

# Consolidation – estimations



This is another concept which I have learned and has enabled me greatly to understand the financial statements in the case of Woolworths. It is referred to as the company and the consolidated statements are those of the whole entity. That is, Woolworths limited and its controlled entities such as subsidiaries and associates. Subsidiaries are the entities in which Woolworths has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

The treatment of subsidiaries is quite different from that of associates. Estimations – these are the provisions in the income statements, balance sheet and statement of shareholder equity. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into consideration the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Reference: WOW, Woolworths Ltd (2006). Financial statements.

Website: [www.woolworths.com.au](http://www.woolworths.com.au) Appendix WOW, Woolworths Ltd - 2006 - Financial Statements Financial Statements Five Year Summary INCOME STATEMENT AIFRS AIFRS AGAAP AGAAP AGAAP AGAAP AGAAP 2006 2005 2005 2004 2003 2002 Weeks 52 52 52 52 53 Sales (\$m)Foodand Liquor (1) 28, 063. 0 23, 569. 6 23, 569. 6 21, 997. 6 21, 039. 0 19, 595. 0 Petrol 4, 390. 4 3, 308. 4 3, 308. 4 2, 194. 9 1, 710. 5 1, 119. 3 Total Supermarkets 32, 453. 4 26, 878. 0 26, 878. 0 24, 192. 5 22, 749. 5 20, 714. 3 BIG W 3, 119. 1 2, 908.

7 2, 908. 7 2, 717. 9 2, 500. 3 2, 280. 5 Consumer Electronics 1, 167. 1 1,  
007. 5 1, 007. 5 886.

3 791. 2 659. 0 Total General Merchandise 4, 286. 2 3, 916. 2 3, 916. 2 3,  
604. 2 3, 291. 5 2, 939. 5 Hotels 849. 9 415. 8 415. 8 --- 37, 589. 5 31, 210.  
0 31, 210. 0 27, 796. 7 26, 041. 0 23, 653. 8 Wholesale 144. 7 142. 5 142. 5  
137. 2 280. 4 819. 2 Total Group 37, 734. 2 31, 352. 5 31, 352. 5 27, 933. 9  
26, 321. 4 24, 473. 0 Earnings before interest and tax (\$m) Food and Liquor  
(1) 1, 394. 9 1, 091. 5 1, 077. 2 941. 7 825. 1 734. 7 Petrol 53. 1 36. 2 36. 3  
18. 6 29. 9 12. 7 Total Supermarkets 1, 448. 0 1, 127. 7 1, 113. 5 960. 3 855.  
0 747. 4 BIG W 123. 1 118. 3 118. 0 116. 2 103. 7 93. 5.

Consumer Electronics 64. 0 54. 5 51. 8 44. 1 37. 0 28. 0 Total General  
Merchandise 187. 1 172. 8 169. 8 160. 3 140. 7 121. 5 Hotels 151. 1 52. 8  
54. 9 --- Total trading operations 1, 786. 2 1, 353. 3 1, 338. 2 1, 120. 6 995.  
7 868. 9 Net property income 18. 3 21. 2 20. 3 21. 7 26. 6 34. 2 Head office  
overheads (84. 1) (74. 9) (77. 9) (79. 0) (76. 7) (77. 8) Total unallocated (2)  
(65. 8) (53. 7) (57. 6) (57. 3) (50. 1) (43. 6) 1, 720. 4 1, 299. 6 1, 280. 6 1,  
063. 3 945. 6 825. 3 Wholesale 1. 8 2. 5 2. 4 1. 8 0. 1 7. 4 Total Group 1,  
722. 2 1, 302. 1 1, 283. 0 1, 065. 1 945. 7 832. 7.

EBIT to sales (%) Total Supermarkets 4. 46 4. 19 4. 14 3. 97 3. 76 3. 61 BIG  
W 3. 95 4. 07 4. 06 4. 28 4. 15 4. 10 Consumer Electronics 5. 48 5. 41 5. 14  
4. 98 4. 68 4. 25 Hotels 17. 78 12. 70 13. 20 --- Wholesale 1. 25 1. 75 1. 68  
1. 31 0. 04 0. 90 Total 4. 56 4. 16 4. 09 3. 81 3. 59 3. 40 Sales 37, 734. 2 31,  
352. 5 31, 352. 5 27, 933. 9 26, 321. 4 24, 473. 0 Cost of goods sold (28,  
289. 6) (23, 550. 2) (23, 549. 9) (20, 975. 5) (19, 703. 0) (18, 296. 0) Gross

profit 9, 444. 6 7, 802. 3 7, 802. 6 6, 958. 4 6, 618. 4 6, 177. 0 Gross profit margin (%) 25. 03 24. 89 24. 89 24. 91 25. 14 25. 24.

Cost of doing business (CODB) (7, 722. 4) (6, 500. 2) (6, 519. 6) (5, 893. 3) (5, 672. 7) (5, 344. 3) CODB (%) 20. 47 20. 73 20. 80 21. 10 21. 55 21. 84

Selling, general and admin expenses (excluding rent, depreciation and amortisation) (6, 130. 1) (5, 184. 0) (5, 153. 7) (4, 675. 9) (4, 515. 7) (4, 288. 3)

EBITDAR 3, 314. 5 2, 618. 3 2, 648. 9 2, 282. 5 2, 102. 7 1, 888. 7

EBITDAR margin (%) 8. 78 8. 35 8. 45 8. 17 7. 99 7. 72 Rent (including fitout rent) (1, 070. 1) (900. 2) (904. 9) (809. 8) (758. 7) (705. 0) EBITDA 2, 244. 4

1, 718. 1 1, 744. 0 1, 472. 7 1, 344. 0 1, 183. 7 EBITDA margin (%) 5. 95 5. 48 5. 56 5.

27 5. 11 4. 84 Depreciation (522. 2) (416. 0) (419. 2) (379. 6) (370. 9) (327. 7)

7) Amortisation of goodwill -- (41. 8) (28. 0) (27. 4) (23. 3) EBIT 1, 722. 2 1, 302. 1 1, 283. 0 1, 065. 1 945. 7 832. 7 EBIT margin (%) 4. 56 4. 16 4. 09 3.

81 3. 59 3. 40 Interest (201. 8) (104. 9) (108. 5) (47. 3) (39. 7) (50. 5) WINs and Woolworths Notes interest (47. 9) (45. 2) (45. 2) (42. 9) (41. 1) (39. 8)

Profit before tax and abnormal items 1, 472. 5 1, 152. 0 1, 129. 3 974. 9 864.

9 742. 4 Taxation (445. 8) (334. 8) (337. 7) (286. 7) (255. 0) (218. 5) Profit after tax and before abnormal items 1, 026.

7 817. 2 791. 6 688. 2 609. 9 523. 9 Minority interest (12. 1) (1. 0) (1. 1) (0. 4) (0. 4) (0. 7) Profit attributable to members of Woolworths Limited after tax and servicing income notes 1, 014. 6 816. 2 790. 5 687. 8 609. 5 523. 2

BALANCE SHEET AIFRS AIFRS AGAAP AGAAP AGAAP AGAAP 2006 2005 2005

2004 2003 2002 Weeks 52 52 52 52 53 Funds employed (\$m) Inventory

2, 316. 1 1, 969. 6 1, 977. 3 1, 847. 0 1, 843. 1 1, 838. 4 Accounts payable  
(2, 778. 5) (2, 339. 8) (2, 335. 6) (2, 176. 3) (2, 078. 9) (2, 000. 6) Net  
investment in inventory (462. 4) (370. 2) (358. 3) (329. 3) (235. 8) (162. 2).

Fixed assets and investments 4, 172. 1 3, 425. 8 3, 581. 9 2, 758. 8 2, 485. 0  
2, 366. 8 Intangibles 4, 759. 4 2, 046. 4 2, 011. 4 572. 3 555. 3 545. 0  
Receivables 1, 174. 4 611. 9 689. 9 423. 0 543. 1 496. 6 Other creditors (1,  
838. 7) (1, 483. 8) (1, 457. 8) (1, 267. 1) (1, 186. 1) (989. 6) Total funds  
employed (3) 7, 804. 8 4, 230. 1 4, 467. 1 2, 157. 7 2, 161. 5 2, 256. 6 Net  
tax balances 252. 3 182. 2 147. 2 58. 7 21. 3 (7. 9) Provision for dividend (4)  
----- (188. 9) Net assets employed 8, 057. 1 4, 412. 3 4, 614. 3 2, 216. 4 2,  
182. 8 2, 059. 8 Net repayable debt (5) (3, 799. 5) (2, 412.

1) (2, 417. 2) (163. 9) (359. 6) (237. 3) Net assets 4, 257. 6 2, 000. 2 2, 197.  
1 2, 052. 5 1, 823. 2 1, 822. 5 Noteholders' equity (WINS) (6) --- 583. 0 583.

0 583. 0 Minority interest 229. 8 26. 0 33. 3 5. 2 4. 8 4. 4 Shareholders'  
equity 4, 027. 8 1, 974. 2 2, 163. 8 1, 464. 3 1, 235. 4 1, 235. 1 Total equity  
4, 257. 6 2, 000. 2 2, 197. 1 2, 052. 5 1, 823. 2 1, 822. 5 CASH FLOW (\$M)

AIFRS AIFRS AGAAP AGAAP AGAAP AGAAP 2006 2005 2005 2004 2003 2002  
Weeks 52 52 52 52 53 EBITDA 2, 244. 4 1, 718. 1 1, 744. 0 1, 472. 7 1,  
344. 0 1, 183. 7 Movement in net investment in inventory 61.

4 (44. 3) (44. 0) 97. 3 76. 1 247. 8 Other operating cash flows 127. 8 100. 4  
80. 8 69. 2 155. 5 38. 7 Net interest paid (including cost of income notes)  
(253. 2) (161. 5) (161. 5) (95. 7) (82. 3) (97. 4) Tax paid (475. 3) (398. 3)  
(398. 3) (324. 1) (283. 8) (238. 1) Operating cash flow 1, 705. 1 1, 214. 4 1,  
221. 0 1, 219. 4 1, 209. 5 1, 134. 7 Payments for property, plant and

equipment (1, 411. 7) (1, 180. 5) (1, 180. 5) (718. 7) (593. 4) (596. 7)

Proceeds on disposal of property, plant and equipment 328. 7 97. 7 97. 7

138. 1 114. 5 203. 8 Major acquisitions - debt funded (1, 464. 7) (1, 208. 8)

(1, 208. 8) - - (257. 0) Other investing cash flows (178. 1) (76. 7) (76. 6) 1. 4

(65. 3) (93. 9) Free cash flow (1, 020. 7) (1, 153. 9) (1, 147. 2) 640. 2 665. 3

390. 9 Movement in gross debt 1, 078. 6 1, 312. 7 1, 312. 5 (133. 7) 118. 3

(114. 4) Dividends paid - (201. 9) (201. 9) (346. 9) (307. 3) (251. 5) Buy-back

of shares - - - (140. 9) (534. 1) - New shares issued 40. 9 128. 0 120. 0 42. 9

50. 1 14. 0 Effects of exchange rate changes on balance of cash held in

foreign currencies (6. 7) - - - - Net cash flow 92. 1 84. 9 83. 4 61. 6 (7. 7) 39.

0.