

COLES MYER LTD  
Form 20-F  
December 23, 2005  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 20-F**

(Mark One)

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

OR

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

FOR THE FISCAL YEAR ENDED JULY 31, 2005

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

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

Date of event requiring this shell company report

# COLES MYER LTD.

**Australian Business Number 11 004 089 936**

**(Exact name of Registrant as specified in its charter)**

**VICTORIA, AUSTRALIA**

**(Jurisdiction of incorporation or organization)**

**800 TOORAK ROAD, TOORONGA, VICTORIA 3146 AUSTRALIA**

**(Address of principal executive offices)**

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

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

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

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

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

None

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

None

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

Fully Paid Ordinary Shares	1,237,160,686
Partly Paid Ordinary Shares paid up to A\$0.01 per share	74,000

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

Yes  No

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

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**CERTAIN DEFINITIONS**

The fiscal year of Coles Myer Ltd. (the Company, Coles Myer, CML or CML Group, which, unless the context otherwise requires, includes Coles Myer Ltd. and its consolidated entities) ends on the last Sunday in July each year. The fiscal year ended July 31, 2005 is referred to in the text of this Annual Report as 2005, and other fiscal years are referred to in a corresponding manner. In the consolidated financial statements included in Item 17, the financial year 2004-05 is also referred to as 2005, and similarly for other years, except where otherwise stated. See also Glossary of Terms for descriptions of certain terms used in this Annual Report.

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

**FORWARD-LOOKING STATEMENTS**

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

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

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**ITEM 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT & ADVISERS**

Not applicable.

**ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3 KEY INFORMATION**

**A. SELECTED FINANCIAL DATA**

The selected income statement data for 2003 through 2005, and the selected balance sheet data at July 25, 2004 and July 31, 2005 set forth below (other than percentages) are derived from the audited consolidated financial statements of Coles Myer included in this Annual Report. They should be read in conjunction with, and are qualified in their entirety by reference to, those statements, including the Notes thereto. The selected income statement data for the years 2001 and 2002 and the selected balance sheet data at July 29, 2001, July 28, 2002 and July 25, 2003 set forth below (other than percentages) are derived from audited consolidated financial statements of Coles Myer, which are not included herein. Coles Myer's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Australia ( Australian GAAP ), which vary in certain material respects from accounting principles generally accepted in the United States ( U.S. GAAP ). A reconciliation to U.S. GAAP is set out in Note 32 of the Notes to the Company's consolidated financial statements.

It should be noted that results for 2005 reflect 53 trading weeks compared to 52 trading weeks for the other fiscal years indicated. This is because the Company's fiscal year ends on the last Sunday in July each year and, as a result, approximately every six years an extra trading week is included in the Company's consolidated results for that fiscal year.

**Table of Contents****Amounts in accordance with Australian GAAP**

	2005 <sup>(1)(2)</sup>	2005 <sup>(2)</sup>	2004	2003	2002 <sup>(3)</sup>	2001 <sup>(3)</sup>
	US\$	A\$	A\$	A\$	A\$	A\$
<b>(In millions, except per share amounts)</b>						
<b>Income Statement Data:</b>						
Sales <sup>(3)</sup>	27,479.0	36,185.2	32,082.2	26,875.8	25,688.7	23,779.6
Percent increase/(decrease) from prior year	n/a	12.8%	19.4%	4.6%	8.0%	(1.6)%
Profit from ordinary activities before income tax	670.2	882.5	866.2	608.8	482.2	208.2
Income tax expense	(202.3)	(266.4)	(258.1)	(187.7)	(137.2)	(68.0)
Net profit	467.9	616.1	608.1	421.1	345.0	140.2
Percent increase/(decrease) from prior year	n/a	1.3%	44.4%	22.1%	146.1%	(49.6)%
Dividends <sup>(4)</sup>	331.7	436.8	367.5	348.2	346.9	444.5
<b>Per Ordinary Share:</b>						
- Basic earnings	0.35	0.46	0.46	0.32	0.25	0.10
- Diluted earnings	0.36	0.47	0.47	0.33	0.27	0.11
- Cash Dividends <sup>(4)(5)</sup>	0.237	0.313	0.265	0.260	0.255	0.355
<b>Balance Sheet Data: (at year end)</b>						
Current assets	3,261.1	4,294.3	4,569.5	4,116.4	4,016.8	3,946.1
Total assets	7,102.2	9,352.4	9,051.7	8,452.8	8,320.6	8,317.8
Short-term debt	164.0	216.0	261.5	10.8	15.3	127.8
Long-term debt	921.4	1,213.3	713.4	1,143.3	1,552.8	1,671.4
Total debt	1,085.4	1,429.3	974.9	1,154.1	1,568.1	1,799.2
Net Assets/Shareholders equity	2,837.1	3,736.0	4,097.6	3,799.2	3,338.8	3,286.3

Refer page 4 for notes relating to above table.

**Table of Contents****Amounts in accordance with U.S. GAAP**

	2005 <sup>(1)(2)</sup>	2005	2004	2003	2002 <sup>(3)</sup>	2001 <sup>(3)</sup>
	US\$	A\$	A\$	A\$	A\$	A\$
<b>(In millions, except per share amounts)</b>						
<b>Income Statement Data:</b>						
Sales <sup>(3)</sup>	27,479.0	36,185.2	32,082.2	26,875.8	25,688.7	23,779.6
Net profit from continuing operations	389.2	512.5	475.4	444.4	310.7	166.5
- Basic earnings per share	0.32	0.42	0.40	0.34	0.22	0.12
- Diluted earnings per share	0.31	0.41	0.39	0.33	0.22	0.12
Net profit	389.2	512.5	475.4	390.9	310.7	166.5
- Basic earnings per share	0.32	0.42	0.40	0.29	0.22	0.12
- Diluted earnings per share	0.31	0.41	0.39	0.29	0.22	0.12
<b>Per Ordinary Share:</b>						
- Cash dividends <sup>(4)</sup>	0.24	0.313	0.265	0.260	0.255	0.355
- Cash dividends in US\$ <sup>(4) (5)</sup>	US\$0.24	US\$0.24	US\$0.19	US\$0.18	US\$0.14	US\$0.18
<b>Balance Sheet Data: (at year end)</b>						
Current assets	3,264.3	4,298.5	4,577.7	4,128.0	4,034.8	3,940.2
Total assets	6,93.7	9,170.9	9,109.9	8,422.4	8,218.8	8,181.9
Short-term debt	164.0	216.0	261.5	10.8	15.3	127.8
Long-term debt	921.4	1,213.3	1,397.5	1,143.3	1,552.8	1,671.4
Total debt	1,085.4	1,429.3	1,659.0	1,154.1	1,568.1	1,799.2
Net Assets/Shareholders' equity	2,506.9	3,301.2	3,032.7	3,329.4	3,107.6	3,111.1
Issued capital - value	1,597.0	2,103.0	1,626.1	2,210.3	2,032.3	1,973.7
<b>Millions of shares</b>						
Issued capital - number of outstanding shares <sup>(6)</sup>	1,237.2	1,237.2	1,225.5	1,212.5	1,184.7	1,176.8

(1) Merely for the convenience of the reader, certain selected financial data has been converted into US dollars at the Noon Buying Rate on July 29, 2005, the last trading day of the fiscal year, of A\$1.00 = US\$0.7594. These translations should not be construed as representations that the A\$ amounts actually represent such US\$ amounts or could be converted into US\$ at the rate indicated. For a more recent A\$/US\$ exchange rate, refer below.

(2) Results for 2005 reflect 53 trading weeks compared to 52 trading weeks for other fiscal years shown.

(3) Sales exclude Goods and Services Tax ( GST ). Sales for 2002 and 2001 have not been adjusted for the concessional sales change of accounting policy.

(4) Dividends for 2001 and 2002 include the interim and final dividends relating to each respective fiscal year. As a result of the change in accounting policy for providing for dividends, since 2003 dividends for each year include the interim dividend of that year and the final dividend of the prior year (refer Note 7 of the consolidated financial statements included at Item 17).

(5) Based on the Noon Buying Rate for cable transfers in A\$ as at each payment date as certified for customs purposes by the Federal Reserve Bank of New York. The actual rates of exchange used in determining the dollar payments to ADS holders were the exchange rates on the dates payments were made to the Depositary, being November 8, 2004 and May 9, 2005.



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

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

Fiscal Year	2005	2004	2003	2002	2001
	(all figures in US\$ per A\$)				
Average rate <sup>(1)</sup>	0.7564	0.7181	0.5884	0.5270	0.5262

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

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

Months	High	Low
	(all figures in US\$ per A\$)	
June 2005	0.7792	0.7498
July 2005	0.7661	0.7403
August 2005	0.7739	0.7469
September 2005	0.7731	0.7537
October 2005	0.7630	0.7468
November 2005	0.7451	0.7267

The exchange rate at December 1, 2005 was A\$1.00 = US\$0.7410.

**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

**D. RISK FACTORS**

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

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

### *Risks Related to Coles Myer*

**There is a risk that if the Company's strategic plan is not clearly defined and communicated, the Company will be unsuccessful in fulfilling its vision to be the market leader in all the markets it operates in.**

The Company's vision is to be the market leader in all the markets it operates in. This strategy has to be clearly defined. Well-judged customer propositions and successful marketing programs influence the continued growth of retail profitability. Critical factors to Coles Myer maintaining its competitive position are: (i) the ability of Coles Myer to successfully gauge and satisfy consumer preferences, and to reward customer loyalty; (ii) merchandising skills to enable improvement in product range to better meet customer needs; (iii) ability to source products in a timely and efficient manner; and (iv) appropriate price positioning. The Company needs an appropriate framework of structures and processes that support the Group through the implementation of this strategy. If the appropriate structures and processes are not in place, the Company may miss or have inadequate responses to the market and new market opportunities.

**There is a risk that the Company may not fully realize expected benefits and reduce costs from better leverage of the Group's operations.**

The Group's future plans include expected benefits from greater efficiencies in areas that are common across the Group (in particular Supply Chain and Information Technology) and access to greater economies of scale. There is a risk that the Company may not leverage the benefits and reduce costs, available from the scale, depth and breadth of its retail capability. If the Company is not able to realize these benefits, its future ability to reduce costs and remain competitive may be reduced.

**There is a risk that the Company may put too much focus on Group change.**

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

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

Coles Myer's vision is to be the number one retailer in its brands, most of which operate in relatively mature retail markets. The Company must regularly evaluate its customer proposition for each of its brands in a dynamic and competitive marketplace. Growth initiatives are based on (i) expanding share within existing markets through differentiated product offers and competitive pricing or (ii) identifying new retail opportunities. In the Food and Liquor business, this includes successfully executing the planned expansion of house brands and increasing fresh food market shares. There is a risk that if the Company does not continue to innovate and improve its customer offer, its market share and future

growth may be impacted.

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

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

**There is a risk that some of the Company's stores may underperform.**

Individual stores may underperform for a number of reasons (eg poor positioning, poor execution, fluctuations in trends and markets, and the Company's failure or inability to swiftly respond to these). There is a risk that the cost of exiting such low returning sites may be prohibitive. If the Company fails to regularly monitor underperforming stores, and to take appropriate remedial action, such stores will adversely affect profitability.

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**There is a risk that if the Company is unable to implement its new Information Technology (IT) systems and transform the Supply Chain the future performance of the Group may be affected.**

The Company's growth strategy includes significant investment in new IT systems. Coles Myer has a large number of systems, and there is a risk that if CML does not adequately implement the IT strategy to support improvement and efficiency across the business, its future profitability may be affected.

The transformation of the Supply Chain is a major initiative for the Company, and is intended to result in doing business better for customers, simpler for stores and cheaper for Coles Myer. The initiative is complex, with risks including delays and interruptions. Presently, the Supply Chain is changing rapidly, and consequently the risk of interruption increases. These risks may result in the Company not achieving the expected benefits within expected timeframes.

**There is a risk that the Company's growth strategy may be affected if there are insufficient skills across the Group to support its implementation.**

There is a risk of the loss of key members of the senior management team, which may impede the implementation of the Group's strategies. The loss of key personnel, or insufficient management or leadership skills may mean that the Company's growth strategy does not meet expectations.

**There is a risk that industrial action may affect the Company's operations impacting business and financial performance.**

Coles Myer has traditionally had a stable industrial relations environment within its operations. However, there is a risk of industrial unrest or interruption particularly within distribution centers. Any industrial action may increase costs, impact operations and delay transformation initiatives.

**There is a trend of increasing competition (from existing and new competitors) in the markets within which Coles Myer operates which may affect the results from its retail operations.**

There is significant competition in the Australian and New Zealand markets in which Coles Myer's businesses operate. Retail chains generally compete on the basis of location, quality of products, service, price, product variety and store condition. Take-over activity amongst existing competitors intensifies competition. There is also the risk of new entrants into the Australian retail market, either by acquisition of an existing retailing company or through greenfields development. Regulatory authorities may constrain the Company from growing existing Brands, particularly within the food and liquor group. As Coles Myer operates in a broad range of retail sectors (food and liquor, discount stores, department stores, etc) it is exposed to competition in almost all retail sectors of the Australian market. These competitive conditions may adversely impact Coles Myer's market share and trading results.

**Myer ownership options risk.**

As part of the development of the Company's next strategic plan, the Company is considering ownership options for Myer. Amongst these is the option of selling, de-merging or retaining Myer. At this point in time the outcome of this process is unknown and consequently it is not possible to reasonably identify what risks, if any, may arise from the final ownership decision.

**Coles Myer faces the risk of e**