COLES MYER LTD
Form 6-K
October 04, 2002

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT 1934

For the month of October, 2002

COLES MYER LTD.

(Translation of registrant's name into English)

800 TOORAK ROAD, TOORONGA, VICTORIA, AUSTRALIA

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F __X__ Form 40-F ___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ___

Note:

Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ___

Note:

Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form the registrant is also thereby furnishing the information to the Commission pusuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes __ No _X_

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

COLES MYER LTD.

(Registrant)

By /s/ R F BENNETT

(Signature)

ROBERT F BENNETT

COMPANY SECRETARIAT MANAGER

Date October 4, 2002

Coles Myer Ltd.

ABN 11 004 089 936

800 Toorak Road, Tooronga, 3146

Telephone (03) 9829 3111

Facsimile (03) 9829 6787

Postal Address: PO Box 2000, Glen Iris, 3146

News Release

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Coles Myer Rebuild Progressing

- Net profit after tax of $353.8 million in line with guidance

up 6.2% on last year's underlying profit

- Underlying retail EBIT up 16.2%
- Focus on sustainable, long-term growth
- Cost of doing business ratio reduced by 78 basis points ($199 million)
- Strong balance sheet
- Operating cash flow up $445.8m
- Final dividend 12.0 cents

Coles Myer Ltd (CML) today announced net profit after tax of $353.8 million for the full year ended 28 July, 2002 - in line with guidance and up by 6.2% on last year's underlying net profit after tax. Sales rose by 8.7%[1] to $25.5 billion.

Underlying retail EBIT for the Group grew by 16.2% - up by 12.4%[2] in the Food & Liquor business and by 36.9%[3] in the General Merchandise & Apparel (GM&A) brands.

Coles Myer Chief Executive Officer John Fletcher said the result demonstrated early progress in delivering on the Group's five-year program to rebuild the business and restore shareholder value.

"Our Food & Liquor business has achieved compound double-digit earnings growth over the past 10 years," Mr Fletcher said.

"In GM&A, there has been significant and continuing earnings improvement in Target, along with a much improved second half performance by Kmart, with both brands delivering to strategy simultaneously.

"In Myer Grace Bros, the turnaround is taking longer to get traction. However, with the leadership team now in place and the recovery process underway, we believe the worst is behind us.

"We have significantly improved our cost of doing business (CODB) to sales ratio, with a reduction across the Group of 78 basis points. This represents a saving of $199 million, well ahead of our $100 million target for FY2002, increasing our competitiveness.

"We continue to forecast total CODB savings of at least $300 million by the end of FY2004.

"Ongoing benefits will emerge from the reviews of our Food & Liquor business and our head-office and support functions.

"With the arrival this month of the new leaders of our Supply Chain and IT functions, there will be further focus on running our operations faster, cheaper, better and smarter.

"The balance sheet was further strengthened over the year. This was aided by GM&A inventory levels falling by a further $107.9 million, additional to last year's reduction of $88.5 million.

"Operating cash flow rose by a substantial $445.8 million to $1.1 billion.

"This has been a challenging year for the company, but one in which we have made real progress. The full leadership team is now in place, momentum is developing and significant business transformation is taking place."

Mr Fletcher said Group sales for the first 8 weeks of FY2003 grew by 7.8%.

"While our Food & Liquor business is operating in an extremely competitive environment, we are on track in the first quarter to deliver to our strategic commitment of high single-digit sales growth," Mr Fletcher said.

"In GM&A, Target and Kmart sales continue to maintain momentum."

Directors have declared a fully franked final dividend of 12.0 cents per share.

RESULTS SUMMARY		2002	2001	Change
		52 weeks	52 weeks	
		$m	$m	
Sales[1]		25,688.7	23,779.6	8.0%
Retail EBIT[2]		624.1	586.3	6.4%
Underlying retail EBIT[3]		636.5	547.8	16.2%
% to Sales[3]		2.5%	2.3%	
	Food and Liquor Group	546.9	514.7	6.3%
	% to Sales	3.4%	3.6%	
	General Merchandise and Apparel Group	92.0	98.6	(6.7)%
	% to Sales	1.0%	1.1%	
	e.colesmyer	(14.8)	(27.0)	45.2%
	% to Sales	(5.3)%	(9.9)%	
Property		48.9	57.4	
Unallocated costs		(106.5)	(70.3)	
Underlying[4] EBIT		566.5	573.4	(1.2)%
Net borrowing costs		(75.5)	(108.7)	
Underlying[4] net profit before tax		491.0	464.7	5.7%
Income tax expense on underlying profit		(137.2)	(131.7)	
Underlying[4] net profit after tax		353.8	333.0	6.2%
Significant items[5]		-	(245.9)	

Income tax benefits	-	63.7	
Net profit after tax	353.8	150.8	134.6%
Underlying[4] earnings per share (basic) (cents)	26.1	26.1	
Earnings per share (basic) (cents)	26.1	10.5	
Ordinary dividend per share	25.5	25.5	
Operating gross margin (%)[3]	26.7	27.5	(80)bp
Cost of doing business / sales (%)[3]	24.4	25.2	(78)bp
Return on investment (%)[6]	14.2	13.0	
Operating cash flow before distributions, interest & tax	1,280.4	941.7	
Free cashflow[7]	672.6	190.4	
Net debt/Net debt & equity (%)	17.5	27.3	
Fixed charges cover (times) [8]	2.0	2.0	

1 Excludes Goods & Services Tax (GST).

Excluding the exited business of Katies, Myer Direct and Red Rooster, CML sales were:

2001 $23,419m, 2002 $25,468m, representing sales growth of 8.7%.

2 Earnings before interest and tax for retail operations. Includes $8.1m loss on Red Rooster sale.

3 Excluding exited businesses and one-off benefits in 2001 from accounting policy changes.

4 2001 underlying result is stated before significant items.

5 Significant items for 2001 were restructuring costs, asset write-downs and Kmart New Zealand provision for onerous contracts.

6 Underlying EBIT as a percentage of net assets employed excluding tax balances and net debt.

7 Operating cashflow less investing cashflow.

8 EBITDA before fixed charges divided by fixed charges (lease rental & net borrowing costs).

RETAIL OPERATIONS

Food & Liquor Group

	2002	2001	Change
Sales ($m)	15,892	14,468	9.8%
- excl Red Rooster	15,711	14,246	10.3%

Retail EBIT ($m)	546.9	514.7	6.3%
- excl Red Rooster[1] & 2001 acctng policy change[2]	558.2	496.8	12.4%
Retail margin (%)	3.44	3.56	(12)bp
- excl Red Rooster & 2001 acctng policy change	3.55	3.49	6bp
Operating gross margin (%)[3]	24.29	24.27	2bp
Cost of doing business / sales (%)[3]	20.74	20.78	(4)bp
Net assets employed (NAE) ($m)[4]	1,775.9	1,751.8	

- Underlying retail EBIT up 12.4%[3] in competitive environment
- Strongest sales growth in 3 years
- Acquisition stores gaining momentum
- Ongoing cost reductions
- Continued network expansion in 2003

The Food & Liquor Group (F&L) comprises Coles, Bi-Lo and Liquorland, with the non-core Red Rooster business sold in May 2002. The group boosted sales by 10.3%[5] during FY2002, the strongest growth in 3 years, in an increasingly competitive market.

Alan Williams, Chief Operating Officer - Food, Liquor and Logistics - said this growth reflected ongoing expansion of the food and liquor brands, including the acquisition of Franklins stores and full year contributions from Australian Liquor Group (ALG) and Leda Hotels.

"The momentum of our ex-Franklins supermarkets continues to build, with these stores generating sales of $350 million during the year. Our dual-branded strategy with Coles and Bi-Lo has assisted in attracting Franklins' customers," Mr Williams said.

"The ALG and Leda acquisitions are now fully integrated within the liquor business, with all stores re-badged to Liquorland or Vintage Cellars. While sales continue to grow in our liquor business, they are being affected by intense market competition.

"Underlying retail EBIT was up by 12.4%[3] over the year, reflecting a rise in the retail margin of 6 basis points to 3.55% .

"This includes a steady improvement in the performance of the food acquisitions over the year. The ex-Franklins stores are expected to achieve F&L group margins by the end of FY2003, as previously indicated."

The F&L gross margin rose by 2 basis points to 24.29% in FY2002 and the cost of doing business to sales ratio fell by 4 basis points to 20.74%, reflecting expected EBIT margin dilution from the Franklins acquisition.

Mr Williams said work continued on the second stage of the Food & Liquor Review.

"We have identified opportunities in the business to remove duplication and improve efficiencies across the brands," Mr Williams said.

Mr Williams said the store expansion program remained on track, with a total of 51 new supermarkets opened in FY2002, including the Franklins acquisitions, as well as 29 new liquor stores and 2 hotels. Another 96 supermarkets and 78 liquor stores were refurbished during the year.

"In FY2003, we will open more than 40 additional supermarkets, mostly in the second half of the year. We will also open 40 liquor stores, boosted by the phase-out of liquor licence restrictions in Victoria. The bulk of these new stores will open in the second half of FY2003. Following the integration of the Franklins stores in FY2002, the supermarket refurbishment program will be increased to 86 stores in the coming year," Mr Williams said.

"In line with our 5 year strategy, we continue to forecast high single digit sales growth and double digit EBIT growth per annum to FY2006, with retail EBIT margins reaching 4% by FY2005.

General Merchandise & Apparel Group

	2002	2001	Change
Sales ($m)	9,517	9,039	5.3%
- excl Katies	9,517	8,987	5.9%
Retail EBIT ($m)	92.0	98.6	(6.7)%
- excl Katies[1] & 2001 acctng policy change	92.0	67.2	36.9%
Retail margin (%)	1.00	1.09	(9)bp
- excl Katies & 2001 acctng policy change	1.00	0.75	25bp
Operating gross margin[2] (%)	30.64	32.42	(178)bp
Cost of doing business / sales[2] (%)	29.68	31.75	(207)bp
NAE ($m)	2,057.6	2,404.9	

- Underlying retail EBIT up 36.9%

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- Significant earnings improvement in Target
- Kmart delivering on new strategy
- MGB rebuild underway
- Officeworks continues to strengthen

- Substantial improvement in CODB
- Improved GM&A inventory levels and stock-turn

The General Merchandise & Apparel Group (GM&A) includes Target, Myer Grace Bros (MGB), Megamart, Kmart and Officeworks. The non-core Katies business was sold in November 2000.

Warren Flick, Chief Operating Officer - GM&A - said Target and Kmart had made promising progress in their rebuild programs while the focus continued on improving the performance of Myer Grace Bros.

"GM&A sales rose by 5.9%[3] in FY2002, with customers responding positively to improving ranges and price competitiveness. The differentiated positionings at Target and Kmart are each achieving simultaneous sales success," Mr Flick said.

"Underlying retail EBIT increased by 36.9%[2] to $92.0 million, reflecting a substantial turnaround from the earnings decline experienced in the second half of FY2001. While gross margin fell over the year, driven largely by MGB's clearance activity and Kmart's strategic price repositioning, the increasing flow from cost savings reduced the cost of doing business ratio by a significant 207 basis points to 29.68%.

"GM&A's full team of managing directors is now in place. As our experience with Target and Kmart shows, when you combine the right leadership with the right strategy, you get results. We are confident that a similar rebuild process is underway with new leadership at MGB.

"With our tight inventory policy, we cleared winter seasonal stock as planned and total GM&A year-end inventory levels are down 6.0% on FY2001, in addition to the 4.7% reduction in the prior year. Importantly, apparel inventory levels were reduced by 7.7% in FY2002.

"Stock-turns have also improved considerably, rising from 2.9x times in FY2001 to 3.5 times in FY2002 for the GM&A group.

"Consistent with our 5 year strategic plan, we continue to expect mid-single digit sales growth per annum for the GM&A group to FY2006, and remain committed to a 4% EBIT margin target by FY2006," Mr Flick said.

Target

	2002	2001	Change
Sales ($m)	2,422	2,328	4.0%
Retail EBIT ($m)	51.7	(2.8)	
- excl 2001 acctng policy change	51.7	(14.6)	
Retail margin (%)	2.13	(0.12)	225bp
- excl 2001 acctng policy change	2.13	(0.63)	276bp
NAE ($m)	482.3	576.8	

Mr Flick said that Target had made a significant recovery over the year, reporting a profit of $51.7 million following a $14.6[1] million underlying retail EBIT loss in FY2001.

"Target is delivering on its strategy of offering customers on-trend, quality merchandise at very affordable prices" Mr Flick said.

"The challenge facing this brand was the need to reduce inventory levels while introducing new and more fashionable ranges. By focussing on the right positioning and operational efficiencies, it has recorded a major turnaround in the retail EBIT margin to 2.13%.

"The result was underpinned by strong performances across all apparel categories at much improved margins. This compares with aggressive mark-downs of excess stock last year."

Mr Flick said toys were another key performer, with this year's traditional winter toy sale being the most successful ever at Target. Range improvements in the home and entertainment categories have also achieved encouraging sales results.

"Target's inventory has been reduced by 11.2% and is now at an appropriate level and quality. Importantly, apparel stock-turn increased from 2.9 times in FY2001 to 3.8 times in FY2002.

"While much has been achieved over the year, we will continue to drive sales and margin growth through quickly identifying new merchandising trends, ongoing improvements to merchandise flow and stock-turn, and cost efficiencies," Mr Flick said.

Kmart and Officeworks

	2002	2001	Change
Sales ($m)	3,852	3,552	8.4%
Retail EBIT ($m)	61.9	78.0	(20.6)%
- excl 2001 acctng policy change	61.9	65.5	(5.5)%
Retail margin (%)	1.61	2.20	(59)bp
- excl 2001 acctng policy change	1.61	1.84	(23)bp
NAE ($m)	814.7	1,014.2	

Kmart and Officeworks reported a combined retail EBIT of $61.9 million in FY2002, on a sales rise of 8.4%.

"Kmart's earnings fell in the first half of the year with the introduction of a new pricing structure to regain market competitiveness, inline with its lowest price guarantee policy," Mr Flick said.

"While it was clear that the offsetting cost savings would not be realised immediately, the decision to reduce prices was made to lift market share, despite short term margin weakness.

"The second half of the year saw Kmart's performance improve significantly. Strong sales growth across apparel and hardline categories were driven by growing customer acceptance of range enhancements and more focussed marketing, underpinned by the new pricing policy.

"The quality of Kmart's sales mix also improved over the second half, with regular sales growing at more than double the rate of promotional sales in the fourth quarter. Combined with progressive cost reductions, Kmart's margins improved considerably over the period," Mr Flick said.

Officeworks delivered another impressive performance in FY2002 in a competitive market, with the network increasing from 51 to 59 stores across Australia. In line with our strategy, we expect a further 10-15 new stores to open in FY2003.

Myer Grace Bros

	2002	2001	Change
Sales ($m)	3,243	3,106	4.4%
Retail EBIT ($m)	(21.6)[1]	28.1	
- excl 2001 acctng policy change	(21.6) 1	16.3	
Retail margin (%)	(0.66)	0.90	(156)bp
- excl 2001 acctng policy change	(0.66)	0.52	(118)bp
NAE ($m)	760.6	818.1	

Myer Grace Bros (MGB), including Megamart, reported a retail EBIT loss of $21.6 million in FY2002, incorporating a $9.0 million write-down of computer software assets.

"MGB's performance reflects poor apparel sales during the second half of the year. This required a more aggressive promotional program to sustain sales momentum and to clear winter merchandise in season. This significantly weakened margins.

"However, inventory levels at year-end were 3.8% below last year, which has improved the position of MGB for the upcoming spring/summer fashion season.

"We remain committed to our strategic positioning and are continuing to improve our range of national and international brands, service standards and store presentation.

"We are confident that under the leadership of MGB's new Managing Director, Dawn Robertson, we are in a position to steadily rebuild the brand.

"Megamart produced another year of strong sales growth. The network has now increased to 6 stores, with the opening of a Sydney store in August 2002. Megamart is a key part of MGB's plan to expand its share of the growing furniture and electrical markets," Mr Flick said.

e.colesmyer

	2002	2001	Change

Sales ($m)	279	272	2.6%
- excl Myer Direct	239	187	28.3%
Retail EBIT ($m)	(14.8)	(27.0)	45.2%
- excl Myer Direct & acctng policy chg	(13.7)	(16.2)	15.4%
NAE ($m)	17.3	49.7	

Mr Fletcher said e.colesmyer, in future to be known as Emerging Businesses, continued to deliver valuable learnings in the evolution of new business channels, technologies and ideas. Once these direct selling concepts are proven, they will be assimilated into the brands as appropriate. For example, following the successful development of Officeworks Direct under e.colesmyer, the business is now operating within the Officeworks brand.

Excluding Myer Direct, which was sold in January 2002, e.colesmyer sales rose by 28.3% in FY2002. Harris Technology and Coles Online were the largest contributors to sales growth.

e.colesmyer reduced its retail EBIT loss from $27.0 million to $14.8 million over the year, through increasing cost efficiencies and the sale of Myer Direct.

Harris Technology continued its strong performance, doubling profit during the year.

While the performance of the underlying businesses continue to improve, it is anticipated that costs will increase in FY2003 as financial services opportunities are further developed.

PROPERTY AND Unallocated EBIT

$m	2002	2001
Unallocated and head office costs	(106.5)	(70.3)
Gain on sale of property	15.0	21.6
Property operating earnings	33.9	35.8
Property and Unallocated EBIT	(57.6)	(12.9)

Unallocated and head office costs rose by $36.2 million to $106.5 million. As previously announced, the increase was driven by:

- Executive change costs
- Projects and consultants costs
- Higher shareholder costs, including the relaunch of the shareholder discount card
- Higher superannuation costs, following a $21 million partial holiday last year

"While some of these one-off costs will continue in FY2003, the underlying level of unallocated costs is expected to be approximately $90 million," Mr Fletcher said.

The total earnings contribution from property fell to $48.9 million from $57.4 million in FY2001. As less property was sold during the year, net gains from property disposals fell by $6.6 million to $15.0 million. Going forward, non-strategic freehold properties will continue to be sold. The book value of the property portfolio at year end was $612.1 million (FY2001: $631.1 million).

A formal process to seek expressions of interest for the possible sale of Sydney Central Plaza has also now begun. MGB would remain a tenant in the centre regardless of the outcome of the process.

Interest and Tax

Net borrowing costs decreased from $108.7m in 2001 to $75.5m, predominantly as a result of lower average net debt levels and lower interest rates. In addition, Coles Myer Ltd. received $12.4m (2001 $6.7m) in interest from the Coles Myer Employee Share Plan for the funding facility, first provided by the Company in 1994. Going forward, interest income relating to this facility is difficult to predict, as it relies on funds from the exercise of options and dividend income. However, an approximate base of $3-4 million is expected annually. Total interest income for the year was $27.4 million (2001 $16.0m).

Income tax expense of $137.2 million reflects an effective tax rate of 27.9%, in line with prior year (excluding significant items). A tax rate of around 30% is expected in FY2003.

BALANCE SHEET

$m	2002	2001
Inventory	2,809	2,904
Trade creditors	(1,775)	(1,576)
Net investment in inventory	1,034	1,328
Other current net liabilities	(788)	(1,008)
Working capital (basic)	246	320
Intangible assets	324	309
Fixed assets	3,422	3,464
Other net assets	2	327
Funds employed	3,994	4,420
Net tax balances	16	47
Net assets employed	4,010	4,467
Net debt	(702)	(1,221)
Shareholders' funds	3,308	3,246

Net debt fell by 42.5% to $702.1 million, resulting in net debt to capital employed (net debt plus equity) down to 17.5% (2001: 27.3%). Improved trading and balance sheet management were the main drivers.

A $294.0 million improvement in the net investment in inventory was driven by continued improvement in the quality of stock and higher stock turns, particularly in the GM&A businesses, along with increased supplier support. The reduction in gross inventory reflected a 6.0% fall in GM&A stock levels, while F&L inventory rose with the acquisition of ex-Franklins stores. The net result was a reduction in the Group's days stock cover from 57.0 to 52.7 days.

Working capital (basic) fell by $73.9 million to $246.5 million.

CML's credit ratings remain at investment grade quality. The long and short term ratings from Standard and Poor's are BBB+/A-2 (negative outlook) and Moody's Investors Service ratings are Baa2/P-2 (stable).

Cash flow and capital expenditure

$m	2002	2001
Operating cash flow	1,118	672
Capex, acquisitions & investments	(578)	(640)
Asset sales, other	133	158
Free cash flow	673	190
ReCAP proceeds, share buy-backs, share issues	(1)	672
Dividends paid	(286)	(365)
Net cash flow	386	497

Operating cashflow rose by a strong $445.8 million to $1,118.0 million. Capital expenditure on property, plant and equipment of $578.2 million included $59.3 million for the acquisition of ex-Franklins stores. Free cashflow rose by $482.2 million to $672.6 million. As the FY2001 cash flow was inflated by a one-time sales tax refund of $208 million, the underlying improvement in FY2002 cash flow is even greater. FY2003 capital expenditure of over $800 million is expected.

OUTLOOK

Mr Fletcher said the Group's performance in the first two months of Q1 FY2003 indicated further progress against strategy, with Group sales up by 7.8%[1].

"In Food and Liquor we remain on strategy to achieve high single-digit sales growth for the year," Mr Fletcher said.

"Momentum in Target and Kmart is continuing, while at MGB the worst is behind us and the rebuild is underway.

"We expect competition in all our markets to remain intense."

Further guidance will be given at the Annual General Meeting.

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More information:

Media: Scott Whiffin H3 9829 5548

Analysts: Amanda FischerH3 9829 4521

Preliminary Final Report					
Name of entity					
COLES MYER LTD.					
ABN or equivalent company reference		Half yearly (tick)		Preliminary final (tick)	
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For announcement to the market					
Sales revenues from ordinary activities (item 1.1)					
Profit (loss) from ordinary activities after tax attributable to members (item 1.20)					
Profit (loss) from extraordinary items after tax attributable to members (item 2.5(d))					
Net profit (loss) for the period attributable to members (item 1.12)					
Dividends (distributions)					

Final dividend (Preliminary final report only - item 15.4)

Previous corresponding period (Preliminary final report - item 15.5)

Record date for determining entitlements to the dividend,

(in the case of a trust, distribution) (see item 15.2)

Brief explanation of omission of directional and percentage changes to profit in accordance with Note 1

and short details of any bonus or cash issue or other item(s) of importance not previously released to

the market:

NIL

Condensed consolidated statement of financial performance

1.1	Sales
1.2	Cost of goods sold
1.3	Gross profit
1.4	Other revenue from operating activities
1.5	Revenue from non-operating activities
1.6	Borrowing costs
1.7	Advertising expenses
1.8	Selling and occupancy expenses
1.9	Administrative expenses
1.10	Profit (loss) from ordinary activities before tax
1.11	Income tax expense
1.12	Net profit for the period attributable to members

Non-owner transaction changes in equity

1.13	Net (decrease)/increase in asset revaluation reserve
1.14	Total transactions and adjustments recognised directly

	in equity				
1.15	Total changes in equity other than those resulting				
	from transactions with owners as owners				
	Earnings per share				
1.16	Basic earnings per share				
1.17	Diluted earnings per share				

Earnings per share in the previous corresponding period is consistent with the application of
the revised standard AASB 1027 Earnings Per Share.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

1.18	Profit (loss) from ordinary activities after tax *(item 1.12)*				
1.19	Less (plus) outside equity interests				
1.20	Profit (loss) from ordinary activities after tax,				
	attributable to members				

Revenue and expenses from ordinary activities

1.21	Revenue from sales and operating activities				
1.22	Interest revenue				
1.23	Other revenue from non-operating activities				
1.24	Depreciation and amortisation excluding amortisation				
	of intangibles *(see item 2.3)*				
Capitalised outlays					

1.25 Interest costs capitalised in asset values		
1.26 Outlays capitalised in intangibles (unless arising from an acquisition of a business)		

Consolidated retained profits

1.27 Retained profits at the beginning of the financial period		
1.28 Net profit attributable to members *(item 1.12)*		
1.29 Net transfers from (to) reserves		
1.30 Net effect of changes in accounting policies		
1.31 Dividends and other equity distributions paid or payable		
1.32 Retained profits at end of financial period		

Intangible and extraordinary items

	Consolidated - current period	
	Before tax	Related tax
	$M	$M
2.1 Amortisation of goodwill	6.9	
2.2 Amortisation of other intangibles	20.0	(2.9)
2.3 Total amortisation of intangibles	26.9	(2.9)
2.4 Extraordinary items		
2.5 Total extraordinary items	NIL	NIL

Comparison of half year profits
(Preliminary final report only)

3.1 Consolidated profit from ordinary activities after

	tax attributable to members reported for the 1st half	
	year (item 1.12 in the half yearly report)	
3.2	Consolidated profit (loss) from ordinary activities after	
	tax attributable to members for the 2nd half year	

Condensed consolidated statement of financial position

		At end of current period $M
	Current assets	
4.1	Cash assets	274.6
4.2	Receivables	887.1
4.3	Investments	
4.4	Inventories	2,808.9
4.5	Tax assets	
4.6	Other	53.2
4.7	Total current assets	4,023.8
	Non-current assets	
4.8	Receivables	122.6
4.9	Investments	109.2
4.10	Inventories	
4.11	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	
4.12	Development properties (mining entities)	
4.13	Other property, plant and equipment (net)	3,422.0
4.14	Intangibles (net)	323.6
4.15	Deferred tax assets	258.3
4.16	Other	29.9
4.17	Total non-current assets	4,265.6
4.18	Total assets	8,289.4
	Current liabilities	
4.19	Payables	2,270.7
4.20	Interest bearing liabilities	15.3
4.21	Loans	

4.22	Tax liabilities	
4.23	Provisions (excluding tax liabilities)	640.6
4.24	Other	
4.25	Total current liabilities	2,926.6
	Non-current liabilities	
4.26	Payables	
4.27	Interest bearing liabilities	1,552.8
4.28	Loans	
4.29	Tax liabilities	249.5
4.30	Provisions (excluding tax liabilities)	204.3
4.31	Other	48.6
4.32	Total non-current liabilities	2,055.2
4.33	Total liabilities	4,981.8
4.34	Net assets	3,307.6

Condensed consolidated statement of financial position continued

	Equity	At end of current period $M
4.35	Contributed equity	2,032.3
4.36	Reserves	402.4
4.37	Retained profits (accumulated losses)	872.9
4.38	Equity attributable to members of the parent entity	3,307.6
4.39	Outside equity interests in controlled entities	
4.40	Total equity	3,307.6
4.41	Preference capital included as part of 4.38	680.6

Notes to the condensed consolidated statement of financial position

Exploration and evaluation expenditure capitalised

5.1	Opening balance		
5.2	Expenditure incurred during current period		
5.3	Expenditure written off during current period		
5.4	Acquisitions, disposals, revaluation increments, etc.		
5.5	Expenditure transferred to Development Properties		
5.6	Closing balance as shown in the consolidated		
	balance sheet *(item 4.12)*		

Development properties

6.1	Opening balance		
6.2	Expenditure incurred during current period		
6.3	Expenditure transferred from exploration and evaluation		
6.4	Expenditure written off during current period		
6.5	Acquisitions, disposals, revaluation increments, etc.		
6.6	Expenditure transferred to mine properties		
6.7	Closing balance as shown in the consolidated		
	balance sheet *(item 4.13)*		

Condensed consolidated statement of cash flows

	Cash flows related to operating activities			
7.1	Receipts from customers (inclusive of goods and			
	services tax)			
7.2	Payments to suppliers and employees (inclusive of			
	goods and services tax)			
7.3	Cash distributions received from associated entities			
7.4	Interest and other items of similar nature received			
7.5	Interest and other costs of finance paid			
7.6	Income taxes paid			
7.7	Net operating cash flows			
	Cash flows related to investing activities			

7.8	Payment for purchases of property, plant and equipment
7.9	Proceeds from sale of property, plant and equipment
7.10	Proceeds on sale of businesses and controlled entities
7.11	Payment for purchases of businesses and controlled entities (net of cash acquired)
7.12	Repayment of loan from other entities
7.13	Payment for purchases of investments
7.14	Proceeds on sale of investments
7.15	Payment for purchase of associated entity
7.16	Net investing cash flows
	Cash flows related to financing activities
7.16	Proceeds from issues of securities (shares, options, etc.)
7.17	Payment for shares bought back
7.18	Proceeds from borrowings
7.19	Repayment of borrowings
7.20	Dividends paid
7.21	Net financing cash flows
	Net increase/(decrease) in cash held
7.22	Cash at beginning of period (see Reconciliation of cash)
7.23	Exchange rate adjustments to item 7.22
7.24	Cash at end of period (see Reconciliation of cash)

Non-cash financing and investing activities

Coles Myer Ltd. issued ordinary shares under the Dividend Reinvestment Plan of $60.0 million (2001 $87.8 million).

The CML Group disposed of its investment in Power Investment Funding Pty. Ltd. for $NIL consideration. Current receivables decreased $36.2 million, current loans decreased $36.2 million and investments decreased $NIL on disposal.

The CML Group disposed of its investment in Investment Funding Pty. Ltd. for $NIL

consideration. Current receivables decreased $79.1 million, current loans decreased $79.1					
million and investments decreased $NIL on disposal.					
The CML Group disposed of its investment in Label Developments Pty. Ltd. for $NIL					
consideration. Non-current receivables decreased $17.2 million, non-current loans					
decreased $17.2 million and investments decreased $NIL on disposal.					
In 2001, the company disposed of its investment in Investment Development Funding					
Pty. Ltd. As a result of the disposal, non-current receivables decreased $60.3 million					
and non-current loans decreased $60.3 million.					
Reconciliation of cash					
Reconciliation of cash at the end of the period (as					
shown in the consolidated statement of cash flows) to					
the related items in the accounts is as follows:					
8.1	Cash on hand and at bank				
8.2	Deposits at call				
8.3	Bank overdraft				
8.4	Other (provide details)				
8.5	Total cash at end of period *(item 7.24)*				
Other notes to the condensed financial statements					
Ratios					
	Profit before tax / revenue				
9.1	Consolidated profit (loss) from ordinary activities before				
	tax *(item 1.10)* as a percentage of sales revenue *(item*				
	1.1)				
	Profit after tax / equity interests				
9.2	Consolidated net profit (loss) from ordinary activities				
	after tax attributable to members *(item 1.12)* as a				
	percentage of equity (similarly attributable) at the end of				
	the period *(item 4.38)*				
Earnings per security (EPS)					
10	Refer Appendix A				

NTA backing					
11.1	Net tangible asset backing per ordinary security				
Discontinuing operations					
12.1	Discontinuing operations				
		NIL			
Control gained over entities having material effect					
13.1	Name of entity (or group of entities)				
13.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was acquired				
13.3	Date from which such profit has been calculated				
13.4	Profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period				
Loss of control of entities having material effect					
14.1	Name of entity (or group of entities)				
14.2	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control				
14.3	Date to which the profit (loss) in item 14.2 has been calculated				
14.4	Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period				
14.5	Contribution to consolidated profit (loss) from ordinary activities and				

extraordinary items from sale of interest leading to loss of control				
Dividends (in the case of a trust, distributions)				
15.1	Date the dividend (distribution) is payable			
15.2	Record date to determine entitlements to the dividend			
	(distribution) (ie, on the basis of registrable transfers			
	received up to 5.00 pm if paper based, or by "End of			
	Day" if a proper SCH transfer)			
15.3	If this is a final dividend, has it been declared?			
Amount per security				
				Amount per security
15.4	Final dividend:		Current Year	12.0c
15.5			Previous Year	12.0c
15.6	Interim dividend:		Current Year	13.5c
15.7			Previous Year	13.5c
Total dividend (distribution) per security (interim plus final)				
15.8	Ordinary securities			
15.9	Preference securities			
Preliminary final report - final dividend (distribution) on all securities				
15.10	Ordinary securities			
15.11	Preference securities			
15.12	Total			
The dividend plan shown below is in operation.				

A Shareholders' Dividend Reinvestment Plan is in operation.

The last date(s) for receipt of election notices for the dividend

Any other disclosures in relation to dividends (distributions)

NIL

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':

16.1	Profit (loss) from ordinary activities before income tax		
16.2	Income tax on ordinary activities		
16.3	Profit (loss) from ordinary activities after income tax		
16.4	Extraordinary items net of tax		
16.5	Net profit (loss)		
16.6	Outside equity interests		
16.7	Share of net profit (loss) of associates and joint venture entities		

Material interests in entities which are not controlled entities

Name of entity	Percentage of ownership interest held at end of period or date of disposal	
	Current period $M	Previous corresponding period $M
17.1 Equity accounted associates and joint venture entities		

17.2	Total	NIL	NIL
17.3	Other material interests		
17.4	Total	NIL	NIL

Segment Reporting

18.1	Refer Appendix B		

Issued and quoted securities at end of current period

	Category of securities	Total Number	Number Quoted
19.1	RESET CONVERTIBLE PREFERENCE SHARES		
19.2	Balance 29 July 2001	7,000,000	7,000,000
19.3	Issued during the period		
19.4	Balance 28 July 2002	7,000,000	7,000,000
19.5	ORDINARY CLASS SHARES -FULLY PAID		
19.6	Balance 29 July 2001	1,176,610,496	1,176,610,496
19.7	Dividend Reinvestment Plan issue	8,167,708	8,167,708
19.8	Converted from partly paid shares	24,000	24,000
19.9	Buy-back	(222,322)	(222,322)
19.10	Balance 28 July 2002 **	1,184,579,882	1,184,579,882

19.11	PARTLY PAID ORDINARY SHARES		
19.12	Balance 29 July 2001	152,000	NIL
19.13	Converted to ordinary shares	(24,000)	NIL
19.14	Balance 28 July 2002	128,000	NIL
19.15	OPTIONS		
19.16	Balance 29 July 2001		
19.17	Issued during the period	38,512,000	NIL
19.18	Exercised during the period		NIL
19.19	Expired during the period	(842,000)	
19.20	Balance 28 July 2002	37,670,000	NIL
a	Exercise prices range from $6.44 to $8.32.		
b	Expiry dates range from December 2006 to December 2007		

** On 19 July 2001 the first 500 of each shareholder's ordinary class shares were redesignated
on the Australian Stock Exchange as Discount Card Shares. On 12 April 2002, the Discount
Card Shares reverted to Ordinary Shares. During their separate listing, Discount Card
Shares remained ordinary class shares and as such, ranked equally with non-Discount Card
shares in every respect including voting and dividend rights.

Coles Myer Ltd. ordinary shares are listed on the New York Stock Exchange in the form of
American Depository Shares (ADS). Each ADS represents eight ordinary shares. An
American Depository Receipt is the certificate issued to the holder, and can represent any
number of ADS. As at 28 July 2002, there were 968,748 (2001 662,071) ADS on issue.

Comments by directors

Basis of accounts preparation

20.1 The accounting policies adopted are consistent with those of the previous financial year.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

20.2 Material factors affecting the revenues and expenses of the economic entity for the current period

Refer accompanying commentary and other public documents.

20.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

NIL

20.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

The consolidated franking balance of $39.7 million is after allowing for current tax payments, proposed dividend payments in November 2002 and franking credits the CML Group is prevented from distributing. It is expected that future tax payments within the CML Group will create sufficient franking credits to enable the payment of fully franked dividends for at least the subsequent year.

20.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows:

NIL

20.6 Changes in contingent liabilities and contingent assets.

Contingent liabilities as at 28 July 2002 were $245.7m, an increase of $77.8m since

29 July 2001, mainly associated with trading guarantees.

Additional disclosure for trusts

20.1	Number of units held by the management company or responsible entity or their related parties
20.2	A statement of the fees and commissions payable to the management company or responsible entity.
	Identify:
	- initial service charges
	- management fees
	- other fees

Annual meeting

The annual meeting will be held as follows:

Place	
Date	
Time	
Approximate date the annual report will be available	

Compliance statement

1	This report has been prepared in accordance with AASB Standards, other AASB
	authoritative prouncements and Urgent Issues Group Consensus Views or other
	standards acceptable to the ASX.

	Identify other standards used					NONE

2	This report, and the accounts upon which the report is based (if separate), use the same
	accounting policies.

3	This report does give a true and fair view of the matters disclosed.

4	This report is based on accounts to which one of the following applies.

	ü	The financial statements have				The financial statements	

		been audited.						have been subject to review.

		The financial statements are								The financial statements

		in the process of being					have not yet been audited or

		audited or subject to review.					reviewed.

5	If the audit report or review by the auditor is not attached, details of any qualifications will
	follow immediately they are available.

6	The entity has a formally constituted audit committee.

Sign here:	....		Date: 3 October 2002

Company Secretary							

Print name:	Kevin Elkington

Earnings per share				
Basic earnings per share				
Diluted earnings per share				
Weighted average number of shares used as the demoninator				
Weighted average number of shares used as the demoninator in calculating basic earnings per share				
Weighted average number of ordinary shares and potential ordinary shares used as the demoninator in				
calculating diluted earnings per share				
Reconciliation of earnings used in calculating earnings per share				
Basic earnings per share				

Net profit					
Dividends on preference shares					
Earnings used in calculating basic earnings per share					
Diluted earnings per share					
Net profit					
Earnings used in calculating diluted earnings per share					

Segment reporting			
			Food &
			Liquor
			$M
Primary Reporting - business segments			
2002			
Revenue			
Sales to external customers			15,892.4
Intersegment sales (eliminated on consolidation)			
Total Sales			15,892.4
Other revenue			656.5
Total segment revenue			16,548.9
Segment result			546.9
Net borrowing costs			
Profit from ordinary activities before income tax			
Income tax expense			
Net profit			
Segment assets			3,195.9
Tax assets			
Total assets			
Segment liabilities			(1,507.3)
Tax liabilities			

Total liabilities		
Acquisitions of property, plant and equipment,		
intangibles and other non-current segment assets		402.0
Depreciation and amortisation expense		247.2
Other non-cash expenses		15.4

Segment reporting

		Food & Liquor $M
2001		
Revenue		
Sales to external customers		14,468.2
Intersegment sales (eliminated on consolidation)		0.4
Total Sales		14,468.6
Other revenue		453.6
Total segment revenue		14,922.2
Segment result		514.7
Net borrowing costs		
Profit from ordinary activities before income tax		
Income tax expense		
Net profit		
Segment assets		3,067.6
Tax assets		
Total assets		
Segment liabilities		(1,410.7)
Tax liabilities		
Total liabilities		
Acquisitions of property, plant and equipment,		
intangibles and other non-current segment assets		344.4

Depreciation and amortisation expense		223.9
Other non-cash expenses		5.8

Segment reporting		
		Sales to external customers 2002 $M
Secondary reporting - geographical segments		
Australia		25,565.3
New Zealand		123.4
Other		
		25,688.7
Business Segments		

The CML Group operates predominantly in the retail industry and comprises the following main business segments:

Food & Liquor		Retail of grocery and liquor items
General Merchandise & Apparel		Retail of apparel, general merchandise and stationery items
e.colesmyer		E-commerce trading for internal and external customers
Property & Unallocated		Management of the CML property portfolio and other unallocated or corporate functions.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Segment assets are based on the geographical location of the assets.

The CML Group's business segments operate geographically as follows:

Australia		The home country of the parent entity which is also the main operating entity.

		The CML Group undertakes retail operations in all states and territories.
New Zealand		The CML Group has some General Merchandise & Apparel retail operations, supplying basically
		the same ranges of goods as the corresponding businesses in Australia. These operations are
		predominantly based in the North Island.
Asia		Non-trading branch offices located in Hong Kong, Shanghai and Taiwan.
Intersegment transfers		
Segment revenues, expenses and results include transfers between segments. Such transfers are principally priced on an arm's length		
basis and are eliminated on consolidation.		
The CML Group has certain investments in associates. Segment disclosures relating to these investments have not been included as they are not		