>50.5</td>
</tr>
<tr>
<td>EPS for KTO discontinued operations</td>
<td>(0.58)</td>
</tr>
<tr>
<td>Basic and diluted EPS (cents)</td>
<td>(50.7)</td>
</tr>
</tbody>
</table>

Gain / loss on disposal

Gain or loss on disposal is the difference between:

- the carrying amount of the net assets plus any attributable goodwill and amounts accumulated in OCI; and
- the proceeds of sale.

No gain or loss has been recognised for the disposal of KTO.
7.4 Subsidiaries

The Company, which is the ultimate parent of the Group, is incorporated in Australia. Subsidiaries are consolidated from the date of acquisition, being the date the Company obtains control, and continue to be consolidated until the date that such control ceases.

Control exists where the Company has the power to govern the financial and operating policies of the entity in order to obtain benefits from its activities. Set out below are the subsidiaries within the Group. All entities controlled by the Company at 30 June 2019 were incorporated in Australia and are wholly-owned unless stated otherwise.

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ambrose Pty Ltd</td>
<td>Coles Supermarkets Australia Pty Ltd</td>
</tr>
<tr>
<td>Australian Liquor Group Ltd</td>
<td>CDA Retail (Finance) Pty Ltd</td>
</tr>
<tr>
<td>Bi-Lo Pty Ltd</td>
<td>Coles Industries (Australia) Pty Ltd</td>
</tr>
<tr>
<td>Cheese Center (Netherfield) Pty Ltd</td>
<td>Erskine (Standby) Pty Ltd</td>
</tr>
<tr>
<td>Chief Beef Pty Ltd</td>
<td>GBL Pty Ltd</td>
</tr>
<tr>
<td>GHOC (OCML) Pty Ltd</td>
<td>Kemery Holdings Pty Ltd</td>
</tr>
<tr>
<td>Coles Kmart Travel Pty Ltd (51% ownership)</td>
<td>Kmart Fabrications (Aust) Pty Ltd</td>
</tr>
<tr>
<td>Coles Group Distribution Services Pty Ltd</td>
<td>Liquidation Australia Pty Ltd</td>
</tr>
<tr>
<td>Coles Group Finance Limited</td>
<td>Newcast Pty Ltd</td>
</tr>
<tr>
<td>Coles Group Finance Limited*</td>
<td>Newcast Holdings Pty Ltd</td>
</tr>
<tr>
<td>Coles Group Properties Holdings Ltd*</td>
<td>Primacare Online Pty Ltd</td>
</tr>
<tr>
<td>Coles Group Property Development Ltd*</td>
<td>Retail Ready Operations Australia Pty Ltd</td>
</tr>
<tr>
<td>Coles Group Supermarket Fund Pty Ltd</td>
<td>Richmond Place Shopping Centres Pty Ltd</td>
</tr>
<tr>
<td>Coles Group Supply Check Pty Ltd</td>
<td>Telkour Pty Ltd</td>
</tr>
<tr>
<td>Coles Group Treasury Pty Ltd (formerly Coles Group Payments Pty Ltd)*</td>
<td>Tourongas Holdings Pty Ltd</td>
</tr>
<tr>
<td>Coles Online Pty Ltd</td>
<td>Turnaround Pty Ltd</td>
</tr>
<tr>
<td>Coles Property Management Pty Ltd</td>
<td>Wexacott Coles Pty Ltd</td>
</tr>
<tr>
<td>Coles Retail Services Pty Ltd</td>
<td></td>
</tr>
<tr>
<td>Entities formed/incorporated or acquired during the financial year</td>
<td></td>
</tr>
<tr>
<td>Coles Financial Services Pty Ltd</td>
<td>WFPL No 2 Pty Ltd</td>
</tr>
<tr>
<td>Coles FS Holding Company Pty Ltd (formerly Woolworths Finance Holding Company Pty Ltd)</td>
<td>WFPL Security SPV Pty Ltd</td>
</tr>
<tr>
<td>Coles WFS Pty Ltd (formerly Woolworths Finance Pty Ltd)</td>
<td>WFPL SPV Pty Ltd</td>
</tr>
<tr>
<td>WFPL Funding Co Pty Ltd</td>
<td></td>
</tr>
<tr>
<td>Entities disposed of during the financial year</td>
<td></td>
</tr>
<tr>
<td>ACN 301 450 444 Pty Ltd (formerly Masys Automotive Pty Ltd)</td>
<td>LHG Pty Ltd</td>
</tr>
<tr>
<td>ACN 031 114 904 Pty Ltd</td>
<td>LHG2 Pty Ltd</td>
</tr>
<tr>
<td>ANWO Global Holdings Pty Ltd (formerly KAS Global Holdings Pty Ltd)</td>
<td>Queensland Wines Co Pty Ltd (formerly Liquidation (Qld) Pty Ltd)</td>
</tr>
<tr>
<td>ANWO Retail Incorporated</td>
<td>Offwines (Brisbane) Pty Ltd</td>
</tr>
<tr>
<td>Brian Pty Ltd</td>
<td>Offwines (Canberra) Pty Ltd</td>
</tr>
<tr>
<td>CHMC Investments Pty Ltd</td>
<td></td>
</tr>
<tr>
<td>Woolworths International Holdings Pty Ltd (formerly Coles Group International Pty Ltd)</td>
<td>Offwines (Property Pty Ltd)</td>
</tr>
<tr>
<td>Xero NZ Holdings Pty Ltd (formerly Coles Group New Zealand Holdings Limited)</td>
<td>Relationship Services Pty Ltd</td>
</tr>
<tr>
<td>Flightbarg Hotel Pty Ltd</td>
<td>Retail Investments Pty Ltd</td>
</tr>
<tr>
<td>Emirates Pty Ltd</td>
<td>Target Australia Pty Ltd</td>
</tr>
<tr>
<td>Finnume Australia Pty Ltd</td>
<td>Target Australia Sourcing (Shanghai) Ltd</td>
</tr>
<tr>
<td>Woolworths (Woolworths Finance) Ltd</td>
<td></td>
</tr>
<tr>
<td>KAS Global Trading Pty Ltd</td>
<td>The Group Management Pty Ltd</td>
</tr>
<tr>
<td>KAS International Sourcing Bangladesh Pvt Ltd</td>
<td>Tyram &amp; Auto Pty Ltd</td>
</tr>
<tr>
<td>KAS International Trading (Shanghai) Company Limited</td>
<td></td>
</tr>
<tr>
<td>KAS Pty Limited</td>
<td></td>
</tr>
<tr>
<td>KAS Services India Private Limited</td>
<td>Woolworths Risk Management (Singapore) Pty Ltd</td>
</tr>
<tr>
<td>Kmart Australia Limited</td>
<td></td>
</tr>
<tr>
<td>Entities derecognised during the financial year</td>
<td></td>
</tr>
<tr>
<td>CMSL Services Ltd</td>
<td></td>
</tr>
<tr>
<td>Coles Melbourne Pty Ltd</td>
<td></td>
</tr>
<tr>
<td>Coles Properties Fund Ltd</td>
<td></td>
</tr>
</tbody>
</table>

7.4 Subsidiaries (continued)

Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (‘ASIC instrument’) the wholly-owned subsidiaries listed on page 90 (*) are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors’ Reports.

As a condition of the ASIC instrument, the Company and the subsidiaries listed on page 90 entered into a Deed of Cross Guarantee on 17 December 2018 (the ‘Deed’). The effect of the Deed is that the Company guarantees any deficiency in the event of winding-up any controlled entity, or if they do not meet their obligations under the terms of any overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of any overdrafts, loans, leases or other liabilities subject to the guarantee.

A Statement of Comprehensive Income, retained earnings and a Statement of Financial Position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between the parties to the Deed, for the year ended 30 June 2019 are set out below:

Statement of Financial Position

<table>
<thead>
<tr>
<th>Closed Group</th>
<th>30 JUNE 2019</th>
<th>$M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>940.4</td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>238.5</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>1,944.0</td>
<td></td>
</tr>
<tr>
<td>Non-current assets held for sale</td>
<td>93.6</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>47.3</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,400.6</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>6,035.4</td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>3,328.3</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>743.5</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>177.6</td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>4,437.7</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>1,450.0</td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>336.6</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>75.8</td>
<td></td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>2,004.4</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>6,438.1</td>
<td></td>
</tr>
<tr>
<td>Net assets</td>
<td>3,605.0</td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributed equity</td>
<td>1,077.6</td>
<td></td>
</tr>
<tr>
<td>Reserves</td>
<td>42.1</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,785.3</td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>3,452.0</td>
<td></td>
</tr>
</tbody>
</table>
8. Unrecognised items.

This section provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group’s future financial performance or position.

8.1 Capital expenditure commitments

A commitment represents a contractual obligation to make a payment in the future. The Group’s commitments relate to capital expenditure and operating leases. Commitments are not recognised in the Statement of Financial Position, but are disclosed.

Capital expenditure commitments of the Group at the reporting date are set out below:

<table>
<thead>
<tr>
<th>Description</th>
<th>30 JUNE 2019</th>
<th>30 JUNE 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital expenditure commitments</td>
<td>654.2</td>
<td>95.7</td>
</tr>
</tbody>
</table>

The commitment amounts disclosed above represent the maximum amounts that the Group is obliged to pay.

8.2 Operating lease commitments

Group as lessee

Future minimum rentals receivable under non-cancellable operating leases at the reporting date are set out below:

<table>
<thead>
<tr>
<th>Description</th>
<th>30 JUNE 2019</th>
<th>30 JUNE 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total rental receivable</td>
<td>45.7</td>
<td>37.2</td>
</tr>
<tr>
<td>Within one year</td>
<td>13.1</td>
<td>10.9</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>11.5</td>
<td>22.9</td>
</tr>
<tr>
<td>More than five years</td>
<td>21.1</td>
<td>3.4</td>
</tr>
</tbody>
</table>

The reported lease commitments of the Group exclude rent that was considered contingent at lease inception. The effect of this exclusion on the reported lease commitments is not considered material.

Leases are classified as operating leases whenever the terms of the lease do not transfer substantially all the risks and rewards of ownership to the lessee. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Finance leases are recognised as assets by the lessee, whereas operating leases are recognised as assets by the lessor and disclosed as a commitment by the lessee.

Lease payments are recognised as an operating expense in the period in which they are earned. Contingent rent is recognised as revenue in the period in which it is earned.

8.3 Contingent liabilities

Contingent liabilities are potential future cash outflows where the likelihood of payment is more than remote but is not considered probable or cannot be reliably measured.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed.

As at 30 June 2019, the Group has bank guarantees totalling $342.2 million (2018: $9.8 million relating to KTUs). While the entities in the Group have entered into these guarantees, the probability of having to make payments under these guarantees is considered remote. The nature of the guarantees provided is set out below:

- guarantees in the normal course of business relating to conditions set out in property development applications and for the sale of properties
- guarantees relating to workers compensation self-insurance liabilities as required by State WorkCover authorities. These guarantees provide the authorities with security in the event that the Group is unable to meet its workers compensation insurance obligations. The guarantees required are determined by reference to the value of the self-insurance provisions for workers’ compensation which form part of the self-insurance provisions recognised by the Group and disclosed in Note 4.8.

**Key judgement: Contingent liabilities**

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group’s control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably estimated.

**Key judgement: Classification of leases**

The Group classifies leases as either finance or operating depending on whether the Group holds substantially all of the risks and rewards incidental to ownership. In making this assessment, the Group primarily considers asset ownership at the end of the lease term, any purchase options, the lease term in relation to the asset’s life, the present value of future lease payments in relation to the asset’s fair value and the nature of the asset.
9. Other disclosures.

This section provides other disclosures required by Australian Accounting Standards that are considered relevant to understanding the Group’s financial performance or position.

9.3 Related party disclosures

Transactions with Wesfarmers Limited and its controlled entities (‘Wesfarmers Group’).

As part of the demerger, certain members of the Wesfarmers Group and the Group entered into Transitional Services Agreements (TSA) for the provision of services up to 24 months. All services provided under a TSA are charged at cost.

The transitional services to be provided by the Group to the Wesfarmers Group are:

- workers compensation services
- general insurance services
- other services, including the support of a merchandise ordering system
- financial services
- payroll services and business process outsourcing
- finance systems and support services
- other services including the management and facilitation of telecommunications and other third-party recharge products.

In addition, the Company is party to arrangements with third parties which were negotiated on behalf of all subsidiaries of Wesfarmers prior to demerger. These arrangements include amongst others, property leases where the Group is a head lessee and a sub-lessee to its related parties and vice versa. Where these arrangements remain in place, the Group or its related party settles the liabilities on each other’s behalf and subsequently recovers the third party costs by on-charging without a margin.

The Group views the on-charging of third party costs without a margin as transactions with a third party. Therefore, these transactions have not been disclosed as related party transactions. However, as balances that remain unsettled at the reporting date are amounts owed to or from related parties, those are disclosed as related party payables or receivables.

9.4 New accounting standards and interpretations

The Group applied AASB 15 Revenue from Contracts with Customers (AASB 15) and AASB 9 Financial Instruments (AASB 9) for the first time in this annual reporting period. The nature and effect of the change as a result of adopting these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in this financial year but do not have a material impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

AASB 15

The Group adopted this standard from 1 July 2018. The introduction of this standard did not have a material impact on the Group’s financial statements; accordingly there are no retrospective adjustments.

Additional disclosure of the Group’s revenue accounting policies required by the standard are included in Note 3.3.

AASB 9

The Group adopted this standard from 1 July 2018. The introduction of this standard did not have a material impact on the financial statements; accordingly there are no retrospective adjustments.

The Group has applied AASB 9 in accordance with the transitional provisions set out in the standard. The key change for the Group as a result of adopting this standard is in relation to the impairment of financial assets (mainly loans and receivables). Specifically, the new standard requires the Group to account for expected credit losses at the point these financial assets are first recognised, and to recognise full lifetime expected losses for financial assets where the credit risk has increased significantly since initial recognition.
9.6 New accounting standards and interpretations (continued)

New and revised Australian accounting standards and interpretations on issue but not yet effective

The expected impact for the Group of significant new and revised accounting standards and interpretations, which are not yet effective, are summarised below:

<table>
<thead>
<tr>
<th>Nature of change</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>AASB 16 Leases ('AASB 16')</td>
<td>The Group will apply AASB 16 from 1 July 2019 using the modified retrospective transition approach. Under this approach, the Group will elect on a lease-by-lease basis whether to calculate the ROU asset as either equal to the lease liability, or to retrospectively measure the ROU asset at the incremental borrowing rate on transition. The cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening retained earnings at 1 July 2019, with no restatement of comparatives. The Group will elect to apply a number of the practical expedients available on transition including:</td>
</tr>
<tr>
<td>• the application of a single discount rate to a portfolio of leases with reasonably similar characteristics</td>
<td></td>
</tr>
<tr>
<td>• utilising previous assessments of onerous leases</td>
<td></td>
</tr>
<tr>
<td>• the use of hindsight in determining the lease term</td>
<td></td>
</tr>
<tr>
<td></td>
<td>A practical expedient also available to the Group is to combine lease and non-lease components, and account for these as a single lease component. The Group will not elect to apply this practical expedient for its property leases. As such, the calculated lease liability for property leases will exclude an estimate of the stand-alone price of any non-lease components.</td>
</tr>
<tr>
<td></td>
<td>The Group has substantially completed the impact assessment of adopting AASB 16. The estimated impact on the consolidated Statement of Financial Position as at 1 July 2019 is as follows:</td>
</tr>
<tr>
<td>• new (incremental) ROU assets of $72 billion to $77 billion</td>
<td></td>
</tr>
<tr>
<td>• new (incremental) lease liability of $8.5 billion to $9.0 billion</td>
<td></td>
</tr>
<tr>
<td>• the net impact of these balances, adjusted for deferred tax and reversal of current lease accounting, will be recognised within retained earnings.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Assuming AASB 16 had been adopted from 1 July 2019, the estimated impact on profit before tax from continuing operations for the year ended 30 June 2019 would have remained broadly neutral, including:</td>
</tr>
<tr>
<td>• increase in depreciation of $750 million to $800 million</td>
<td></td>
</tr>
<tr>
<td>• increase in financing costs of $450 million to $490 million</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The actual impact on the financial performance and position for the financial year ended 28 June 2020 will depend on the composition of the Group’s lease portfolio and any new leases that are entered into during the financial year.</td>
</tr>
</tbody>
</table>

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods.

9.5 Events after the reporting period

On 23 August 2019, the Directors declared a total dividend of 35.5 cents per fully paid ordinary share to be paid on 26 September 2019, fully franked at the corporate tax rate of 30%. This comprises a final dividend of 24.0 cents per fully paid ordinary share and a special dividend of 11.5 cents per fully paid ordinary share. The aggregate amount of the total dividend to be paid out of profits, but not recognised as a liability at 30 June 2019, is $473.5 million.

The Group is not aware of any other matter or circumstance that has occurred since the end of the reporting date that has significantly affected or may significantly affect the Group’s operations, the results of those operations or the Group’s state of affairs in subsequent financial years.

The Group is not aware of any other matter or circumstance that has occurred since the end of the reporting date that has significantly affected the Group’s operations, the results of those operations or the Group’s state of affairs in subsequent financial years.

The Group is not aware of any other matter or circumstance that has occurred since the end of the reporting date that has significantly affected or may significantly affect the Group’s operations, the results of those operations or the Group’s state of affairs in subsequent financial years.

The Group is not aware of any other matter or circumstance that has occurred since the end of the reporting date that has significantly affected or may significantly affect the Group’s operations, the results of those operations or the Group’s state of affairs in subsequent financial years.

1. The directors of Coles Group Limited (the Company) declare that, in the directors’ opinion:

(a) the financial statements and the notes that are set out on pages 65 to 96, are in accordance with the Corporations Act 2001 (Cth), including;

(i) complying with the accounting standards and Corporations Regulations 2001 and

(ii) giving a true and fair view of the financial position and performance of the Company and its consolidated entities;

(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.

2. A statement of compliance with the International Financial Reporting Standards is included in Note 2.1 to the consolidated financial statements.

3. The directors have been given the declaration required by section 295A of the Corporations Act 2001 from the Managing Director and Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2019.

4. As at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 7.4 to the financial statements 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 7.4.
Independent Auditor’s Report to the Members of Coles Group Limited


Opinion

We have audited the Financial Report of Coles Group Limited (the Company) and its subsidiaries (collectively, the Group), which comprises the Consolidated Statement of Financial Position as at 30 June 2019, the Consolidated Statement of Profit or Loss, Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors’ Declaration.

In our opinion, the accompanying Financial Report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of Coles Group Limited, would be in the same terms if given to the Directors as at the time of this auditor’s report.

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

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 of the current year. These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Financial Report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying Financial Report.

1. Commercial income

Why significant

Commercial income (also referred to in the retail industry as “Supplier rebates”) comprises discounts and rebates received by the Group from its suppliers.

The value and timing of commercial income recognised through the Consolidated Statement of Profit or Loss requires judgement and the consideration of a number of factors including:

► The terms of each individual rebate agreement
► The nature and substance of the arrangement to determine whether the amount reflects a reduction in the purchase price of inventory, requiring the rebate to be applied against the carrying value of inventory or can be otherwise recognised in the Consolidated Statement of Profit or Loss
► The application of Australian Accounting Standards and the Group’s related processes and controls to these arrangements.

Disclosures relating to the measurement and recognition of commercial income can be found in Note 4.4 Inventories.

How our audit addressed the key audit matter

Our audit procedures in respect of commercial income included the following:

► We gained an understanding of the nature of each material type of commercial income and assessed the significant agreements in place
► We assessed the effectiveness of relevant controls in place relating to the recognition and measurement of amounts related to these arrangements
► We performed comparisons of the various arrangements against the prior year, including analysis of ageing profiles and where material variances were identified, obtained supporting evidence
► We selected a sample of supplier agreements and assessed whether appropriate agreements or other documentation supported the recognition and measurement of the rebates in the 30 June 2019 Financial Report, including an assessment of amounts recorded before and after the balance date
► We inquired of the Group including business category managers, supply chain managers and procurement managers as to the existence of any non-standard agreements or side arrangements.

2. Impairment of non-current assets including intangible assets

Why significant

The determination of the recoverable amounts of property, plant and equipment, goodwill and other intangible assets required significant judgement by the Group.

Impairment assessments are complex and involve significant management judgement. The assessment completed by the Group includes numerous assumptions and estimates that will be impacted by future performance and market conditions.

Key assumptions, judgements and estimates applied in the Group’s impairment assessment are set out in Note 6.1.

Based upon the disclosed sensitivity analysis, changes to the key assumptions applied in the impairment test are not expected to give rise to an impairment of the carrying value of the Group’s cash generating units.

How our audit addressed the key audit matter

Our audit procedures included an evaluation of the following assumptions utilised in the Group’s assessment:

► Determination of cash generating units
► Forecast cash flows
► Growth rates
► Discount rates
► Comparative industry valuation multiples
► Other market evidence.

We involved our valuation specialists to evaluate the appropriateness of these key inputs, where relevant to the impairment tests:

► Discount rates
► Terminal growth rates
► Market evidence of industry earnings valuation multiples
► Long-term inflation and growth rate assumptions
► Forecast exchange rate assumptions.

We also considered the adequacy of the Financial Report disclosures regarding the impairment testing approach, key assumptions and sensitivity analysis.
4. AASB 16 Leases

Why significant

AASB 16 Leases (“AASB 16”) applies to the Group from 1 July 2019. The adoption of this accounting standard is inherently complex due to the need to apply its requirements to:

> existing commitments, including embedded lease agreements;
> the volume of operating leases held by the Group; and
> the judgements applied by management when determining how to apply key requirements of this standard such as the impact of lease options.

During the period the Group substantially completed the analysis of the impact of this new standard on the Group. Disclosures are required of the expected financial impact on first time adoption in the Financial Report for the year ended 30 June 2019. These disclosures can be found in Note 9.4.

How our audit addressed the key audit matter

We assessed the Group’s process for determining the expected impact of the new standard.

We assessed the analysis of the expected financial impact of the new standard and the accounting policies, estimates and judgements made in respect of the products and services of the Group. We selected a sample of lease agreements to determine the appropriateness of the judgements applied including:

> the treatment of lease options;
> the treatment of sub-lease arrangements;
> the identification of non-waive components;
> the treatment of adjustments to lease payments (both fixed and variable rate adjustments);
> the impact of contract variations;
> the interest rate implicit in the agreements;
> the application of practical expedients available under AASB 16; and
> whether there were any material contracts containing a lease.

We evaluated the effectiveness of the Group’s processes and controls to capture and measure the right of use asset and associated liability including the completeness of the balances.

We tested the calculation of the adjustment to opening retained earnings calculated by the Group.

We evaluated the adequacy of disclosures included in Note 9.4.

5. Inventory existence

Why significant

At 30 June 2019, the Group held inventories of $1,964.7 million. Being one of the most significant balances on the Consolidated Statement of Financial Position, the Group’s inventory verification process is extensive and occurs routinely throughout the financial year.

This inventory is held at geographically diverse locations around Australia at various stores and distribution centres.

How our audit addressed the key audit matter

Our audit procedures included the following:

> Selected a sample of stores so as to observe and assess the Group’s stocktake processes throughout the year.
> For the stocktakes we attended, we assessed whether the required adjustment to inventory determined by the stocktake was processed correctly.
> Observed and assessed the daily stocktake process at a sample of distribution centres near period end.
> Validated that daily counts occurred at distribution centres during the year.

6. Accounting for the demerger of the Group from Wesfarmers Limited

Why significant

During the year, the Group demerged from Wesfarmers Limited (Wesfarmers) which gave rise to consequential events with complex accounting and financial reporting implications. These included:

> Transitional service agreements were executed between the Group, Wesfarmers, and certain Wesfarmers subsidiaries.
> Kmart, Target, and OfficeWorks were deconsolidated and transferred to Wesfarmers.
> Group entities sold the Wesfarmers tax consolidated group, without any further income tax liability relating to periods whilst part of that tax consolidated group.
> New debt facility agreements were executed.

Our audit procedures included the following:

> We examined significant agreements relating to the demerger to consider the rights and obligations of each party, and the appropriateness of resultant accounting positions adopted.
> We assessed the appropriateness of the deconsolidation of Kmart, Target, and OfficeWorks, and the related disclosure of these as discontinued operations, as included in Note 7.3.
> Involving our tax specialists, we assessed the implications of the Group exiting the Wesfarmers tax consolidated group and evidenced the payment of the Group’s final obligations to exit that tax consolidated group.
> We examined the new debt facility agreements to understand the obligations, restrictions, and any financial covenants applicable to the Group.
> We evaluated the presentation and disclosure of these matters in the Financial Report.

7. Accounting for major contracts

Why significant

During the year the Group entered into major capital expenditure contracts and various other business arrangements that have had or will have a significant impact on the Group’s operations and business relationships.

Each of these contracts and agreements included complexities that required the Group to make judgements and estimates involving extensive analysis to ensure compliance with the applicable accounting standards.

How our audit addressed the key audit matter

We examined each of these contracts and the conclusions reached by management in respect of the related accounting and financial reporting outcomes. Where specialist expertise was required, we involved our subject matter specialists in these procedures.

Where estimation processes were involved, we conducted sensitivity analyses to understand the impact of reasonably possible changes.
Information Other than the Financial Report and Auditor’s Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company’s 2019 Annual Report, but does not include the Financial Report and our auditor’s report thereon.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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, 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.

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 Group’s ability to continue as a going concern, disclosing, as applicable, matters relating 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 this Financial Report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the Financial Report of the current year and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the Directors’ report for the year ended 30 June 2019.


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.

Ernst & Young

Fiona Campbell
Partner
Melbourne
20 September 2019
Shareholder information.

Listing information
Coles Group Limited is listed, and our issued shares are quoted on the Australian Securities Exchange (ASX) under the code: COL.

Substantial shareholdings in Coles Group Limited as at 26 August 2019

<table>
<thead>
<tr>
<th>Holder</th>
<th>Number of fully paid shares</th>
<th>% of issued capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wesfarmers Limited</td>
<td>200,089,454</td>
<td>15.00</td>
</tr>
</tbody>
</table>

Twentieth largest ordinary fully paid shareholders as at 26 August 2019

<table>
<thead>
<tr>
<th>Coles Group Limited</th>
<th>Number of fully paid shares</th>
<th>% of issued capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>246,473,571</td>
<td>19.03</td>
</tr>
<tr>
<td>Wesfarmers Retail Holdings Pty Ltd</td>
<td>200,089,454</td>
<td>15.00</td>
</tr>
<tr>
<td>J P Morgan Nominees Australia Pty Limited</td>
<td>184,004,235</td>
<td>14.00</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>80,317,386</td>
<td>6.07</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>40,104,153</td>
<td>3.02</td>
</tr>
<tr>
<td>BNP Paribas Nominees Pty Ltd</td>
<td>21,070,492</td>
<td>1.58</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>16,969,772</td>
<td>1.27</td>
</tr>
<tr>
<td>J P Morgan Nominees Australia Pty Limited</td>
<td>16,784,003</td>
<td>1.25</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>8,237,368</td>
<td>0.64</td>
</tr>
<tr>
<td>National Nominees Limited</td>
<td>3,707,841</td>
<td>0.28</td>
</tr>
<tr>
<td>BNP Paribas Nominees Pty Ltd</td>
<td>3,166,599</td>
<td>0.24</td>
</tr>
<tr>
<td>HSBC Custody Nominees (Australia) Limited</td>
<td>2,902,623</td>
<td>0.22</td>
</tr>
<tr>
<td>Citcorp Nominees Pty Limited</td>
<td>2,877,375</td>
<td>0.22</td>
</tr>
<tr>
<td>Australian Executor Trustees Limited</td>
<td>1,502,739</td>
<td>0.11</td>
</tr>
</tbody>
</table>

Distribution of shareholders and shareholdings as at 26 August 2019

<table>
<thead>
<tr>
<th>Size of holding</th>
<th>Number of shareholders</th>
<th>Number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1,000</td>
<td>273,370</td>
<td>152,924,358</td>
</tr>
<tr>
<td>1,001 – 5,000</td>
<td>75,174</td>
<td>50,376,331</td>
</tr>
<tr>
<td>5,001 – 10,000</td>
<td>8,793</td>
<td>51,323,704</td>
</tr>
<tr>
<td>10,001 – 50,000</td>
<td>4,924</td>
<td>31,660,370</td>
</tr>
<tr>
<td>50,001 and over</td>
<td>140</td>
<td>987,941,027</td>
</tr>
</tbody>
</table>

Total 463,006 1,313,999,699

There were 34,913 shareholders holding less than a marketable parcel ($500).

Voting Rights
Votes of shareholders are governed by the Company’s Constitution. In broad summary, but without prejudice to the provisions of these rules, the Constitution provides for votes to be cast:
(a) on a show of hands, one vote for each shareholder; and
(b) on a poll, one vote for each fully paid share.

On market share acquisitions
During the 2019 financial year 1,144,375 Coles ordinary shares were purchased on market at an average price of AUD$12.87 per share for the purposes of various Coles employee incentive schemes. Refer to the Remuneration Report on pages 50 to 62 for further details of Coles’ employee incentive schemes.

There is no current on-market buy-back of the Company’s shares.

Corporate Governance Statement
A copy of the Corporate Governance Statement can be found on our website at www.colesgroup.com.au/corporategovernance.
Corporate Directory

Registered office
800-838 Toorak Road
Malvern East VIC 3145
Australia

Telephone
+61 3 8829 5111

Website
www.colesgroup.com.au

Chairman
Mr James Graham AM

Managing Director and Chief Executive Officer
Mr Steven Cain

Non-executive directors
Mr James Graham AM
Mr David Cheesewright
Ms Jacqueline Chow
Ms Abi Cleland
Mr Richard Freudenstein
Ms Wendy Stops
Mr Zlatko Todorcevski

Company Secretary
Ms Daniella Pereira

Auditor
Ernst & Young
8 Exhibition Street
Melbourne VIC 3000
Australia

Coles Share Registry
Computershare Investor Service Pty Limited
Yarra Falls
452 Johnston Street
Albert Park VIC 3000
Australia

Postal address
GPO Box 2375
Melbourne VIC 3001
Australia

Telephone
1300 171 785 (within Australia)
+61 3 9415 4078 (outside Australia)

Website
www.investorcentre.com/contact
www.computershare.com

Shareholder Calendar*

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Record date for final dividend</td>
<td>29 August 2019</td>
</tr>
<tr>
<td>Final dividend payment date</td>
<td>26 September 2019</td>
</tr>
<tr>
<td>Coles Group Limited Annual General Meeting in Melbourne</td>
<td>13 November 2019</td>
</tr>
<tr>
<td>Half-year end</td>
<td>29 December 2019</td>
</tr>
<tr>
<td>Year-end</td>
<td>29 June 2020</td>
</tr>
</tbody>
</table>

* Timing of events is subject to change

Annual General Meeting

The 2019 Annual General Meeting of Coles Group Limited will be held on Wednesday 13 November 2019 commencing at 1:30pm (Melbourne time) at the Melbourne Convention and Exhibition Centre, Melbourne Room, 1 Convention Centre Place, South Wharf, Melbourne, Victoria, Australia.