

Appendix 4E
Preliminary Final Report

For 30 June 2019

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APPENDIX 4E

Under Listing Rule 4.3A

PRELIMINARY FINAL REPORT

Current reporting period	1 July 2018 to 30 June 2019
Previous corresponding period (PCP)	1 July 2017 to 30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

STATUTORY RESULTS

		% CHANGE FROM PCP		\$M
Total revenue from ordinary activities	down	1.7	to	38,464.2
Earnings before interest and tax (EBIT)	down	0.9	to	1,466.7
Profit from ordinary activities after tax	up	5.4	to	1,078.2
Profit from discontinued operations after tax	down	35.8	to	356.5
Net profit for the period	down	9.1	to	1,434.7

DIVIDENDS

Since the reporting date the directors have determined to pay 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, is expected to be \$473.5 million. The record date for determining entitlements to both dividends is 29 August 2019, with the payment date being 26 September 2019.

COMPARISON OF STATUTORY TO RETAIL RESULTS

	STATUTORY FY19 1 JULY 2018 – 30 JUNE 2019 \$M	RETAIL FY19 25 JUNE 2018 – 23 JUNE 2019 \$M
Sales revenue	38,175.8	38,151.6
EBIT (excluding Significant Items ¹)	1,342.5	1,337.8
Sales revenue (excluding Hotels)	38,038.5	38,012.1
EBIT (excluding Significant Items ¹ and Hotels)	1,329.9	1,325.2
Significant Items ¹	124.2	124.2
EBIT	1,466.7	1,462.0

Coles Group Limited (the 'Company') changed its statutory reporting calendar during the year ended 30 June 2019, on a prospective basis, from a Gregorian calendar to a Retail calendar. This aligns the Company's statutory reporting calendar with internal management reporting.

To support an understanding of comparable business performance, the Company's 2019 Full Year Results Release and the associated 2019 Full Year Results Presentation are presented on a Retail calendar basis. Retail results have been prepared on a 52 week basis, beginning 25 June 2018 and ending 23 June 2019. The table above presents a comparison between the Statutory and Retail results for the year.

ANNUAL GENERAL MEETING

The Company's 2019 Annual General Meeting will be held on 13 November 2019, 1:30pm AEDT at the Melbourne Convention and Exhibition Centre, Melbourne Room, 1 Convention Centre Place, South Wharf, Melbourne, Australia.

¹ Significant Items impacting EBIT for the year ended 30 June 2019 include: a restructuring provision of \$145.8 million relating to Supply Chain Modernisation; a one-off payment of \$137.0 million from Viva Energy in consideration for forgoing the retail fuel margin under the New Alliance Agreement; and a net gain of \$133.0 million associated with the establishment of Queensland Venue Co. Pty Ltd.

APPENDIX 4E (CONTINUED)

REVIEW OF OPERATIONS

On 16 March 2018, Wesfarmers Limited ('Wesfarmers') announced its intention to demerge its Coles division to create an independent ASX listed company. Economic separation was effective from 28 November 2018.

In order to implement the demerger, changes were made to the corporate structure of the Company, in particular, the ownership of Kmart, Target and Officeworks ('KTO') was transferred to Wesfarmers. The results of the Company and the entities it controlled at or during the year ended 30 June 2019 (collectively, the 'Group') therefore include the results of the KTO businesses up until the date of transfer, being 19 November 2018. These businesses have been disclosed as discontinued operations in this report.

SIGNIFICANT ITEMS

COLES SUPPLY CHAIN MODERNISATION – RESTRUCTURING PROVISION

On 24 January 2019, the Company announced it had executed contracts to develop two new automated ambient distribution centres, one each in Queensland and New South Wales. Net profit before tax for the year includes a provision expense of \$145.8 million (recognised in 'other expenses') relating to redundancies and lease exit costs for a number of existing distribution centres that will be closed as part of the Supply Chain Modernisation program.

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, Viva Energy will be responsible for setting the retail price of fuel and receive 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 \$137.0 million at transaction close in consideration for forgoing 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 VENUE CO.

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

- the 87 hotels that previously 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, Queensland Venue Co. Pty Ltd (QVC), whereby:

- the Company 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. The Company recognised a net gain of \$133.0 million (included in 'other income') relating to the sale of Spirit Hotels, the transfer of Retail Liquor business assets to QVC 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 tax consolidated group's assets has been reset resulting in a \$49.9 million net credit to income tax expense.

APPENDIX 4E (CONTINUED)

SIGNIFICANT FEATURES OF OPERATING PERFORMANCE

The Group's reportable segments are set out below:

REPORTABLE SEGMENT	DESCRIPTION
Supermarkets	Fresh food, groceries and general merchandise retailing (includes Coles Online and Coles Financial Services)
Liquor	Liquor retailing
Express	Convenience store operations and commission agent for retail fuel sales

The Group statutory results for the year ended 30 June 2019, and the comparative year ended 30 June 2018, are presented below:

	30 JUNE 2019	30 JUNE 2018	CHANGE
	\$M	\$M	%
Sales revenue from continuing operations	38,175.8	38,934.4	(1.9)
EBIT from continuing operations	1,466.7	1,479.4	(0.9)
Total assets	9,777.0	12,544.7	(22.1)
Total liabilities	6,419.9	9,295.1	(30.9)
Net cash flows from operating activities from continuing operations	2,275.4	1,909.9	19.1
Net cash flows used in investing activities from continuing operations	(279.8)	(502.5)	(44.3)

Sales revenue from continuing operations reduced by 1.9% to \$38,175.8 million. 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, the Company no longer recognises fuel sales revenue however 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 \$1,466.7 million during the period ended 30 June 2019. This result was driven by lower fuel volumes in Express, largely offset by EBIT growth in Supermarkets from higher sales and improved gross margin.

The Group maintained a strong balance sheet with investment grade credit metrics at 30 June 2019. Total assets reduced by 22.1% to \$9,777.0 million due to the disposal of KTO as part of the demerger from Wesfarmers. Total liabilities reduced by 30.9% to \$6,419.9 million driven by the disposal of KTO and the repayment of intercompany borrowings to Wesfarmers, partly offset by the net drawdown of external debt post demerger.

Net cash flows from operating activities from continuing operations of the Group increased by 19.1% to \$2,275.4 million largely driven by the one-off receipt of \$137.0 million from Viva Energy and a tax refund timing benefit associated with the clear exit from the Wesfarmers' Australian income tax consolidated group prior to demerger.

Net cash flows used in investing activities from continuing operations of the Group decreased 44.3% to \$279.8 million, largely driven by proceeds associated with the transfer of KTO to Wesfarmers as part of the demerger and net cash received from the sale of Spirit Hotels.

SUPERMARKETS

The Supermarkets statutory results for the year ended 30 June 2019, and the comparative year ended 30 June 2018, are presented below:

	YEAR ENDED 30 JUNE 2019 ¹	YEAR ENDED 30 JUNE 2018	CHANGE
	\$M	\$M	%
Sales revenue	30,992.6	30,018.2	3.2
EBIT	1,191.4	1,171.9	1.7

¹ Supermarkets EBIT includes \$18.7 million Smarter Selling restructuring provision.

APPENDIX 4E (CONTINUED)

SIGNIFICANT FEATURES OF OPERATING PERFORMANCE (CONTINUED)

SUPERMARKETS (CONTINUED)

The key highlights for the year are as follows:

- Statutory sales revenue for Supermarkets increased 3.2% to \$30,992.6 million largely driven by growth in Coles Online, new stores and successful collectable campaigns including Little Shop.
- EBIT increased by 1.7% to \$1,191.4 million driven by higher sales and improved gross margin, partly offset by higher administration expenses.

LIQUOR

The Liquor statutory results for the year ended 30 June 2019, and the comparative year ended 30 June 2018, are presented below:

	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018	CHANGE
	\$M	\$M	%
Sales revenue	3,204.8	3,180.8	0.8
EBIT	133.1	130.2	2.2

The key highlights for the year are as follows:

- Statutory sales revenue for Liquor increased 0.8% to \$3,204.8 million driven by the rollout of First Choice Liquor Market and growth in online.
- EBIT increased by 2.2% to \$133.1 million driven by increased margin from the sale of exclusive liquor brands and improved supplier collaboration.

EXPRESS

The Express statutory results for the year ended 30 June 2019, and the comparative year ended 30 June 2018, are presented below:

	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018	CHANGE
	\$M	\$M	%
Sales revenue	3,978.4	5,735.4	(30.6)
EBIT	45.8	164.0	(72.1)

The key highlights for the year are as follows:

- Statutory sales revenue for Express decreased 30.6% to \$3,978.4 million driven by lower fuel volumes and the move to a commission agent model under the New Alliance Agreement effective 1 March 2019, whereby Express now earns commission income (recognised in 'other operating revenue').
- EBIT decreased 72.1% to \$45.8 million, largely the result of lower fuel volumes.

The Company's 2019 Full Year Results Release and the associated 2019 Full Year Results Presentation provide further information on the Retail results of the Group.

EVENTS AFTER THE REPORTING PERIOD

Since the reporting date the directors have determined to pay a final dividend and a special dividend. Refer to 'Results for announcement to the market' for details.

APPENDIX 4E (CONTINUED)

EARNINGS PER SHARE (EPS) FROM CONTINUING OPERATIONS

	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018
Basic and diluted EPS (cents)	80.8	76.7
Profit for the period from continuing operations (\$M)	1,078.2	1,023.2
Weighted average number of ordinary shares for basic and diluted EPS (shares, million) ¹	1,333.9	1,333.9

NET TANGIBLE ASSETS PER SHARE

	30 JUNE 2019	30 JUNE 2018
Net tangible assets per share (\$)	1.362	0.963

ENTITIES WHERE CONTROL WAS GAINED DURING THE PERIOD

NAME	DATE
Coles Financial Services Pty Ltd and controlled entities ²	Control was transferred from Wesfarmers on 30 October 2018

ENTITIES WHERE CONTROL WAS LOST DURING THE PERIOD

NAME	DATE
Coles Group International Pty Ltd and controlled entities ³	Control was transferred to Wesfarmers on 30 October 2018
KTO entities:	Control was transferred to Wesfarmers on:
<ul style="list-style-type: none"> • Tyre and Auto Pty Ltd • Kmart Australia Ltd and controlled entities⁴ • Target Australia Pty Ltd and controlled entities⁵ • Officeworks Ltd and controlled entities⁶ • ACN 007 870 484 Pty Ltd • ACN 092 194 904 Pty Ltd 	<ul style="list-style-type: none"> • 11 November 2018 • 19 November 2018 • 19 November 2018 • 19 November 2018 • 19 November 2018 • 19 November 2018
FBP Awards Fund Pty Ltd	Deregistered on 30 January 2019
Queensland Venue Co. Pty Ltd (formerly Liquorland (Qld) Pty Ltd and controlled entities ⁷)	Control was lost on issue of H-class shares to AVC 29 April 2019 ⁸
Coles Melbourne Ltd Coles Properties W.A. Ltd CMFL Services Ltd	Deregistered on 12 June 2019
e.Tailing (Coles Group) Pty Ltd	Deregistered on 18 June 2019

¹ The weighted average number of shares for the year ended 30 June 2018 has been restated to reflect the change in the Company's capital structure as a result of the demerger from Wesfarmers as if the change had occurred at the beginning of the comparative period.

² Coles FS Holding Company Pty Ltd (formerly Wesfarmers Finance Holding Company Pty Ltd), Coles WFS Pty Ltd (formerly Wesfarmers Finance Pty Ltd), WFPL Funding Co Pty Ltd, WFPL No 2 Pty Ltd, WFPL SPV Pty Ltd and WFPL Security SPV Pty Ltd.

³ CMNZ Investments Pty Ltd, Retail Investments Pty Ltd and Wesfarmers Risk Management (Singapore) Pte Ltd.

⁴ Kmart Group Asia Pty Ltd (formerly Coles Group Asia Pty Ltd), W4K World 4 Kids Pty Ltd, ANKO Retail Incorporated, ANKO Global Holdings Pty Ltd (formerly KAS Global Holdings Pty Ltd), KAS Pty Ltd, KAS Global Trading Pty Ltd, KAS International Sourcing Bangladesh Pvt Ltd, KAS Direct Sourcing Private Ltd, KAS International Trading (Shanghai) Company Ltd, Tyremaster (Wholesale) Pty Ltd, Kmart NZ Holdings Limited (formerly Coles Group New Zealand Holdings Ltd), KAS Services India Private Ltd and ACN 061 462 593 Pty Ltd (formerly Mycar Automotive Pty Ltd).

⁵ Fosseys (Australia) Pty Ltd, Target Australia Sourcing (Shanghai) Co Ltd (formerly TGT Business Consulting Services (Shanghai) Co Ltd) and Target Australia Sourcing Ltd (formerly TGT Sourcing Asia Ltd).

⁶ Viking Direct Pty Ltd, Officeworks Property Pty Ltd, Officeworks Businessdirect Pty Ltd and Officeworks NZ Ltd.

⁷ LHG Pty Ltd, LHG2 Pty Ltd, LHG3 Pty Ltd, The Grape Management Pty Ltd, Brian Pty Ltd, Fitzgibbons Hotel Pty Ltd, Fitzinn Pty Ltd, Hotel Wickham Investments Pty Ltd.

⁸ Refer to Significant Items for details.

APPENDIX 4E (CONTINUED)

ENTITIES WHERE CONTROL WAS LOST DURING THE PERIOD (CONTINUED)

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

	YEAR ENDED 30 JUNE 2019 ¹	YEAR ENDED 30 JUNE 2018
	\$M	\$M
Revenue	4,341.2	11,023.6
Expenses	(3,832.7)	(10,232.1)
Profit before income tax	508.5	791.5
Income tax expense	(152.0)	(235.9)
Profit for the period from discontinued operations	356.5	555.6

DETAILS OF EQUITY ACCOUNTED INVESTMENTS

NAME	TYPE	OWNERSHIP INTEREST	
		30 JUNE 2019	30 JUNE 2018
Loyalty Pacific Pty Ltd	Joint venture	50%	50%
Queensland Venue Co. Pty Ltd	Associate	50%	-

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

	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018
	\$M	\$M
Beginning of the period	-	-
Additions	6.3	-
Profit for the period	5.0	16.3
Dividends paid	-	(16.3)
End of the period	11.3	-

A reconciliation of the carrying amount of the Group's investment in Queensland Venue Co. Pty Ltd is set out below:

	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018
	\$M	\$M
Beginning of the period	-	-
Investment at fair value	201.0	-
Profit for the period ²	-	-
End of the period	201.0	-

INFORMATION ON AUDIT PROCESS

This report is based on financial statements which are in the process of being audited.

The Appendix 4E should be read in conjunction with the accompanying Preliminary Final Report.

¹ Financial performance reflects period up to date of disposal, being 19 November 2018.

² Under the terms of the incorporated joint venture, the Company is not expected to realise profits from its R-class shareholding.

COLES GROUP LIMITED AND CONTROLLED ENTITIES
ABN 11 004 089 936

PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED
30 JUNE 2019

TABLE OF CONTENTS

	PAGE
STATEMENT OF PROFIT OR LOSS	9
STATEMENT OF OTHER COMPREHENSIVE INCOME	10
STATEMENT OF FINANCIAL POSITION	11
STATEMENT OF CHANGES IN EQUITY	12
STATEMENT OF CASH FLOWS	13
NOTES TO THE PRELIMINARY FINAL REPORT	15

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTES	CONSOLIDATED	
		YEAR ENDED 30 JUNE 2019 \$M	YEAR ENDED 30 JUNE 2018 \$M
Continuing operations			
Sales revenue	1	38,175.8	38,934.4
Other operating revenue		288.4	211.0
Total operating revenue		38,464.2	39,145.4
Cost of sales		(29,253.4)	(30,119.3)
Gross profit		9,210.8	9,026.1
Other income		427.7	168.7
Administration expenses	2	(8,031.0)	(7,731.7)
Other expenses		(145.8)	-
Share of net profit of equity accounted investments		5.0	16.3
Earnings before interest and tax (EBIT)		1,466.7	1,479.4
Financing costs	3	(41.5)	(0.1)
Profit before income tax		1,425.2	1,479.3
Income tax expense	4	(347.0)	(456.1)
Profit for the period from continuing operations		1,078.2	1,023.2
Discontinued operations			
Profit from discontinued operations after tax		356.5	555.6
Profit for the year		1,434.7	1,578.8
Profit attributable to:			
Equity holders of the parent entity		1,434.7	1,578.8
Earnings per share (EPS) attributable to equity holders of the Company:			
Basic and diluted EPS (cents)		107.6	118.4
EPS attributable to equity holders of the Company from continuing operations:			
Basic and diluted EPS (cents)		80.8	76.7

The accompanying notes form part of the Preliminary Final Report.

STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	CONSOLIDATED	
	YEAR ENDED 30 JUNE 2019 \$M	YEAR ENDED 30 JUNE 2018 \$M
Profit for the year	1,434.7	1,578.8
Other comprehensive income		
Items that may be reclassified to profit or loss:		
Net movement in the fair value of cash flow hedges	(2.0)	-
Income tax effect	0.6	-
Other comprehensive income which may be reclassified to profit or loss in subsequent periods	(1.4)	-
Total comprehensive income attributable to:		
Equity holders of the parent entity	1,433.3	1,578.8
Total comprehensive income from continuing operations attributable to:		
Equity holders of the parent entity	1,076.8	1,023.2

The accompanying notes form part of the Preliminary Final Report.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTES	CONSOLIDATED	
		30 JUNE 2019 \$M	30 JUNE 2018 \$M
Assets			
Current assets			
Cash and cash equivalents	5	940.4	686.1
Trade and other receivables		359.7	497.2
Inventories		1,964.7	3,442.3
Non-current assets held for sale		94.1	-
Other assets		47.0	99.5
Total current assets		3,405.9	4,725.1
Non-current assets			
Property, plant and equipment		4,119.2	5,223.0
Intangible assets		1,540.6	1,965.7
Deferred tax assets		364.9	540.3
Equity accounted investments		212.3	-
Other assets		134.1	90.6
Total non-current assets		6,371.1	7,819.6
Total assets		9,777.0	12,544.7
Liabilities			
Current liabilities			
Trade and other payables		3,379.9	8,008.5
Income tax payable / (receivable)		0.1	(25.3)
Provisions		742.9	819.3
Other		167.6	178.4
Total current liabilities		4,290.5	8,980.9
Non-current liabilities			
Interest-bearing liabilities		1,460.0	-
Provisions		598.4	272.4
Other		71.0	41.8
Total non-current liabilities		2,129.4	314.2
Total liabilities		6,419.9	9,295.1
Net assets		3,357.1	3,249.6
Equity			
Contributed equity		1,627.8	2,192.6
Reserves		42.0	38.8
Retained earnings		1,687.3	1,018.2
Total equity		3,357.1	3,249.6

The accompanying notes form part of the Preliminary Final Report.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	CONTRIBUTED EQUITY	SHARE-BASED PAYMENTS RESERVE	CASH FLOW HEDGE RESERVE	RETAINED PROFITS	TOTAL
	\$M	\$M	\$M	\$M	\$M
At 1 July 2018	2,192.6	38.8	-	1,018.2	3,249.6
Net profit for the period	-	-	-	1,434.7	1,434.7
Other comprehensive income	-	-	(1.4)	-	(1.4)
Total comprehensive income for the year	-	-	(1.4)	1,434.7	1,433.3
Capital return	(538.0)	-	-	-	(538.0)
Share-based payments expense	-	4.6	-	-	4.6
Purchase of shares under Equity Incentive Plan	(26.8)	-	-	-	(26.8)
Distributions to Wesfarmers ¹	-	-	-	(765.6)	(765.6)
Balance as at 30 June 2019	1,627.8	43.4	(1.4)	1,687.3	3,357.1
At 1 July 2017	2,192.6	38.8	-	1,047.4	3,278.8
Net profit for the period	-	-	-	1,578.8	1,578.8
Total comprehensive income for the year	-	-	-	1,578.8	1,578.8
Distributions to Wesfarmers ¹	-	-	-	(1,608.0)	(1,608.0)
Balance as at 30 June 2018	2,192.6	38.8	-	1,018.2	3,249.6

The accompanying notes form part of the Preliminary Final Report.

¹ Includes retained profits relating to discontinued operations.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	NOTES	CONSOLIDATED	
		YEAR ENDED 30 JUNE 2019 \$M	YEAR ENDED 30 JUNE 2018 \$M
Cash flows from operating activities from continuing operations			
Receipts from customers		41,125.5	41,756.1
Receipt from Viva Energy		137.0	-
Payment to suppliers and employees		(38,664.6)	(39,351.4)
Interest (paid) / received		(28.6)	2.7
Income tax paid		(293.9)	(497.5)
Net cash flows from operating activities from continuing operations		2,275.4	1,909.9
Cash flows used in investing activities from continuing operations			
Purchase of property, plant and equipment and intangibles		(1,104.0)	(714.7)
Proceeds from sale of property, plant and equipment		288.4	213.0
Proceeds from sale of controlled entities		544.4	-
Investments in joint venture		(6.3)	-
Acquisition of subsidiaries, net of cash acquired		(2.3)	(0.8)
Net cash flows used in investing activities from continuing operations		(279.8)	(502.5)
Cash flows used in financing activities from continuing operations			
Proceeds from borrowings		10,260.0	-
Repayment of borrowings		(8,800.0)	-
Proceeds from borrowings with related parties		169.6	-
Repayment of borrowings with related parties		(3,677.6)	(131.0)
Distributions to Wesfarmers		(320.4)	(1,106.0)
Redemption of redeemable preference shares		1,322.0	-
Capital return		(538.0)	-
Purchase of shares under Equity Incentive Plan		(26.8)	-
Net cash flows used in financing activities from continuing operations		(1,611.2)	(1,237.0)
Net increase in cash and cash equivalents from continuing operations		384.4	170.4
Cash at the beginning of the financial period from continuing operations		556.0	385.6
Cash at the end of the financial period from continuing operations	5	940.4	556.0

The accompanying notes form part of the Preliminary Final Report.

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NOTES TO THE PRELIMINARY FINAL REPORT

NOTES TO THE PRELIMINARY FINAL REPORT

1. SEGMENT REPORTING FOR CONTINUING OPERATIONS

	SUPERMARKETS	LIQUOR	EXPRESS	OTHER	TOTAL
	\$M	\$M	\$M	\$M	\$M
Year ended 30 June 2019					
Sales revenue	30,992.6	3,204.8	3,978.4	-	38,175.8
Segment EBIT	1,191.4	133.1	45.8	(27.8)	1,342.5
Significant items					124.2
Financing costs					(41.5)
Profit before income tax					1,425.2
Income tax expense					(347.0)
Profit for the period from continuing operations					1,078.2
Share of net profit of equity accounted investments included in EBIT					5.0
Year ended 30 June 2018					
Sales revenue	30,018.2	3,180.8	5,735.4	-	38,934.4
Segment EBIT	1,171.9	130.2	164.0	13.3	1,479.4
Financing costs					(0.1)
Profit before income tax					1,479.3
Income tax expense					(456.1)
Profit for the period from continuing operations					1,023.2
Share of net profit of equity accounted investments included in EBIT					16.3

NOTES TO THE PRELIMINARY FINAL REPORT (CONTINUED)

2. ADMINISTRATION EXPENSES

	CONSOLIDATED	
	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018
	\$M	\$M
Employee benefits expense	4,532.9	4,321.4
Occupancy and overheads	1,635.1	1,600.3
Depreciation and amortisation	639.6	649.6
Marketing expenses	213.6	212.5
Impairment	42.0	49.0
Other	967.8	898.9
Total administration expenses	8,031.0	7,731.7

3. FINANCING COSTS

	CONSOLIDATED	
	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018
	\$M	\$M
Interest expense	29.8	-
Discount rate adjustment	7.3	0.1
Other finance related costs	4.4	-
Total financing costs	41.5	0.1

4. INCOME TAX

The major components of income tax expense in the statement of profit or loss are set out below:

	CONSOLIDATED	
	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018
	\$M	\$M
Current income tax expense	428.5	460.6
Adjustment in respect of current income tax of previous years	8.3	6.3
Deferred income tax relating to origination and reversal of temporary differences	(85.6)	(6.3)
Adjustment in respect of deferred income tax of previous years	(4.2)	(4.5)
Income tax expense reported in statement of profit or loss	347.0	456.1

NOTES TO THE PRELIMINARY FINAL REPORT (CONTINUED)

4. INCOME TAX (CONTINUED)

A reconciliation of the Group's applicable tax rate to the effective tax rate is set out below:

	CONSOLIDATED	
	YEAR ENDED 30 JUNE 2019	YEAR ENDED 30 JUNE 2018
	\$M	\$M
Profit before tax from continuing operations	1,425.2	1,479.3
Profit before tax from discontinued operations	508.5	791.5
Profit before income tax	1,933.7	2,270.8
At Australia's corporate tax rate of 30% (30 June 2018: 30%)	580.1	681.2
Adjustments in respect of income tax of previous years	4.1	1.9
Share of results of joint venture	(1.5)	(4.9)
Non-deductible expenses for income tax purposes	14.9	13.8
Non-assessable income for income tax purposes ¹	(48.7)	-
Tax consolidation adjustments ²	(49.9)	-
At the effective income tax rate of 25.8% (30 June 2018: 30.5%)	499.0	692.0
Income tax expense reported in the statement of profit or loss	347.0	456.1
Income tax attributable to discontinued operations	152.0	235.9
	499.0	692.0

¹ Reflects the accounting gain associated with the establishment of QVC that is not assessable for income tax purposes.

² Reflects the reset of the tax cost base of depreciable assets and capital assets associated with the formation of an income tax consolidated group.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	CONSOLIDATED	
	30 JUNE 2019	30 JUNE 2018 ³
	\$M	\$M
Cash on hand and in transit	530.0	555.0
Cash at bank and on deposit	410.4	1.0
Cash attributable to discontinued operations	-	130.1
Total cash and cash equivalents	940.4	686.1

³ Debit and credit card transactions not yet settled have been reclassified from trade receivables to cash and cash equivalents (resulting in a \$230.9 million adjustment to the comparative period).

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