Foodland Associated Limited

Foodland Associated Limited
Annual Report 2005

Index

CORPORATE DIRECTORY

Foodland Associated Limited
ACN 008 667 650 ABN 13 008 667 650

Registered Office
218 Bannister Road
Canning Vale Western Australia 6155
Telephone (61 8) 9311 6000
Facsimile (61 8) 9311 6011

Directors
L F Bleasel (Chairman)
T M Coates (Chief Executive Officer and Group Managing Director)
S Crane
J A Fletcher
N M T Geary
Sir Colin Maiden
P J Mansell

Company Secretary
C E Bennett

Auditors
Ernst & Young

Solicitors
Australia
Mallesons Stephen Jaques
New Zealand
Russell McVeagh

Bankers
Australia and New Zealand Banking Group Limited
Bank of New Zealand
BNP Paribas
National Australia Bank Limited
Westpac Banking Corporation

Share Register
Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth Western Australia 6000
Telephone (08) 9323 2000
Facsimile (08) 9323 2033

Action Supermarkets

Western Australia

218 Bannister Road
Canning Vale Western Australia 6155
Telephone (61 8) 9311 6000
Facsimile (61 8) 9311 6011

Queensland
Cnr Orchard and Freeman Roads
Richlands Queensland 4077
Telephone (61 7) 3362 8700
Facsimile (61 7) 3362 8777

Progressive Enterprises
80 Favona Road
Mangere
Auckland New Zealand
Telephone (64 9) 275 2788
Facsimile (64 9) 275 3074

Countdown, Foodtown, Woolworths
80 Favona Road
Mangere
Auckland New Zealand
Telephone (64 9) 275 2788
Facsimile (64 9) 275 3074

Franchise & Supply
218 Bannister Road
Canning Vale Western Australia 6155
Telephone (61 8) 9311 6000
Facsimile (61 8) 9311 6011

Group Buying And Marketing
Level 1, 1 Lakeside Drive
East Burwood, Victoria 3151
Telephone (61 3) 8805 5000
Facsimile (61 3) 8805 5050

BOARD OF DIRECTORS

Statement of Qualifications and Experience

Len Bleasel AM
Chairman (Age 62)

Mr Bleasel has been a director of FAL since April 2002 and was appointed as the Chairman in March 2004. He was Managing Director and Chief Executive Officer of The Australian Gas Light Company from 1990 to 2001. Mr Bleasel is a director of St George Bank Limited (appointed January 2001) and QBE Insurance Group Limited (appointed January 1993). In addition, Mr Bleasel is the Chairman of the Zoological Parks Board of New South Wales and of the Leadership Committee for YWCA of Sydney and is a member of the Advisory Boards of The Salvation Army, the Mary MacKillop Foundation, and of the Advisory Council for ABN AMRO. In 1998 he was admitted to the general division of the Order of Australia.

Trevor Coates
Chief Executive Officer and Group Managing Director (Age 58)

Mr Trevor Coates was appointed as Chief Executive Officer and Group Managing Director of FAL in December 2000 and is an experienced international retailer with extensive knowledge in both food and general merchandise. Prior to his appointment at FAL, Mr Coates was for eleven years the Chairman and Managing Director of Aldi Stores Ltd UK, a subsidiary of the privately owned German international retail group, where he was instrumental in creating the UK business in 1989. Prior to this, Mr Coates was a director of AS Watson & Co of Hong Kong and Managing Director of their food retailing and trading division (1982-1988) and, before that, Retail Operations Director of the Superstore subsidiary of British American Tobacco UK (1979-1982).

Steve Crane
(Age 53)

Mr Crane was appointed a director of FAL in October 2003. He was Chief Executive Officer of investment bank ABN AMRO Limited from 1996 until June 2003 and is now a member of the ABN AMRO Advisory Council. He has held various senior positions with ABN AMRO, BZW Australia, Paul Morgan & Co and AMP Limited. Mr Crane is a director of Adelaide Bank Limited (appointed 28 April 2005) and the Deputy Chairman of the Australian Chamber Orchestra.

John Fletcher
(Age 58)

Mr Fletcher was appointed a director of FAL in September 2004. He was formerly the Group Manager Investments and Chief Financial Officer of The Australian Gas Light Company. He was previously a director of Elgas Limited (February 2000 to March 2005) , the largest LPG distributor in Australia, a member of the joint venture Board of Actew AGL and a director of the New Zealand Stock Exchange listed entity, NGC Holdings Limited.

He is a director of Hornsby Kur-ring-Gai Lifeline and Community Aid Inc.

Norman Geary CBE
(Age 66)

Mr Geary, having been a director of Progressive Enterprises Limited from 1992 until 1999, became a director of FAL in February 2000. In New Zealand and various overseas locations, he was employed by BP for 23 years in sales, marketing and general management roles and served on the Board of BP New Zealand and as BP Regional

Coordinator North West Europe on various BP Companies in that region before being Chief Executive of Air New Zealand Limited from 1982 – 1988.

Since 1988, he has served on the Boards of a number of New Zealand listed and unlisted companies and is currently the Chairman of Gough Gough and Hamer Limited and Vita New Zealand Limited. He is a director of Fisher & Paykel Appliance Holdings Limited (appointed February 2002), ANZ National Bank Limited (New Zealand), Otago Innovation Limited and DB Breweries Limited. He is also a Board member of New Zealand Institute of Economic Research and a member of the Board Advisory Committee of Comalco New Zealand Limited.

Sir Colin Maiden
(Age 72)

Sir Colin Maiden joined the Board of FAL in February 2000 having previously been a director of Progressive Enterprises Limited from 1992 to 1999. Sir Colin was previously Vice Chancellor of the University of Auckland and a Senior Executive of General Motors Corporation in the United States.

Sir Colin is currently Chairman of, DB Breweries Limited and of the Advisory Group for Marsh Ltd (NZ). He is also a director of Fisher & Paykel Healthcare Corporation Limited (appointed November 2001) and The New Zealand Refining Company Limited.

Peter Mansell
(Age 58)

Mr Mansell was appointed a director of FAL in October 2003. He was formerly the Head of Office at the legal firm Freehills Perth where he was a partner from 1988 to 2004. Mr Mansell was the Chairman of JDV Limited (December 2001 to August 2005), Ferngrove Vineyards Limited. He is the Chairman of Zinifex Limited (appointed March 2004). He is also a director of Bunnings Property Management Limited, The Hoyts Corporation Pty Limited, Tehyan Copper Company Limited (appointed February 2005) and West Australian Newspapers Holdings Limited (appointed September 2001).

Chris Bennett
Company Secretary
(Age 57)

Mr Bennett was appointed Company Secretary of FAL in October 1994 and was also the General Manager Finance of the Company until May 2003. Prior to his appointment at FAL, he held senior finance positions in listed companies, since 1984. Mr Bennett is a Chartered Accountant and holds a degree in Commerce from the University of Western Australia.

CORPORATE GOVERNANCE STATEMENT

The following is a summary of the Company's corporate governance framework as at the date of this report. The full text of charters and policies referred to are available on the Company's internet website, www.fal.com.au, in the area designated Corporate Information.

Companies listed on the Australian Stock Exchange (ASX) are required by the ASX to accept the best practice recommendations of the ASX Corporate Governance Council (ASX CGC) or to give reasons why the recommendations have not been followed.

THE BOARD

The Board is responsible for the overall corporate governance of FAL and its controlled entities, including agreeing the strategic direction of the entities within the FAL Group, confirming goals for management and monitoring the achievement of those goals.

FAL is committed to high standards of corporate governance for which the directors are ultimately accountable to shareholders.

The governance structure is designed to enhance and protect shareholder value, ensure that risks are managed and that the reasonable expectations of other stakeholders, including customers, employees, suppliers and members of the communities in which FAL conducts its operations, are met or exceeded.

Directors have access to external expert advice to be provided at the Company's expense should it be required. Each director has a responsibility for identifying and notifying the Board of conflicts of interest.

The Board and the Company operate within a group of policies which form a Code of Conduct.

OBJECTIVES OF THE BOARD

The primary objectives of the Board are to:
- oversee management towards the Company's goal of creating wealth for its shareholders;
- ensure that strategies and measures are in place to best protect the Group against the adverse consequences of risk; and
- ensure that Group entities conduct their operations with integrity, in accordance with the Group's Code of Conduct and applicable laws and regulations.

BOARD COMPOSITION

The Board must be comprised of an independent non-executive Chairman, an executive Group Managing Director, who is a full time employee of the Company, and other non-executive Directors, the majority of whom must be independent with an appropriate range of qualifications and experience.

The Chairman and the Group Managing Director are to be different persons.

The Board should, ideally, comprise no more than seven persons.

RESPONSIBILITIES OF BOARD AND MANAGEMENT

The Charter specifies the respective responsibilities of Board and Management.

COMMITTEES

The Charter provides that the Board will be assisted in discharging its responsibilities by two committees.

The Audit and Risk Committee is responsible for:

- Approving the accounting policies underlying the presentation of the Group's financial results where they have material effect on those results.
- Reviewing and monitoring procedures and methods likely to affect the integrity of financial information reported to the Board and/or shareholders.
- Reviewing and approving periodic reports to the market including the Group's half year and full year reports to the ASX and the Company's annual report and the dividends to be paid to shareholders.
- Reviewing all areas of risk, ensuring that systems are in place to minimise identified risks, and monitoring the Company's performance in implementing and maintaining those systems.
- Verifying the existence and effective operation of accounting and financial controls.

The Nomination and Remuneration Committee is responsible for:

- Identifying, evaluating and recruiting candidates with suitable qualifications and experience to form the Board and establishing and reviewing appropriate levels of remuneration and reviewing from time to time whether the qualifications, skills and experience of serving directors matches the Company's requirements.
- Approving initial annual remuneration and incentivisation packages for the Group Managing Director and other senior executives, and changes to those arrangements.
- Providing guidance to the Board as to the form of resolutions requiring shareholder approval to effect changes in Director remuneration.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is chaired by Sir Colin Maiden. Other Committee members are Steve Crane and John Fletcher. Committee meetings may be attended by any director and all directors attended at least one meeting during the year.

The Committee rotates the location of its meetings between Australia and New Zealand. The partner of the firm responsible for the audit of the Company attends by invitation together with appropriate Company executives. At each meeting the audit partner is offered the opportunity of discussing relevant matters in the absence of Company executives should he so require. The Committee met five times during the financial year.

NOMINATION AND REMUNERATION COMMITTEE

The Committee is chaired by Len Bleasel. Other committee members are Steve Crane, Norman Geary and Peter Mansell. Erich Fraunschiel was a member prior to his retirement in December 2004.

INDEPENDENCE OF DIRECTORS

All directors (other than the Group Managing Director and Steve Crane) are considered by the Board to be independent as no director is a substantial shareholder, nor has any non-executive director ever been employed by the Company (or any of its subsidiaries).

No non-executive director presently in office has been a material professional adviser or supplier or entered into a contractual relationship with the Company (or its subsidiaries).

Further, each non-executive director (other than Steve Crane) has not had and does not have any material business relationship that could materially interfere with the director's ability to act in the best interests of the Company. Mr Crane was formerly the Chief Executive Officer of ABN AMRO Limited, an investment bank which continues to be retained by the Company to provide strategic advice and to assist in the Demerger and scheme of arrangements to be voted on in November 2005. This engagement was entered into after Mr Crane had ceased to be employed by ABN AMRO Limited.

PROCEDURE FOR SELECTION AND APPOINTMENT OF NEW DIRECTORS TO THE BOARD

One of the roles of the Nomination and Remuneration Committee is to identify, evaluate and recommend to the Board the appointment of candidates for the position of director of the Company.

In its evaluation of candidates for the Board, the Committee has regard for the following criteria:

- Integrity, business experience and moral reputation.
- The ability to devote the required time to attend Board and Committee meetings and to visit the Company's operations across Australia and New Zealand.
- No conflict of interest or any reason restricting the candidate from accepting a position on the Board.

For new appointments to the Board, the Committee also considers the skills and diversity represented on the Board and, where appropriate, engages outside consultants to assist in locating candidates that fit the Committee's criteria for a new director. The Committee then makes a recommendation to the Board on a new candidate. If accepted by the Board as a director, the candidate then seeks election by the shareholders at the next Annual General Meeting.

All directors (except the Group Managing Director) are elected by the shareholders at the annual general meetings following their appointment and, thereafter, are subject to re-election at least once every three years.

THE GROUP'S POLICIES COMPRISING ITS CODE OF CONDUCT

In order to ensure that the Company and its officers and employees conduct themselves in accordance with all legal requirements and high ethical standards, the Company has written policies, which are reviewed and updated as required.

A summary of the relevant policies is as follows:

GENERAL CORPORATE CONDUCT (INCLUDING CONFLICTS OF INTEREST)

This policy obliges all directors and employees to report any personal interest or obligation which could conflict with the impartial performance of their duties, or which could create any doubt that decisions they may make on behalf of the Company could be influenced by their personal interest.

Offers of supplier hospitality

This policy obliges employees not to solicit hospitality and to accept only reasonable supplier hospitality and then only if the hospitality could not be construed as a reward for business done or an inducement for future business nor is excessive in value. The policy requires all hospitality to be approved by the employee's manager prior to the event and recorded.

Acceptance of supplier gratuities

This policy prohibits the acceptance of gifts or gratuities from suppliers with the exception of items employees use in the normal course of their day-to-day business activities such as diaries or stationery. Employees are not permitted to retain other gifts or gratuities.

Confidentiality of company information

This policy obliges Company employees to ensure the confidentiality of Company information is maintained. To ensure that this obligation is upheld, only certain employees authorised by the Group Managing Director are empowered to disclose information to specific third parties (trade associations, government bodies, etc).

Contacts with financial market participants

This policy restricts to the Chairman and Group Managing Director, and their designates from time to time, the authority to release information to the financial markets.

Protection for employees who report violations of laws, policies or procedures in good faith

This policy provides protection for parties bringing to the Company's attention prescribed matters provided those parties are acting in good faith.

Equal employment opportunity and affirmative action

The policy confirms the Company's policy of offering equal employment and promotional opportunities in an environment free of discrimination. This includes discrimination in all forms including sex, marital status, pregnancy, race, religious and political convictions, family responsibility, family status and age.

Director and employee share dealings

The Company has a share trading policy binding on directors and executives with access to market sensitive information, providing guidance to assist directors and those executives in trading in the Company's securities.

The policy stipulates that the only appropriate time for a director, executive or employee to acquire or sell Company securities without reference to the Company Secretary is in the 30 day period after the release of trading results to the Australian Stock Exchange unless they are in possession of price sensitive information that is not generally available to the market.

Procedures for the selection and appointment of the external auditors

The Company's auditors are Ernst & Young. The Audit and Risk Committee reviews the performance of that firm annually. Should, for any reason, it become necessary to consider replacing the auditors, the Committee would make careful enquiry as to reasons why this was being considered prior to formulating a policy and procedure for the selection of an alternate audit firm.

Compliance with listing rule disclosure requirements

The Company has adopted a written policy for the purpose of ensuring that it complies with the letter and the spirit of ASX Listing Rules concerning the Company's continuous disclosure responsibilities.

In summary, the Company will not release information to the market which concerns the Group's financial results or is, in any other way, price sensitive unless and until that information has been lodged electronically with the ASX.

Immediately after lodgement, the information will be posted on the Company's website www.fal.com.au, unless specific approval is given by the Chairman or Group Managing Director, the only Company officers authorised to comment to financial analysts or the press concerning the Company's operations are the Chairman, the Group Managing Director, the General Manager Finance and the Company Secretary.

Primary responsibility for communications with the ASX concerning listing requirements

The person nominated as the primary point of contact with the ASX is the Company Secretary who is also responsible for obtaining and circulating legal advice concerning the Company's obligations pursuant to Listing Rules when this is required.

The Company Secretary also has responsibility for ensuring that each Director and senior executive is aware of the Company's policies in this area.

Profit forecasts

As a general rule, the Company does not release profit forecasts to the market. However, it may do so from time to time for example, at the time of announcing equity raisings or when responding to take-over offers. On these occasions the Company will usually make reference to a forecast range rather than a specific amount. The Company will not announce a profit forecast unless it has first been approved by the Board.

Analysts' forecasts

The Company will not comment on profit forecasts contained in reports prepared by market analysts. Commentary may be made on factual errors contained within those reports at the discretion of the Company's authorised officers.

The Group's risk management procedures and internal compliance and control systems

The Board requires reports on major business risks affecting the Company and requires management to develop strategies to mitigate and report on those risks. In addition, the Company has in place internal controls to ensure that significant business risks are identified and managed.

Each year annual budgets are submitted by management for Board approval. Monthly results, including comparisons against budget, are submitted to the Board at each meeting.

Strict guidelines for capital expenditure have been established, including the requirements for Board approval of capital expenditure beyond certain approved limits, detailed submissions from management seeking Board approval of such capital expenditure, due diligence procedures prior to purchases of businesses and regular post capital expenditure reviews.

Management provide written reports to the Board prior to each Board meeting, including a Group Managing Director's report, reports on the operations of the divisions of the Company, finance and treasury, property and secretariat. The Board may obtain further information or explanations from the Group Managing Director, General Manager Finance or any other Group executive upon request.

The Board also receives monthly reports on the standing of litigation involving Group companies together with expert legal advice if appropriate.

Internal auditors are employed by the Group in Australia and New Zealand to assist the Board in ensuring that significant business risks are identified. The scope of the internal audit function is overseen by the Audit and Risk Committee.

The Company also has in place a comprehensive annual insurance programme.

Should any significant event occur, notwithstanding the above controls, procedures are in place for the immediate notification of the event to the Board.

Additionally, at the direction of the Board, management has conducted a review of the potential sources of risk for Group companies together with the strategies, tactics and procedures which have been developed to mitigate those risks which include:

- Structural risks relating to factors present in the industry in which Group companies operate.
- Operational risks which are associated with the Group's business direction and practices.
- Political risks relating to the political jurisdictions in which the Group operates and which are, to a large extent, not controllable.

Disclosure of governance framework

The Company considers that it has not departed in any respect from the best practice recommendations of the ASX Corporate Governance Council during the period from the date of the 2004 Annual Report 14 October 2004 to 31October 2005.

DIRECTORS' STATUTORY REPORT

Your directors submit the financial statements of the chief entity and its controlled entities for the 52 weeks ended 31 July 2005

DIRECTORS

The directors who were in office during the financial year and at the date of this report are:

- L F Bleasel (Chairman)
- T M Coates (Chief Executive Officer and Group Managing Director)
- S Crane
- J A Fletcher (appointed 30 September 2004)
- E Fraunschiel (retired 8 December 2004)
- N M T Geary
- Sir Colin Maiden
- P J Mansell

Details of the directors' qualifications, experience, special responsibilities and attendances at meetings are set out on pages 3 to 4 and page 18 of the Annual Report.

PRINCIPAL ACTIVITIES

The principal activities of entities within the economic entity during the financial year were:

- Supermarket operator
- Wholesale warehousing and distribution of groceries, chilled and frozen foods, liquor and general merchandise
- Ownership and management of shopping centres and supermarkets

CONSOLIDATED RESULT

The economic entity's Consolidated Profit from Ordinary Activities before Income Tax for the 52 weeks ended 31 July 2005 was \$163.7 million (previously \$225.9 million). Income tax was \$79.4 million (previously \$83.2 million). The Profit from Ordinary Activities after Income Tax attributable to members of Foodland Associated Limited was \$84.3 million (previously \$142.7 million).

DIVIDENDS

An interim dividend of 43.0 cents per share was (franked at 10.75 cents per share) paid on 8 April 2005. No final dividend has been declared by the Board pending the outcome of the shareholder votes to be held on November 2nd, 2005 in relation to the proposed Demerger and subsequent scheme of arrangements with Metcash Limited and Woolworths Limited. If the transfer schemes do not proceed, the Board will consider paying a dividend for the company. If the Demerger scheme is successful the decision to consider paying a dividend for 2005 will reside with the resulting individual Boards of FAL and Progressive Enterprises Holdings Limited.

REVIEW OF OPERATIONS

This review of operations should also be read in conjunction with sections 7, 8, 9 and 10 of the Demerger and Scheme Booklet and the full year announcement made on the 13th September, 2005

1a. Group Overview

The FAL Group is a supermarket operator and grocery wholesaler trading in Western Australia, Queensland and northern New South Wales. FAL also operates four Cash & Carry branches and is a supplier to the food service segment through its FoodLink division. FAL also supplies its own franchise banner groups, "Dewsons", "Dewsons

Express", "Supa Valu" and "Eziway". In addition, FAL operates the "Quickstop" convenience stores and fuel locations.

The Action Supermarket group holds approximately 13% of the Western Australian retail packaged grocery market and just under 6% of the Queensland market.

Action serves in excess of 3 million customers every month and employs over 8,500 staff.

FAL is a grocery wholesaler to all of Western Australia's independent supermarket operators. The Western Australian independent grocery sector has approximately 26% of the Western Australian packaged grocery market.

In New Zealand the Group is a supermarket operator and grocery wholesaler in both the North and South Islands of New Zealand.

The New Zealand business holds approximately 44% of the New Zealand supermarket retail grocery market serving in excess of 9.800,000 customers every month and employs over 18,600 staff.

2a. Australian Supermarket operations - Action

Action currently operates 80 supermarkets, 44 in Queensland and northern New South Wales and 36 in Western Australia. These supermarkets have a combined trading area of 161,600 square metres (over 2,000 square metres per store on average).

In Western Australia, the majority of Action's packaged grocery ranges are supplied from FAL's Canning Vale distribution complex. Action's produce and meat requirements are distributed from facilities in Osborne Park (3,000 square metres) and Malaga (1,150 square metres) respectively.

Action's Queensland stores are supplied from facilities located in the Brisbane suburbs of Richlands (47,000 square metres) and Rocklea (6,000 square metres). Distribution of frozen and chilled products is outsourced.

Action carries the FAL Group's two house brand grocery ranges. "SR Signature Range" is the premium house brand and "Basics" is the generic house brand range.

The Action brand has been well established in Western Australia for over two decades. Action Supermarkets Pty Ltd has been a wholly owned subsidiary of FAL since June 1993 prior to which FAL had owned 50% of Action, then a listed public company.

During the second half of 2001, Action progressively acquired 40 former Franklin's supermarkets in Queensland and northern New South Wales together with a distribution centre and support office complex in the Brisbane suburb of Richlands and a fresh food handling facility in the Brisbane suburb of Rocklea. The Action brand was launched in Queensland in March 2002.

2b. Australian Supermarkets Results

	Financial year ended	
	1 Aug 04 Actual 52 Weeks	**31 July 05 Actual 52 Weeks**
Sales $ million	1,329.9	1,364.3
EBITA $ million	39.1	35.4
EBITA to sales margin %	2.94	2.59

Financial year ended 31 July 2005 compared to the prior financial year

Sales improved by 2.6% with comparable store growth strengthening during the 2nd half of 2005. Sales continued to be influenced by the fuel discount schemes offered by the other supermarket chains. The appeal of these schemes appeared to increase in line with substantially higher fuel prices. Two new stores and one replacement store were opened, six other stores were subject to major refurbishments and three unprofitable stores were closed.

In Queensland, where an Action fuel discount scheme is in place, the performance of recently refurbished stores in neighbourhood shopping centres continues to be encouraging. Two new stores were opened, two refurbishments were completed and one unprofitable store was closed.

3. Franchise and Supply

The Australian Franchise & Supply division is FAL's original business and trades exclusively in Western Australia. The operations of the division comprise:

(a) grocery wholesaling, including ambient, frozen and chilled products;
(b) franchise operations comprising services to FAL's franchise banner groups; Dewsons, Dewsons Express, Supa Valu and Eziway;
(c) four Cash & Carry branches;
(d) FoodLink food service; and
(e) 16 Quickstop convenience stores.

3a. Franchise and Supply - Grocery wholesaling

FAL's wholesaling operations are conducted principally from its distribution centre and support office complex in the Perth suburb of Canning Vale. This site is 20.8 hectares in area, and consists of a main warehouse with an area of 50,000 square metres opened in 1993, a cold store of 7,790 square metres opened in 1988 and extended to 8,920 square metres in 1996, a second dry storage warehouse of 4,300 square metres opened in 1992 and a Cash & Carry branch of about 10,000 square metres which opened in 1988. These facilities are leased.

Over 15,000 different grocery and general merchandise lines are distributed to over 700 customers throughout Western Australia. FAL is Western Australia's largest grocery wholesaler, supplying packaged groceries, refrigerated food, general merchandise and produce to its franchisees in addition to approximately 370 other non-aligned independent grocery retailers.

3b.Franchise and Supply - Franchise operations

The Franchise & Supply division is the franchisor, marketing coordinator and supplier of four supermarket franchise banner groups in Western Australia set out in the table below.

Brand	No. stores	Description	Trading Area m^2
Dewsons	65 (with 46 in metropolitan areas and 19 in regional centres)	Full service high quality supermarkets. The stores carry an extensive range of grocery items, as well as dairy and fresh products and include a delicatessen.	1,000 - 2,000
Dewsons Express	1	Convenience stores with fresh produce and ready made meal solutions	450 - 500
Supa Valu	122	Full service convenience stores	500 - 900
Eziway	53	Limited range convenience stores	200 - 600

3c. Franchise and Supply - Cash & Carry branches

FAL also operates four Cash & Carry branches from leased premises in the Perth suburbs of Canning Vale and Balcatta and the regional centres of Bunbury and Kalgoorlie. FAL's Cash & Carry warehouses supply up to 26,500 separate grocery and general merchandise lines to retailers and small business operators seeking to purchase in smaller quantities that can be economically supplied from the main grocery warehouse.

3d. Franchise and Supply - FoodLink Food Service

FoodLink is FAL's food service business and operates from leased premises located in the Perth suburb of O'Connor comprising a special purpose distribution centre and support office complex of 10,000 square metres. FoodLink is one of the largest food service businesses in Western Australia and supplies about 5,000 lines to approximately 1,700 customers including caterers, hotels, restaurants, cafes, institutions, schools and mine sites. FoodLink is progressively delivering increased returns following the acquisition of a competing food service business in 2003.

3e. Franchise and Supply - Quickstop convenience stores

An FAL subsidiary operates 16 Quickstop service stations and convenience stores located throughout the Perth metropolitan area.

These outlets also honour petrol discount vouchers issued by Dewsons and Supa Valu supermarkets together with 36 other non-aligned outlets.

3f. Australian Franchise & Supply Results

	Financial year ended	
	1 Aug 04 Actual 52 Weeks	31 July 05 Actual 52 Weeks
Sales $ million	1,308.9	1,403.7
EBITA $ million	45.0	49.2
EBITA to sales margin %	3.44	3.50

Financial year ended 31 July 2005 compared to the prior financial year

Sales, including sales to Action, showed strong growth of 7.3% and EBITA rose 9.3% to $49.2 million including second half EBITA of $23.7 million up 13.4%. Highlights for the year included the conclusion of the rollout of the Eziway convenience store banner group and the extension of the fuel discount scheme offered by Dewsons and Supa Valu franchisees to locations other than the former 16 Mobil outlets acquired by FAL and rebranded as Quickstop. A fourth Cash & Carry branch was opened in the regional city of Bunbury

4. New Zealand Operation

4a. Supermarket operations

The New Zealand Operation operates 150 supermarkets trading under the Countdown (57 stores), Foodtown (30 stores) and Woolworths (63 stores) banners as well as 22 Woolworths at Gull convenience stores. Progressive's supermarkets serve approximately 2,450,000 customers every week and have a combined retail trading area of approximately 289,000 square meters.

A profile of the New Zealand Operation's supermarket network is set out in the table below:

Brand	No. stores	Description	Trading Area (square metres)
Countdown	57	Full service discount stores	650 - 3,800
Foodtown	30	Full service high quality supermarkets	1,200 - 2,900
Woolworths	63	Full service high quality supermarkets	750 - 2,900
Woolworths Micro and Quickstop	22	Convenience stores located at Gull service stations	130 - 200

The Countdown supermarket format operates in both the North Island and the South Island. During the past two years, the number of Countdown supermarkets has increased from 32 to 57, as a consequence of new developments and conversions of former Woolworths stores.

Foodtown supermarkets trade exclusively in the North Island, with most of the stores located in metropolitan Auckland, while Woolworths stores trade throughout the North and South Islands.

Woolworths Micro and Quickstop is a chain of convenience stores with petrol station forecourts operated in conjunction with the Western Australian based fuel importer, Gull Petroleum.

The New Zealand Operation operates three main distribution centres and support office complexes. All of these properties are leased. The largest of these is located in Favona Road, Mangere, a suburb of Auckland, on a site of 134,000 square meters with buildings having a net lettable area of 65,300 square meters.

Another distribution centre with a floor area of 12,100 square meters is located in Palmerston North.

South Island company stores and franchisees are supplied from the Christchurch distribution and support office complex located on a site of 43,300 square metres on which is located a distribution centre having a floor area of 15,700 square metres. This facility is located in the Christchurch suburb of Hornby. Also located in Christchurch is an ancillary warehouse having a floor area of 10,100 square metres.

All chilled and frozen products are stored and distributed by a third party distributor (P&O Logistics) operating from sites in Auckland, Palmerston North and Christchurch.

A state of the art cabinet ready meat preparation facility located in the Auckland suburb of Otahuhu has recently been commissioned. It is expected that all 122 North Island supermarkets will be supplied from this facility by December 2005. This initiative allows the conversion of expensive in-store meat preparation areas to selling space, improving operating efficiency, while making available increased ranges of better quality products in stores, enhancing customer value.

The South Island meat preparation plant is located in the Christchurch suburb of Malvern. This facility also supplies some South Island franchisees.

The New Zealand Operation sources approximately 80% of its fresh produce from grower wholesalers. In the North Island two purpose built produce handling facilities are located in the Auckland suburb of Mt Wellington and in Wellington. A third facility is in Christchurch.

North Island seafood requirements are prepared for distribution in a specialist plant located in the Auckland suburb of Penrose. In the South Island, seafood product is sourced from independent wholesalers.

4b. New Zealand Supermarkets Results

	Financial year ended	
	1 Aug 04 Actual 52 Weeks	**31 July 05 Actual 52 Weeks**
Sales $ million	3,324.2	3,607.3
EBITA $ million	149.0	159.3
EBITA to sales margin %	4.48	4.42

Financial year ended 31 July 2005 compared to the prior financial year

Sales rose 8.5% expressed in Australian dollars and 3.9% expressed in local currency. Sales increases attributable to new store openings including Foodtown Auckland City, which opened in June 2004, and the replacement Foodtown Howick store, which commenced trading in late December 2004, were partially offset by increased levels of competitive activity in other catchments.

The Auckland City store included New Zealand's first in-store pharmacy and in November 2004, the first on site petrol station was opened at Countdown Hamilton.

The key EBITA to sales margin declined slightly by 6 basis points reflecting the heightened level of competitor activity and redundancy costs of $0.9 million incurred in connection with the commissioning of the North Island cabinet ready meat plant located in the Auckland suburb of Otahuhu. The plant, which commenced operations prior to Christmas 2004, is expected to improve divisional profitability by $3.7 million during the 2006 financial year.

Supermarket trading area increased to 284,500 square metres from 283,400 square metres at the end of the previous corresponding half year.

4c. New Zealand Wholesale

Progressive is the grocery wholesale supplier and co-coordinator of the "Fresh Choice" and "SuperValue" franchise banner group supermarkets and supplies 12 Fresh Choice and 32 SuperValue supermarkets, 36 of which trade in the South Island. These franchise supermarkets are supplied principally from North and South Island distribution centres. It is estimated that franchise customers hold collectively 4% of the New Zealand supermarket grocery market.

4d. New Zealand Franchise & Supply Results

	Financial year ended	
	1 Aug 04 Actual 52 Weeks	**31 July 05 Actual 52 Weeks**
Sales $ million	233.4	277.6
EBITA $ million	10.1	11.8
EBITA to sales margin %	4.33	4.25

Financial year ended 31 July 2005 compared to the prior financial year

Sales rose 18.9% to $277.6 million expressed in Australian dollars or, when expressed in New Zealand dollars, 13.9% to NZ$301.8 million. This was attributable to a combination of new store openings, extended trading hours and favourable economic conditions in New Zealand's South Island where most of the New Zealand Operation's franchisee stores are located.

The EBITA to sales ratio was almost constant at 4.25%.

REVIEW OF FINANCIAL CONDITION

Capital Structure

During the period, 704,458 ordinary shares were issued pursuant to the Employee Share Ownership Plan. These shares were issued at price of $18.06 (322,525 shares) and $18.07 (381,933 shares). There were no other shares issued during the year.

As a result of the excess borrowing capacity the dividend reinvestment plan remain suspended during the 2005 financial year.

The Group has an excess of capital with the gearing ratio (net debt/net debt plus equity) of 24.6%, well below the Group's targeted range of 35% to 45%. The ability to proactively address this excess gearing capacity has been constricted by the corporate activity evident for much of much of the 2005 financial year.

Treasury policy

The Group has a central treasury function which is responsible for managing the Group's interest risk and financing facilities. The function operates within policies set by the Board.

During the year the Group undertook interest hedging activity through the use of interest rate swap contracts. At year end, these hedges had expired, and there is currently no intention to hedge the Group's borrowing under the Hedging Policy until the outcome of the corporate activity is resolved

Cash from Operations

Net cash flows from operating activities remained constant with the previous year at $200.3 million (2004 $200.4 million). The group invested a significant amount of cash in property, plant and equipment ($242.6 million compared to $149.3million in 2004) which was funded mainly through the receipts of property sales.

The net debt was reduced by a further $35.4million during the 2005 year, as a result of the cash flows from operations and the receipt of the New Zealand property sales proceeds. This cash in flow was partially offset by the increased capital expenditure program and the higher gross dividend payout.

Liquidity and Funding

The group as at the year end had $575.7million in unused finance facilities. Depending on the outcome of the corporate activities these under utilised facilities will be reviewed and potentially revised.

LIKELY DEVELOPMENNT AND SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than those operational matters previously mentioned in the Review of Operations, the Group has been the subject of corporate activity since December 2004.

On 6th December 2004, Metcash Trading Limited launched a hostile bid for the Group operations. The Board determined that this bid was not in the best interests of Shareholders and announced that the Group would be demerged into separately listed Australian and New Zealand businesses. On 25th May 2005 the Board announced that in conjunction with the proposed demerger of the Group, separate Schemes of Arrangement would be entered into with Woolworths Limited to acquire the New Zealand business, plus 22 Action stores and sites, and Metcash Trading Limited would acquire the remaining Australian businesses.

The company presented the scheme booklet to the Federal Court on the 15th September 2005, on the 16th September 2005 the Court ordered a series of shareholder meetings to consider the schemes. These meetings will be held on November 2nd 2005 at the Perth Burswood Convention Centre.

The possible outcomes of the Shareholder meetings are:

1. demerge the Australian and New Zealand operations with an immediate transfer to Metcash and Woolworths of the business and stores:
2. demerge the Australian and New Zealand operations with no change to ownership: or
3. the shareholders vote to maintain the current corporate structure and ownership

EMPLOYEE SHARE OWNERSHIP PLAN

During the financial year 704,458 shares were issued to the trustee of the FAL Employee Share Ownership Plan the formation of which was approved by shareholders at the Annual General Meeting held on 1 December 1999.

The Company provides employees participating in the plan with an interest free loan to acquire the shares. Dividend income earned on the shares is applied to repay the loan. The shares are restricted and are held on trust for a period of three years, after which the balance of the loan can be repaid and the shares become unrestricted.

EVENTS SUBSEQUENT TO END OF FINANCIAL YEAR

On 1 February 2001, FAL and one of its Australian wholly owned subsidiaries were issued with income tax assessments from the Australian Taxation Office (ATO) pursuant to Part IVA (the anti-avoidance provisions) of the Income Tax Assessment Act, arising from an ATO audit of the Australian Group's affairs, which commenced in 1994.

FAL and its subsidiary lodged formal objections against the assessments issued in respect of the transaction and had commenced proceedings against the ATO to have the amended assessments overturned.

At 31 July 2005 the outstanding assessments, including penalties and interest, approximated $25.4 million, including compound interest from the date of the assessments.

In September 2005, FAL and the ATO commenced discussions on potential options to settle the dispute. Subsequently in October, an agreement to settle the matter was reached and a deed of settlement signed the Australian Taxation Office and FAL on 25 October, 2005 formally settling the dispute. In settling the dispute, the Part IV claim by the ATO was withdrawn.

This deed set out the settlement terms, which due to materiality have been recognised as if they had occurred in the 2005 Accounts. Consequently the 2005 results which were announced to the market on 13th September have been adjusted.

Under the settlement deed FAL agreed to pay tax and penalties amounting to $11.0 million. This amount has been shown within the tax expense account. As the ATO are currently withholding $25.4 million in GST refunds, the settlement will result in FAL receiving a cash refund of $14.4 million by the end of the calendar 2005. The current receivable recognises the effect of reduced refund, and has been adjusted downwards from $25.4 million to $14.4 million.

The following is an extract from the "Adjustment to Preliminary Final Statement" that was issued to Australian Stock Exchange on 25 October, 2005.

The consolidated results of the consolidated entity for the year ended 31st July, 2005 differed from those announced in the un-audited preliminary final statement (Appendix 4E) made to the Australian Stock Exchange, as follows:

	Consolidated Financial Statements	Preliminary Financial Statements
	2005	2005
	$'000	**$'000**
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	**163.7**	163.7
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	**(79.4)**	(68.4)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	**84.3**	95.3

DIRECTORS' INTERESTS

The directors' interests in securities of the Company are set out in Table 1 below.

DIRECTORS' MEETINGS AND BENEFITS (AND INTERESTS IN CONTRACTS)

Since 2 August 2004 no director of the chief entity has received, or become entitled to receive, a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the consolidated financial statements) because of a contract that the director, or a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during that, or any other, financial period) with the chief entity, or an entity that the chief entity controlled, or a body corporate that was related to the chief entity when the contract was made, or when the director received or became entitled to receive the benefit, with the exception of any benefits which may have arisen from the following:

- As at the date of this report FAL Share Plan Nominees Pty Ltd holds 49,682 shares on trust, pursuant to the FAL Employee Share Ownership Plan for the Chief Executive Officer and Group Managing Director, Mr Trevor M Coates.

- Certain directors are also directors of other public companies. These directors do not exercise significant influence within the companies by virtue of ownership and any transactions between those companies and companies in the Foodland Associated Limited economic entity were conducted under normal commercial terms and conditions.

For further information, see Note 32 to the financial statements and pages 61 to 65 of the Annual Report. Details of the number of Board and Board Committee meetings held during the year and director attendances at those meetings are set out on page 18 of the Annual Report.

Table 1 – Directors

Director	First Appointed	Non-executive	Independent
L F Bleasel	2002	Yes	Yes
T M Coates	2000	No	No
S Crane	2003	Yes	No
J A Fletcher	2004	Yes	Yes
N M T Geary	2000	Yes	Yes
C J Maiden	2000	Yes	Yes
P J Mansell	2003	Yes	Yes

Table 2 - Directors' Attendances at Meetings

52 weeks ended 31 July 2005	Board Scheduled		Board Unscheduled		Audit and Risk		Nomination and remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
L F Bleasel	10	10	19	19			5	5
T M Coates	10	10	19	19				
S Crane	10	10	19	17	5	5	5	5
J A Fletcher (ii)	8	8	19	19	3	3		
E Fraunschiel (i)	3	3	1	1			3	3
N M T Geary	10	10	19	19			5	5
C J Maiden	10	9	19	16	5	5		
P J Mansell	10	10	19	17	4	4	2	2

(i) Retired 8 December 2004
(ii) Appointed 30 September 2004

OFFICERS' INDEMNITIES AND INSURANCE

The chief entity and its related bodies corporate have not, during or since the end of the financial year, indemnified against a liability any person who is or has been an officer or auditor of the chief entity or of any of its related bodies corporate with the exception of an initial deed to indemnify Mr J A Fletcher, a director of the Company.

In prior years the Company has entered into deeds to indemnify the following current officers; Mr L F Bleasel, Mr T M Coates, Mr S Crane, Mr N M T Geary, Sir Colin Maiden, all directors of the Company and, with Mr C E Bennett and Mr J S Brown, executives of the Company. The Company has previously entered into deeds to indemnify the following former directors of the Company; Mr R E Cohen, Mr E Fraunschiel and Mr D B Humphreys.

Indemnity

The Company has agreed to indemnify and keep indemnified the Director to the maximum extent permitted by law against legal costs, which costs are to be assessed on a full indemnity basis, incurred by the Director as an officer of the Company or Related Body Corporate, other than legal costs incurred:

(a) in defending or resisting proceedings where the outcome of the proceedings is that the director is found to have a liability for which the director could not be indemnified;
(b) in defending or resisting criminal proceedings where the outcome of the proceedings is that the director is found guilty;

(c) in defending or resisting proceedings brought by ASIC or a liquidator for a court order where the outcome of the proceedings is that the grounds for making the order are found by the court to have been established: or

(d) in connection with proceedings for relief to the director under the Corporations Act where the outcome of the proceedings is that the court denies relief,

and otherwise subject to any other limit under the constitution.

Sub paragraph (c) does not apply to costs incurred in responding to actions taken by ASIC or a liquidator as part of an investigation before commencing proceedings for the court order.

The chief entity has paid premiums with respect to a contract insuring the directors and officers of the FAL Group against liabilities incurred while acting as directors and officers. The insurance contract prohibits the disclosure of the amount of premium paid in respect of the contract. No part of the premium has been included in directors' emoluments.

The chief entity has also paid premiums with respect to a contract insuring the Company for any liability which may arise to pay retirement benefits to a director's estate following the death of a director of FAL.

ROUNDING OF AMOUNTS

The amounts contained in this report have been rounded off under the option available to the chief entity under Australian Securities and Investments Commission Class Order No. 98/0100 dated 10 July 1998.

REMUNERATION REPORT

Remuneration Policy

The Nomination and Remuneration Committee is responsible for determining the remuneration policies of the Group, in particular, those affecting the Chief Executive Officer and Group Managing Director, and those senior executives who report directly to him. Details of the role of the Committee are set out on page 6 of this report.

Remuneration policies are directed at attracting, motivating and retaining quality people. Key elements in setting remuneration include market competitiveness, recognition of individual performance and relativity, and increase in shareholder value.

Chief Executive Officer and Group Managing Director and Senior Executives

The Company's remuneration policy for the Chief Executive Officer and Group Managing Director and senior executives is based on three main components, fixed annual reward, short term incentives and long term incentives.

- Fixed Annual Reward

This base component of remuneration, fixed annual reward (FAR), comprises of base salary, superannuation and ancillary benefits such as a motor vehicle or vehicle allowance. The amount of FAR for the Chief Executive Officer and senior executives is approved annually by the board after consideration of the responsibilities of each position, business and individual performance, and market relativity.

- Short term incentives

The Chief Executive Officer and Group Managing Director, and senior executives are invited to participate in an annual incentive scheme that provides cash incentives on the achievement of specified targets. The amount eligible to be paid is determined by annual performance against business and personal targets for the Company and the business unit for which the executive is responsible. A range of targets are agreed upon for the year by the Chief Executive Officer and Group Managing Director, and approved by the Nomination and Remuneration Committee. Incentives earned and payable are approved by the Committee on the basis of performance against those targets at the end of the financial year.

The short term incentive for the Chief Executive Officer and Group Managing Director allows for a range of 50% of base salary if all targets are achieved, to maximum of 100% of base salary for above-target achievement

Short term incentives for senior executives are based on a range of 10% if all targets are achieved, to a maximum of 25% of annual base salary for corporate senior executives, and 20% if all targets are achieved, to a maximum of 40% of annual base salary for operational senior executives.

The incentive targets for the Chief Executive Officer and Group Managing Director and senior executives are weighted 60% to key financial or sales targets, and 40% for key individual targets. Targets reflect the corporate, strategic and operational aims of the divisions and the Group overall.

During 2005 the corporate activity created a high degree of uncertainty for a considerable number of the Group's Australian personnel, thus a Key Staff Retention Program was introduced. This Key Staff Retention Program has been previously disclosed in the FAL Target Statement, issued in response to the Metcash takeover offer, and in the subsequent Scheme Booklet, relating to the proposed demerger scheme of arrangements with Metcash Limited and Woolworths Limited. Following expiration of the current corporate activity there is no intention to continue the Key Staff Retention Program.

- Long term incentives

During the 2004 financial year the Board introduced, pursuant to ASX Listing Rule 10.14, a new long term incentive in the form of a Share Rights Plan for the Chief Executive Officer and Group Managing Director, allowing for share rights to be granted to the Chief Executive Officer and Group Managing Director upon the achievement of his short term incentive targets, and up to the equivalent value of any short term incentive paid.

However due to the current corporate activity, it was not possible to activate the plan and issue any Share Rights during the year.

Senior executives receive long term incentives through participation in the Company's employee share plan.

The plan provides an opportunity for participants to receive non-recourse, interest free loans to purchase shares in the Company, which are repayable by dividends.

The provision of the interest free loans is at the discretion of the Board in accordance with the terms and conditions of the FAL Employee Share Ownership Plan.

Employment Contracts

The Chief executive Officer, Mr. Coates, is employed under contract. The current employment contract commenced on 25 November 2004 and is ongoing unless terminated by written notice from Mr. Coates. The period of notice is 12 months or the remaining period to 1 November 2006 whichever is the greater. The company may give the same notice period or payment in lieu.

All executives are employed under ongoing contacts of employment. Under the terms of the contracts, the notice period are as follows:

Mr J S Brown	6 months
Mr R K McPhee	9 months
Mr R D McGregor	12 months
Mr R Sudano	12 months
Mr P D Trent	12 months
Mr R Umbers	12 months

Mr C E Bennett is currently serving out a period of notice of resignation that has been extended by mutual agreement until 3rd November 2005. Following this date, the company has agreed that Mr Bennett will become a consultant to the company for six months.

All the above contracts can be terminated by the company without notice or payment in lieu in the event of serious misconduct and certain other specified events.

Other Benefits

Other benefits commonly provided include life insurance, pay in lieu of unused leave, vehicle allowances, travel allowances and club memberships.

Non-Executive Directors

The Board as a whole determines non-executive directors' fees. They are set to reflect the responsibilities and time spent by the directors on the affairs of the Company.

The fees are based on remuneration surveys and take into account the level of fees paid to directors by comparable Australian corporations, the size and complexity of the Company's operations and the responsibilities of the directors.

Particulars of emoluments paid to the directors during the year are set out in Table Two on page 22. Within the limit of $1,500,000 set as the aggregate annual remuneration payable to non-executive directors and approved by shareholders at the December 2003 Annual General Meeting, Board fees payable to non-executive directors are determined as follows:-

- the Chairman - $420,000 (inclusive of all Committee work)
- for each non-executive director - $140,000 (inclusive of all Committee work except for the Chairman of the Audit and Risk Committee who receives an additional $15,000)

Directors are required to apply part of their fees for any calendar year (15%) to the acquisition of shares in the Company. This requirement is subject to insider trading restrictions and to the Company's share trading policy, as amended from time to time. The window of opportunity for the Directors to comply with this requirement was not available due to the corporate activity outlined in this report and in Note 34 of this accounts.

Fees payable to non-executive directors are fixed. Non-executive directors are not entitled to incentive rewards for annual results or otherwise according to the Company's performance.

Retirement Benefits

The Company's Australian based employees participate in the FAL Superannuation Fund. The Company provides retirement and superannuation benefits for its employees, including senior management.

All non-executive directors received the statutory contribution to superannuation, calculated pursuant to their Board fee, with the exception of Sir Colin Maiden who has past the statutory superannuation age for contributions. Therefore instead of making further statutory superannuation contributions, the amount equivalent to the statutory contribution is now paid to Sir Colin Maiden directly.

At the 2003 Annual General Meeting shareholders were advised that the Company intended to discontinue the former retirement plan for non-executive directors with effect of 1 January 2004. The only directors with an absolute entitlement to retirement benefits at that date were Mr N M T Geary and Sir Colin Maiden. Their retirement benefits have been preserved and will be indexed by reference to any increases in directors' fees (but not taking into account any increase connected with the discontinuance of the retirement benefit scheme) and paid to those directors when they leave office.

Mr L F Bleasel did not have an absolute entitlement to retirement benefits as at 1 January 2004. However as Mr Bleasel has served the Company for more then three years, he is entitled to retirement benefits calculated on a pro-rata basis as at 1 January 2004. This amount will be indexed in the manner referred to above and paid to Mr Bleasel when he leaves office.

Director and Officer Emoluments

The nature and amount of emoluments of directors and officers of the chief entity are based on recommendations made to the Board by the Nomination and Remuneration Committee of the Board. The Committee obtains independent advice from various sources prior to formulating these recommendations, including authoritative market surveys and remuneration consultants. Shares issued pursuant to the Company's employee share plan are related to fixed annual salary. Bonuses paid to officers are determined by achieving objectives which are specified in advance and the financial performance of sections of the economic entity for which the executive bears responsibility.

Details of emoluments received by directors of the chief entity and officers of the chief and total group economic entities are included in Tables 3, 4 and 5 below.

TABLE 3 – DIRECTORS' INTERESTS IN SHARES IN THE COMPANY AT 31 OCTOBER 2004

	Held Directly	Held Indirectly	Total 2005	Total 2004
L F Bleasel	11,000	5,000	16,000	16,000
T M Coates[1]	79,398	-	79,398	79,398
S Crane	-	7,000	7,000	7,000
J A Fletcher	-	1,000	1,000	1,000
N M T Geary	16,500	-	16,500	16,500
Sir Colin Maiden	17,272	5,500-	23,129	23,129
P J Mansell	-	3,000	3,000	3,000

[1] Mr Coates' spouse also holds 108,000 shares.

TABLE 4 - PARENT ENTITY DIRECTOR EMOLUMENTS

	Chief Entity Base Fee or Salary	Other Cash Compensation $	Total Cash Compensation $	Other Compensation $	Total Emoluments $
L F Bleasel (Chairman)[1]	420,000	-	420,000	48,614	468,614
T M Coates (Chief Executive Officer and Group Managing Director)[2][3]	1,313,722	1,112,500	2,426,222	365,970	2,792,192
S Crane[1]	140,000	-	140,000	12,600	152,600
J A Fletcher[4]	117,205	-	117,205	10,549	127,754
E Fraunschiel[4]	58,333	-	58,333	5,250	63,583
N M T Geary[1]	140,000	-	140,000	16,351	156,351
Sir Colin Maiden[5]	155,000	20,250	175,250	13,377	188,627
P J Mansell[1]	140,000	-	140,000	16,685	156,685

[1] Other compensation includes statutory superannuation, travel and related fringe benefits tax.
[2] Other compensation includes superannuation, notional interest on Employee Share Ownership Plan ("ESOP") interest-free loans, advanced in prior years provision of motor vehicles, insurance and related fringe benefits tax.
[3] Other cash compensation consists of bonus entitlements receivable.
[4] Other compensation consists of statutory superannuation.
[5] Other cash compensation includes payments in lieu of superannuation. The base fee includes payments for chairing the Audit and Risk Committee. Other compensation includes travel and related fringe benefits tax.

TABLE 5 – OFFICER EMOLUMENTS

	Base Fee or Salary	Other Cash Compensation (1)	Total Cash Compensation	Other Compensation (2)	Total Emoluments
	$	$	$	$	$
CHIEF ENTITY					
C E Bennett (General Manager Corporate Affairs)	358,698	85,000	443,698	163,975	607,673
J S Brown (General Manager Finance)	330,821	242,000	572,821	173,998	746,819
R D McGregor (General Manager Franchise & Supply)	290,251	167,000	457,251	102,172	559,423
R Sudano (General Manager Group Buying & Marketing)	362,152	172,000	534,152	122,937	657,089
P D Trent (General Manager Information Technology)	281,338	93,000	374,338	73,790	448,128
ECONOMIC ENTITY					
C E Bennett (General Manager Corporate Affairs)	358,698	85,000	443,698	163,975	607,673
J S Brown (General Manager Finance)	330,821	242,000	572,821	173,998	746,819
R K McPhee (General Manager Retail & Property)	380,467	118,000	498,467	122,736	621,203
R Sudano (General Manager Group Buying & Marketing)	362,152	172,000	534,152	122,937	657,089
R Umbers (Managing Director Progressive)	589,283	95,620	684,903	175,408	860,311

(1) Other cash compensation includes performance bonuses and payments made under the Key Staff Retention Program introduced as a consequence of the Demerger and Transfer Schemes to be voted on at the 2nd November Shareholder meetings.
(2) Other compensation includes superannuation, notional interest on ESOP interest-free loans, equity compensation value of ESOP shares issued during financial year, travel and related fringe benefits tax and provision of motor vehicles and related fringe benefits tax.

AUDITORS INDEPENDEPENDE DECLARATION

The Directors have received the Auditor's Independence Declaration statement from the auditor of Foodland Associate Limited, Ernst & Young. The statement is presented on page 70, which forms part of this Director's Report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance services	$41,000
Tax advisory services	$1,255,000
Independent accountant report – FAL Demerger	$804,340

This report is made out on 31 October 2005 in accordance with a Resolution of the Board and is signed for and on behalf of the directors.

LF BLEASEL

L F Bleasel
Chairman

FINANCIAL STATEMENTS

FOODLAND ASSOCIATED LIMITED
ACN 008 667 650
ABN 13 008 667 650
218 Bannister Road
Canning Vale WA 6155
Australia
Telephone (61 8) 9311 6000
Facsimile (61 8) 9311 6013
Internet site www.fal.com.au

Notes to the Financial Statements

UNDERSTANDING OUR FINANCIAL STATEMENTS

The Financial Statements of the FAL Group enable readers to assess the Group's financial performance and cash flows for the 2005 financial year and its financial position at the end of that year. Also included is corresponding information for FAL and comparative information for the prior financial year for the FAL Group and FAL.

The Directors' Declaration and the Independent Audit Report are statutory requirements.

The basis of preparation of the Financial Statements is set out in Note 1. Financial information for the FAL Group includes FAL and the entities it controls, as listed in Note 28, after eliminating inter-entity transactions. The financial information for FAL is for the chief entity (FAL) alone.

The Statements of Financial Performance show revenue and the results of operations for the financial year.

The Statements of Financial Position provide information concerning assets, liabilities and shareholders' equity.

The Statements of Cash Flows provide information concerning sources and uses of cash during the financial year and available cash at the end of the financial year.

Assets shown in the Statements of Financial Position as current are, in the ordinary course of business, expected to be converted to cash in the next financial year. Similarly, current liabilities are expected to consume cash in the next financial year.

Shareholders' equity is FAL's paid up capital, reserves and retained profits

To gain a complete understanding, the financial statements should be read in conjunction with the accompanying notes

Statements of Financial Performance
FOR THE 52 WEEKS ENDED 31 JULY 2005

		Consolidated		FAL	
		2005	2004	**2005**	2004
	Note	**$m**	$m	**$m**	$m
Revenue from sale of goods	2(a)	**6,334.8**	6,026.5	**1,355.6**	1,307.9
Cost of goods sold		**(5,366.7)**	(5,081.9)	**(1,278.6)**	(1,235.9)
Gross profit		**968.1**	944.6	**77.0**	72.0
Other operating revenue	2(b)	**396.5**	327.2	**174.6**	121.3
Non-operating revenue	2(c)	**-**	483.6	**-**	167.4
Marketing and distribution costs		**(775.8)**	(756.3)	**(69.0)**	(64.6)
Occupancy costs		**(206.9)**	(181.2)	**(18.0)**	(14.3)
Administrative costs		**(74.1)**	(73.3)	**(44.5)**	(24.6)
Borrowing costs	3	**(27.7)**	(37.6)	**(2.5)**	(2.7)
Other expenses from ordinary activities	5	**(116.4)**	(481.1)	**(3.0)**	(151.8)
Profit from ordinary activities before income tax	4, 5	**163.7**	225.9	**114.6**	102.7
Income tax expense attributable to ordinary activities	6	**(79.4)**	(83.2)	**(28.7)**	(26.6)
Profit from ordinary activities after income tax attributable to members of Foodland Associated Limited	23	**84.3**	142.7	**85.9**	76.1
Non-owner Transaction Changes in Equity					
Net exchange difference on translation of controlled foreign entities' financial statements	22	**1.1**	(2.0)	**-**	-
Total revenue, expenses and valuation adjustments recognised directly in equity		**1.1**	(2.0)	**-**	-
Total changes in equity other than those resulting from transactions with owners as owners		**85.4**	140.7	**85.9**	76.1
Basic and diluted earnings per share (cents)	7	**71.66**	121.98		
Dividends per share (cents) [1]	8	**43.0**	96.0		

[1] No final dividend declared, refer to Directors report.

The statements of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position
AS AT 31 JULY 2005

		Consolidated		FAL	
		2005	2004	**2005**	2004
	Note	**$m**	$m	**$m**	$m
Current assets					
Cash assets		**73.5**	59.2	**20.5**	6.1
Receivables	11	**88.9**	229.0	**61.3**	71.6
Inventories	12	**419.9**	412.1	**79.4**	95.3
Other	16	**11.7**	15.5	**2.5**	3.9
Total current assets		**594.0**	715.8	**163.7**	176.9
Non-current assets					
Receivables	11	**25.0**	21.1	**616.5**	580.0
Other financial assets	13	**0.6**	0.5	**222.1**	222.1
Property, plant and equipment	14	**555.4**	451.3	**22.8**	16.9
Intangibles	15	**676.7**	721.9	**9.0**	9.4
Deferred tax assets	6	**33.0**	27.8	**3.0**	8.8
Other	16	**4.7**	5.7	**2.3**	2.4
Total non-current assets		**1,295.4**	1,228.3	**875.7**	839.6
Total assets		**1,889.4**	1,944.1	**1,039.4**	1,016.5
Current liabilities					
Payables	17	**427.3**	437.7	**150.2**	133.3
Interest-bearing liabilities	18	**1.4**	-	**-**	-
Current tax liabilities	6	**1.7**	6.2	**0.1**	11.2
Provisions	20	**42.7**	41.8	**3.3**	3.0
Total current liabilities		**473.1**	485.7	**153.6**	147.5
Non-current liabilities					
Payables	17	**-**	1.6	**27.6**	26.6
Interest-bearing liabilities	18	**402.3**	424.8	**30.0**	-
Provisions	20	**15.2**	18.6	**2.6**	2.6
Total non-current liabilities		**417.5**	445.0	**60.2**	29.2
Total liabilities		**890.6**	930.7	**213.8**	176.7
Net assets		**998.8**	1,013.4	**825.6**	839.8
Shareholders' equity					
Contributed equity	21	**688.6**	675.9	**688.6**	675.9
Reserves	22	**20.0**	18.9	**6.8**	6.8
Retained profits	23	**290.2**	318.6	**130.2**	157.1
Total shareholders' equity		**998.8**	1,013.4	**825.6**	839.8

The statements of financial position should be read in conjunction with the accompanying notes.

Statements of Cash Flows
FOR THE 52 WEEKS ENDED 31 JULY 2005

		Consolidated		FAL	
		2005	2004	**2005**	2004
	Note	**$m**	$m	**$m**	$m
Cash flows from operating activities					
Receipts from customers		**6,327.8**	6,283.0	**1,418.0**	1,512.3
Payments to suppliers and employees		**(6,022.4)**	(5,998.4)	**(1,357.1)**	(1,477.0)
Dividends received		**-**	-	**65.9**	33.4
Interest and bill discount received		**5.1**	17.3	**22.7**	18.4
Borrowing costs		**(27.0)**	(37.6)	**(2.5)**	(3.3)
Income taxes paid		**(89.4)**	(74.0)	**(39.8)**	(35.3)
Corporate activity costs		**(16.8)**	-	**(16.8)**	-
Other		**23.0**	10.1	**23.2**	10.1
Net cash flows from operating activities	24	**200.3**	200.4	**113.6**	58.6
Cash flows from investing activities					
Payments for property, plant and equipment		**(242.6)**	(149.3)	**(11.3)**	(5.7)
Proceeds from sale of property, plant and equipment		**202.7**	161.9	**0.9**	81.0
Payments for other non-current assets		**-**	(2.7)	**-**	(2.1)
Payments for intangibles		**(1.9)**	(24.6)	**-**	-
Proceeds from sale of controlled entities (net of cash disposed of)		**-**	168.2	**-**	-
Proceeds on redemption of preference shares		**-**	-	**-**	86.6
Loans to controlled entities		**-**	-	**(15.2)**	(46.5)
Loan repayments from FAL Share Plan Nominees Pty Ltd		**8.1**	6.4	**8.1**	6.4
Net cash flows from (used in) investing activities		**(33.7)**	159.9	**(17.5)**	119.7
Cash flows from financing activities					
Proceeds from borrowings - consumer finance		**-**	4.6	**-**	-
Proceeds from borrowings - other		**30.0**	87.4	**30.0**	-
Repayments of borrowings - other		**(69.5)**	(388.8)	**-**	(112.0)
Dividends paid (net of Dividend Reinvestment Plan)		**(111.7)**	(103.6)	**(111.7)**	(103.6)
Net cash flows (used in) financing activities		**(151.2)**	(400.4)	**(81.7)**	(215.6)
Net increase (decrease) in cash held		**15.4**	(40.1)	**14.4**	(37.3)
Cash at beginning of financial year		**59.2**	104.9	**6.1**	43.4
Effects of exchange rate changes on opening cash		**(1.1)**	(5.6)	**-**	-
Cash at end of financial year	24	**73.5**	59.2	**20.5**	6.1

The statements of cash flows should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, which includes Accounting Standards. Other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views have also been complied with.

The financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of FAL, being the chief entity, and its controlled entities.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The financial statements of controlled entities are prepared for the same reporting period as the chief entity, using consistent accounting policies.

(c) Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity, and is amortised by the straight line method over the period during which the benefits are expected to be received. This is usually taken as being 20 years.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

(d) Recoverable amount

Where the carrying value of non-current assets exceeds recoverable amount, the assets are written down. In determining recoverable amount, the expected risk adjusted net cash flows have been discounted to their present value using the risk free discount rate prevailing in the country in which the asset is situated.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Sales revenue

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of goods to customers outside the economic entity. Sales revenue is recognised when control of the goods has passed to the buyer.

Dividends

Dividends receivable are recognised when declared.

Interest

Interest income is recognised as it accrues.

Settlement discounts receivable

Settlement discounts receivable from suppliers are recognised when the corresponding liability for goods purchased from the supplier is taken up, at rates agreed with each supplier.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, gains or losses on interest rate hedges and imputed interest arising from maturity of liabilities previously discounted to net present values.

Ancillary costs for the arrangement of borrowings are capitalised and amortised over the life of the borrowings.

Borrowing costs are accounted for and expensed on an accrual basis, except for borrowing costs capitalised to qualifying assets. Qualifying assets are assets which necessarily take a substantial time to get ready for their intended use or sale.

(g)Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the economic entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the economic entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change, except where hedging specific transactions (refer Note 1(h)).

Translation of foreign controlled entities

All overseas operations are deemed self-sustaining, as each is financially and operationally independent of FAL. The financial statements of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

Specific hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale, and costs, premiums and discounts relative to the hedging transaction, are included in the purchase or sale.

Exchange gains or losses arising on the hedge transaction after that date are taken to the statement of financial performance.

(h)Derivatives

Forward exchange contracts

The economic entity enters into forward exchange contracts where it agrees to purchase specified amounts of foreign currencies in the future at a predetermined exchange rate.

The objective is to match the contracts against confirmed purchase orders for inventory or for other confirmed foreign currency transactions to protect the economic entity against the possibility of loss from future exchange rate fluctuations.

The net receivable or payable on foreign currency hedge contracts is recognised in the statement of financial position at the date the contract is entered into.

The net receivable or payable is restated at the reporting date using the exchange rates current at that date. Exchange gains or losses are deferred and included in the measurement of the sale or purchase.

Interest rate hedges

The economic entity enters into interest rate hedge instruments that are used to protect the economic entity from the adverse effects of variable interest rate movements on its bank borrowings.

The hedges are entered into with the objective of reducing the risk of rising interest rates.

It is the economic entity's policy not to recognise interest rate hedges in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Taxation

The consolidated entity adopts the liability method of tax effect accounting whereby income tax expense is calculated on accounting profit adjusted for permanent differences between taxable and accounting income.

The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a deferred tax asset or liability.

Deferred tax assets are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Capital losses are not brought to account until the period in which they are realised.

No provision for withholding tax is required in respect of dividends proposed by controlled entities incorporated in New Zealand, or on the balance of their unremitted profits, as the full amount of New Zealand dividend withholding tax is recoverable against income tax paid in New Zealand.

Where assets are included at amounts in excess of historic cost, no provision for potential capital gains tax has been made.

Tax Consolidation - Parent Entity

The Australian Group elected to form a tax consolidation group for income tax purposes with effect from the 2003 financial year. FAL has entered into a tax funding agreement with the members of the tax consolidation group, effective from that financial year.

The agreement is aimed at achieving an allocation of the Australian group's income tax expense to subsidiaries within the tax-consolidated group as if they were operating on a stand-alone basis.
The subsidiaries party to the agreement will reimburse FAL for an amount calculated as if it were on a stand-alone basis.

Similarly, FAL will reimburse subsidiaries for losses when they are utilised to reduce Australian group tax payable.

(j) Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash, net of overdrafts.

(k) Receivables

Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.

Trade debtors
Credit sales are on varying terms ranging from 7 to 45 days.

Other receivables
Other receivables are received in accordance with contracted settlement dates. When appropriate, they are discounted to their present value.

(l) Inventories

Finished goods
Finished goods inventories are valued at the lower of cost and net realisable value using landed cost, on a first-in first-out basis.

Land held for resale
Freehold property held for development and resale is valued at the lower of cost and net realisable value. Interest and other holding charges are capitalised until the properties are brought to marketable condition.

(m) Other financial assets

Controlled entities
Investments in controlled entities are carried in the chief entity's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statement of financial performance when they are declared by the controlled entities.

Other
The economic entity's interest in companies, other than controlled entities, is included in the financial statements as "investments non-related entities".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Non-related entity investments are carried at the lower of cost and recoverable amount. The economic entity has no investments in shares listed on prescribed stock exchanges.

(n)Property, plant and equipment

Cost

Property, plant and equipment are initially recorded at cost.

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land and investment properties, at rates calculated to allocate their cost against revenue over their estimated useful lives.

Major depreciation periods are:

Buildings	25 -50 years
Plant and equipment	3 - 40 years

Investment properties comprise shopping centres owned by the economic entity in which an FAL Group store occupies less than 50% of the total retail square metres available.

(o)Leases

Leases are classified at their inception as either operating or finance leases, based on the economic substance of the agreement, so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

The lease incentive liabilities in relation to non-cancellable operating leases are being reduced on an imputed interest basis over the lease term at the rates implicit in the leases.
Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(p)Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.
Trade liabilities are normally settled by terms ranging from 7 to 30 days.

(q)Interest-bearing liabilities

Bank overdrafts

Bank overdrafts are carried at the principal amount. Interest is charged periodically at the prime lending rate plus a margin is charged as an expense as it accrues.

Bank borrowings

Bank loans are carried at the principal amount. The facilities are renegotiated annually and the principal amounts are accordingly classified as non-current. Interest is charged at bank bill rates plus a margin and is charged as an expense as it accrues.

(r) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation as a result of a past event, for which a reliable estimate of the amount of the obligation can be made, and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing of which is uncertain.

If the effect is material, provisions are determined by discounting the expected future cash flows to net present value.

Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Lease impairment

Where the forecast future maintainable discounted cash receipts of an acquired store do not cover all forecast future discounted cash payments, including payments pursuant to the operating lease, an impairment provision is raised to the extent that the forecast future cash receipts do not cover the forecast future fixed and variable outgoings associated with the operating lease.
Lease impairment provisions are also raised in respect of non-cancellable operating leases on stores or operations that have ceased trading.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Restructuring

A provision for restructuring arising from an acquisition is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan, such that there is little or no discretion to avoid payments.

The provision relates only to costs associated with the acquired entity.

(s) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(t) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months from the reporting date are measured at their nominal amounts based on the remuneration rates which are expected to be paid when the liability is settled.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present values of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee benefits arising in respect of the following categories:
- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits; are charged against profits on a net basis in their respective categories.

Employee-contributory superannuation funds exist to provide benefits for certain of the economic entity's employees and their dependents on retirement, disability or death.

The contributions made to these funds by entities within the economic entity are charged against profits when due.

The chief entity has an employee share plan as described in Note 30, the value of which is not being charged as an employee benefit expense.

(u) Rounding

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest tenth of a million Australian dollars. FAL is an entity of the kind referred to in the Australian Securities and Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998.

(v) Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the GST incurred is not recoverable from the ATO or NZIRD.

In these circumstances the GST is recognised as part of the acquisition cost of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amounts of GST recoverable from, or payable to, the ATO and NZIRD are included as current assets or liabilities in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO and NZIRD are classified as operating cash flows.

		Consolidated		FAL	
		2005	2004	**2005**	2004
		$m	$m	**$m**	$m
2.	**REVENUE FROM ORDINARY ACTIVITIES**				
(a)	**Sales revenue**				
	Revenue from external sales of goods	**6,334.8**	6,026.5	**1,037.5**	999.9
	Inter-company sales	**-**	-	**318.1**	308.0
	Total sales	**6,334.8**	6,026.5	**1,355.6**	1,307.9
(b)	**Other operating revenue**				
	Credit income				
	Consumer finance interest	**-**	14.1	**-**	-
	Other credit income	**-**	1.5	**-**	-
		-	15.6	**-**	-
	Dividends received				
	Controlled entities - wholly owned group	**-**	-	**65.9**	33.4
	Other persons/bodies corporate	**0.1**	-	**-**	-
		0.1	-	**65.9**	33.4
	Interest received or receivable				
	Controlled entities - wholly owned group	**-**	-	**18.2**	16.0
	Other persons/bodies corporate	**5.2**	3.4	**4.5**	2.9
		5.2	3.4	**22.7**	18.9
	Proceeds on sale of non-current assets				
	Property, plant and equipment	**64.8**	11.0	**0.9**	0.6
		64.8	11.0	**0.9**	0.6
	Bad debts recovered				
	Consumer finance	**-**	0.5	**-**	-
	Other	**0.1**	-	**0.1**	-
		0.1	0.5	**0.1**	-
	Management fees - controlled entities	**-**	-	**23.2**	10.1
	Rental income	**12.0**	9.6	**4.7**	4.6
	Settlement discounts	**74.2**	68.3	**14.9**	14.1
	Other income	**240.1**	218.8	**42.2**	39.6
	Total other operating revenue	**396.5**	327.2	**174.6**	121.3
(c)	**Non-operating revenue**				
	Proceeds on sale of Farmers Holdings Limited Group	**-**	199.6	**-**	-
	Proceeds on sale of properties into property trust	**-**	284.0	**-**	80.8
	Proceeds on redemption of preference shares	**-**	-	**-**	86.6
	Total non-operating revenue	**-**	483.6	**-**	167.4
	Total revenue from ordinary activities	**6,731.3**	6,837.3	**1,530.2**	1,596.6
3.	**BORROWING COSTS**				
	Interest expense				
	Consumer finance	**-**	3.3	**-**	-
	Unrelated entities	**22.0**	30.0	**1.4**	2.3
	Total interest expense	**22.0**	33.3	**1.4**	2.3
	Other borrowing costs - consumer finance	**-**	0.3	**-**	-
	Other borrowing costs - other	**5.8**	4.2	**1.1**	0.4
	Total borrowing costs	**27.8**	37.8	**2.5**	2.7
	Less borrowing costs capitalised	**(0.1)**	(0.2)	**-**	-
	Total borrowing costs expensed	**27.7**	37.6	**2.5**	2.7

	Consolidated 2005 $m	Consolidated 2004 $m	FAL 2005 $m	FAL 2004 $m
4. DEPRECIATION AND AMORTISATION				
Depreciation of:				
Buildings	**0.6**	3.2	**0.4**	0.9
Leasehold improvements	**13.0**	10.8	**-**	-
Plant and equipment	**76.1**	74.2	**4.1**	4.4
Total depreciation	**89.7**	88.2	**4.5**	5.3
Amortisation of:				
Goodwill	**44.7**	42.9	**0.6**	0.6
Lease premiums and other	**0.2**	0.1	**0.1**	0.1
Total amortisation	**44.9**	43.0	**0.7**	0.7
Total depreciation and amortisation	**134.6**	131.2	**5.2**	6.0

5. OPERATING PROFIT

The operating profit before income tax is arrived at after charging/(crediting) the following items, together with those set out in Notes 3 and 4:

	Consolidated 2005 $m	Consolidated 2004 $m	FAL 2005 $m	FAL 2004 $m
Bad and doubtful debts				
Consumer finance debtors	**-**	0.9	**-**	-
Other trade debtors	**0.3**	0.3	**0.1**	-
	0.3	1.2	**0.1**	-
Loss (profit) on sale of non-current assets				
Investments	**-**	(19.1)	**-**	-
Property, plant and equipment	**(4.4)**	(32.9)	**-**	(12.3)
	(4.4)	(52.0)	**-**	(12.3)
Operating lease rentals				
Minimum lease rentals	**135.3**	115.4	**6.1**	5.6
Contingent rentals	**3.3**	3.8	**-**	-
Sub-lease rental expense	**2.8**	1.8	**-**	-
	141.4	121.0	**6.1**	5.6
Provisions				
Employee entitlements	**41.4**	38.4	**3.3**	3.1
Write-downs				
Investments	**(0.2)**	-	**-**	-
Superannuation contributions - defined benefit plan	**1.8**	1.8	**1.4**	1.4
Other expenses from ordinary activities				
Book value of Farmers Holdings Limited group	**-**	180.5	**-**	-
Book value of property assets sold into property trusts	**-**	250.8	**-**	68.1
Book value of redeemable preference shares redeemed	**-**	-	**-**	81.4
Book value of assets sold – New Zealand	**46.3**	-	**-**	-
Other	**70.1**	49.8	**3.0**	2.3
	116.4	481.1	**3.0**	151.8
Unusual items and material one off items				
Profit on sale of Farmers Holdings Limited Group	**-**	19.1	**-**	-
Profit on sale of properties into property trusts	**-**	29.4	**-**	10.9
Profit on redemption of redeemable preference shares	**-**	5.2	**-**	5.2
Corporate activity costs	**19.6**	-	**19.6**	-
	19.6	53.7	**19.6**	16.1

	Consolidated 2005 $m	2004 $m	FAL 2005 $m	2004 $m
6. INCOME TAX				
The prima facie tax on operating profit differs from the income tax provided in the financial statements and is calculated as follows:				
Prima facie tax on operating profit at 30%	**49.1**	67.8	**34.4**	30.8
Tax effect of permanent differences				
Non-assessable dividends and distributions	**-**	-	**(19.8)**	(10.0)
Non-deductible amortisation and depreciation	**14.1**	14.6	**-**	0.3
Non-taxable capital profits on disposal of Farmers Holdings Limited Group	**-**	(4.6)	**-**	-
Australian capital gains tax on excess of book over tax value of property disposals	**-**	8.0	**-**	5.8
Non-taxable New Zealand property disposals	**-**	(6.2)	**-**	-
Non-deductible corporate activity costs	**2.9**	-	**2.9**	-
Other items	**(0.5)**	(0.2)	**(0.2)**	(0.2)
Adjustment due to overseas tax rate difference	**3.0**	3.8	**-**	-
Tax Dispute Settlement	**11.0**	-	**11.0**	-
Under (over) provision of previous year	**(0.2)**	-	**0.4**	(0.1)
Total income tax expense charged to profit	**79.4**	83.2	**28.7**	26.6
Income tax expense comprises:				
Provision attributable to current year	**71.9**	80.6	**16.7**	27.0
Tax Dispute Settlement	**11.0**	-	**11.0**	-
Under (over) provision of previous year	**(0.1)**	-	**0.4**	(0.1)
Movements in:				
Deferred tax liabilities	**(0.3)**	-	**-**	-
Deferred tax assets	**(3.1)**	2.6	**0.6**	(0.3)
	79.4	83.2	**28.7**	26.6
Tax assets and liabilities				
Deferred tax assets	**33.0**	27.8	**3.0**	8.8
Current tax assets/(liabilities)	**(1.7)**	(6.2)	**(0.1)**	(11.2)

Tax consolidation
In the 2003 financial year, for the purposes of income taxation, the Company and its 100% owned Australian subsidiaries have formed a tax consolidated group.

Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis.

In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date the possibility of default is remote. The head entity of the tax consolidated group is FAL.

7. EARNINGS PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

	2005	2004
Earnings - profit from ordinary activities after income tax	**84.3**	142.7
	Number of shares 000's	000's
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	**117,631**	116,986

There were no potential ordinary shares affecting diluted earnings per share in the 2005 financial year. There have been no material conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of these financial statements.

		Consolidated		FAL	
		2005	2004	**2005**	2004
		$m	$m	**$m**	$m
8.	**DIVIDENDS**				
(a)	**Dividends paid during the year**				
	Current year interim paid on 8 April 2005, 43.0 cents franked at 10.75 cents (2004 interim - 43.0 cents fully franked) per share	**50.6**	50.3	**50.6**	50.3
	Previous year final paid on 15 October 2004, fully franked at 53.0 cents (2003 final - 46.5 cents) per share	**62.1**	54.3	**62.1**	54.3
		112.7	104.6	**112.7**	104.6
(b)	**Dividends proposed and not recognised as a liability**				
	Fully franked final dividend - nil (2004 at 53 cents per share). [(1)]	-	62.1	-	62.1

[(1)] The Directors, in light of the proposed demerger and scheme of arrangements, did not declare a final 2005 dividend. Should the scheme of arrangements not proceed and the demerger does, or if the scheme and demerger does not proceed, the Directors of the relevant entities will consider a final 2005 dividend.

(c)	**Dividend franking account**				
	30% franking credits available to shareholders of FAL for subsequent financial years, based on the balance of the dividend franking account at balance date, adjusted for franking credits that will arise from the payment of the current tax liability.	**13.9**	11.3	**13.9**	11.3

9. SEGMENT REPORTING

The primary segments of the economic entity are businesses conducting supermarket and grocery wholesaling. These business operations are conducted in two geographic segments, being Australia and New Zealand.

	Full Year		First Half		Second half	
	2005	2004	**2005**	2004	**2005**	2004
	$m	$m	**$m**	$m	**$m**	$m
Segment Revenue						
Sales						
Supermarkets						
Australia	**1,364.3**	1,329.9	**692.3**	664.4	**672.0**	665.5
New Zealand	**3,607.3**	3,324.2	**1,833.6**	1,667.8	**1,773.7**	1,656.4
Total Supermarkets	**4,971.6**	4,654.1	**2,525.9**	2,332.2	**2,445.7**	2,321.9
Wholesale						
Australia	**1,403.7**	1,308.9	**693.8**	654.7	**709.9**	654.2
Less inter-segment sales [(1)]	**(318.1)**	(308.0)	**(159.9)**	(152.2)	**(158.2)**	(155.8)
Australia - net external sales	**1,085.6**	1,000.9	**533.9**	502.5	**551.7**	498.4
New Zealand	**277.6**	233.4	**137.4**	117.6	**140.2**	115.8
Total Wholesale	**1,363.2**	1,234.3	**671.3**	620.1	**691.9**	614.2
Total continuing operations	**6,334.8**	5,888.4	**3,197.2**	2,952.3	**3,137.6**	2,936.1
Discontinued operations [(2)]	-	138.1	-	138.1	-	-
Economic entity total	**6,334.8**	6,026.5	**3,197.2**	3,090.4	**3,137.6**	2,936.1
Other operating revenue						
Australian operations	**134.8**	111.0	**60.6**	55.4	**74.2**	55.6
New Zealand operations	**261.7**	216.2	**106.8**	115.7	**154.9**	100.5
Economic entity total	**396.5**	327.2	**167.4**	171.1	**229.1**	156.1
Total operating revenue						
Australian operations	**2,584.7**	2,441.8	**1,286.8**	1,222.3	**1,297.9**	1,219.5
New Zealand operations	**4,146.6**	3,911.9	**2,077.8**	2,039.2	**2,068.8**	1,872.7
Economic entity total	**6,731.3**	6,353.7	**3,364.6**	3,261.5	**3,366.7**	3,092.2

[(1)] Inter-segment pricing is determined on normal terms and conditions
[(2)] Comprises sales of Farmers Holdings Limited Group to date of sale.

		Full Year		First Half		Second Half	
		2005	2004	**2005**	2004	**2005**	2004
		$m	$m	**$m**	$m	**$m**	$m
9.	**SEGMENT REPORTING (cont.)**						
	Segment Results						
	Supermarkets						
	Australia	**35.4**	39.1	**19.3**	21.9	**16.1**	17.2
	New Zealand	**159.3**	149.0	**77.1**	73.3	**82.2**	75.7
	Total Supermarkets	**194.7**	188.1	**96.4**	95.2	**98.3**	92.9
	Wholesale						
	Australia	**49.2**	45.0	**25.5**	24.1	**23.7**	20.9
	New Zealand	**11.8**	10.1	**6.4**	5.5	**5.4**	4.6
	Total Supermarkets	**61.0**	55.1	**31.9**	29.6	**29.1**	25.5
	Property	**0.9**	13.1	**0.5**	8.2	**0.4**	4.9
	Profits / (losses) on sale of property	**4.9**	1.6	**-**	0.4	**4.9**	1.2
	Group corporate (excluding corporate activity costs)	**(11.0)**	(10.1)	**(5.8)**	(4.8)	**(5.2)**	(5.3)
	EBITA continuing operations	**250.5**	247.8	**123.0**	128.6	**127.5**	119.2
	Profit on sale of properties into property trusts	**-**	29.4	**-**	14.7	**-**	14.7
	Profit on sale of Farmers Holdings Limited Group	**-**	24.3	**-**	24.3	**-**	-
	Discontinued operations [(1)]	**-**	(2.1)	**-**	(2.1)	**-**	-
	Corporate activity costs	**(19.6)**	-	**(2.2)**	-	**(17.4)**	-
	EBITA	**230.9**	299.4	**120.8**	165.5	**110.1**	133.9
	Goodwill amortisation	**(44.7)**	(42.9)	**(22.3)**	(21.2)	**(22.4)**	(21.7)
	Operating profit before net borrowing costs (but including net consumer finance interest income) and income tax	**186.2**	256.5	**98.5**	144.3	**87.7**	112.2
	Net borrowing costs (excluding net consumer finance borrowing costs)	**(22.5)**	(30.6)	**(10.7)**	(18.7)	**(11.8)**	(11.9)
	Operating profit before income tax	**163.7**	225.9	**87.8**	125.6	**75.9**	100.3
	Income tax expense	**(79.4)**	(83.2)	**(34.6)**	(47.8)	**(44.8)**	(35.4)
	Operating profit after income tax	**84.3**	142.7	**53.2**	77.8	**31.1**	64.9

(1) Comprises results of Farmers Holdings Limited Group to date of sale

	Consolidated 2005 $m	2004 $m
9. SEGMENT REPORTING (cont.)		
Segment Assets		
Segment asset information is disclosed by both business and geographic segments.		
At balance date		
Supermarket operations		
Australia	**414.1**	382.7
New Zealand	**997.7**	1,006.0
Total supermarket operations	**1,411.8**	1,388.7
Franchise & supply operations		
Australia	**323.8**	316.3
New Zealand	**20.8**	22.9
Total franchise & supply operations	**344.6**	339.2
Property	**132.1**	215.2
Other	**0.9**	1.0
Economic entity total	**1,889.4**	1,944.1
Geographic split		
Australia	**801.8**	741.9
New Zealand	**1,087.6**	1,202.2
Economic entity total	**1,889.4**	1,944.1
Acquisitions of non-current assets		
Supermarket operations		
Australia	**57.4**	71.6
New Zealand	**54.0**	68.9
Total supermarket operations	**111.4**	140.5
Franchise & supply operations		
Australia	**15.9**	14.1
New Zealand	**0.2**	0.1
Total franchise & supply operations	**16.1**	14.2
Property	**125.2**	28.1
Discontinued operations - general merchandise retail and credit	**-**	0.5
Economic entity total	**252.7**	183.3
Geographic split		
Australia	**107.4**	93.5
New Zealand	**145.3**	89.8
Economic entity total	**252.7**	183.3
Other segment information is disclosed by business segment only.		
Segment Liabilities		
Supermarkets	**323.3**	367.3
Franchise & supply	**198.2**	121.2
Other	**369.1**	442.2
Economic entity total	**890.6**	930.7
Segment Depreciation and Amortisation		
Supermarkets	**123.8**	114.6
Franchise & supply	**5.9**	5.8
Other	**4.9**	7.5
Discontinued operations - general merchandise retail and credit	**-**	3.3
Economic entity total	**134.6**	131.2
Segment Other Non-cash Expenses		
Supermarkets	**(3.7)**	(4.9)
Franchise & supply	**0.2**	-
Economic entity total	**(3.5)**	(4.9)

	Consolidated 2005 $m	2004 $m

10. DISCONTINUED OPERATIONS

(a) Sale of Farmers Holdings Limited Group ("Farmers")

Farmers comprised the FAL Group's retail department store, consumer finance and insurance businesses.

On 10 March 2003 FAL announced that it had commenced a strategic review of Farmers, in view of it being the only non-food business in the FAL Group.

On 10 October 2003 FAL announced the sale of Farmers, to facilitate the ultimate objective of allowing the FAL Group to focus on its supermarket retailing and grocery wholesaling operations. The effective sale date for accounting purposes was 2 November 2003.

The results of Farmers' retail, consumer finance and insurance businesses had been reported as a separate business segment in the prior periods, with its property operations included with the total New Zealand property results .

Financial information for Farmers was as follows:

	2005 $m	2004 $m
(b) Financial performance information for the period ended 2 November 2003		
Revenues from ordinary activities	-	155.0
Expenses from ordinary activities	-	(158.1)
Profit/(loss) before income tax	-	(3.1)
Income tax credit/(expense) relating to ordinary activities	-	1.0
Profit/(loss) from ordinary activities after income tax	-	(2.1)
(c) Disposal information		
Gross proceeds from sale of Farmers	-	273.7
External debt retired from proceeds	-	(74.1)
Net proceeds on sale	-	199.6
Net assets of Farmers in consolidated FAL Group at date of sale	-	(180.5)
Profit on redemption of preference shares triggered by sale of Farmers	-	5.2
Total pre-tax profit on sale of Farmers	-	24.3
Tax expense	-	(1.4)
Total post-tax profit on sale of Farmers and redemption of preference shares	-	22.9
(d) Cash flow information for the period ended 2 November 2003		
Net cash provided / (used) by operating activities	-	(14.1)
Net cash used in investing activities	-	(0.5)
Net cash provided / (used) by financing activities	-	30.2
Net increase / (decrease) in cash held	-	15.6

	Consolidated 2005 $m	Consolidated 2004 $m	FAL 2005 $m	FAL 2004 $m
11. RECEIVABLES				
Current				
Trade debtors	**71.5**	65.2	**47.2**	44.1
Provision for doubtful debts	**(0.7)**	(0.9)	**(0.3)**	(0.3)
	70.8	64.3	**46.9**	43.8
Loans to controlled entities	**-**	-	**-**	2.3
GST and income tax refunds withheld	**14.4**	25.5	**14.4**	25.5
Proceeds receivable on sale of non-current assets	**0.1**	135.8	**-**	-
Other debtors	**3.6**	3.4	**-**	-
Statement of financial position total	**88.9**	229.0	**61.3**	71.6
Trade debtors include the following amounts owing by:				
Controlled entities	**-**	-	**0.6**	0.5
	-	**-**	**0.6**	**0.5**
Non-current				
Loans to controlled entities	**-**	-	**593.3**	560.4
Secured loan to FAL Share Plan Nominees Pty Ltd (refer Note 30(b))	**23.2**	19.6	**23.2**	19.6
Other debtors	**1.8**	1.5	**-**	-
Statement of financial position total	**25.0**	21.1	**616.5**	580.0

Movements in provision for doubtful debts				
Trade debtors				
Balance at beginning of year	**0.9**	1.7	**0.3**	0.6
Bad debts written-off against provision	**(0.5)**	(0.4)	**(0.1)**	(0.3)
Disposal through entities sold	**-**	(0.1)	**-**	-
Doubtful debts provided for during the year	**0.3**	(0.3)	**0.1**	-
Balance at end of year	**0.7**	0.9	**0.3**	0.3
12. INVENTORIES				
Current				
Finished goods:				
At cost	**418.2**	410.4	**79.4**	95.3
Land held for resale	**1.7**	1.7	**-**	-
Statement of financial position total	**419.9**	412.1	**79.4**	95.3
Land held for resale comprises:				
Cost of acquisition	**1.3**	1.3	**-**	-
Development costs capitalised	**0.4**	0.4	**-**	-
	1.7	1.7	**-**	-
13. OTHER FINANCIAL ASSETS				
Non-current				
Investments at cost, unless otherwise stated				
Controlled entities (refer Note 28)				
Shares - unlisted	**-**	-	**211.8**	211.8
Units - unlisted	**-**	-	**10.3**	10.3
	-	-	**222.1**	222.1
Non-related entities				
Other - unlisted	**0.6**	0.5	**-**	-
	0.6	0.5	**-**	-
Statement of financial position total	**0.6**	0.5	**222.1**	222.1

		Consolidated		FAL	
		2005	2004	**2005**	2004
		$m	$m	**$m**	$m
14	**PROPERTY, PLANT AND EQUIPMENT**				
	Investment properties				
	At cost	**39.0**	28.6	**-**	-
	Developed land and buildings				
	Freehold land				
	At cost	**4.0**	2.1	**-**	-
	Buildings on freehold land				
	At cost	**2.4**	3.9	**-**	-
	Accumulated depreciation	**(0.2)**	(0.2)	**-**	-
		2.2	3.7	**-**	-
	Leasehold land				
	At cost	**3.2**	1.0	**-**	-
	Buildings on leasehold land				
	At cost	**8.7**	5.4	**4.0**	4.0
	Accumulated depreciation	**(2.6)**	(2.1)	**(2.4)**	(2.0)
		6.1	3.3	**1.6**	2.0
	Total developed land and buildings	**15.5**	10.1	**1.6**	2.0
	Properties held for development				
	Freehold land				
	At cost	**42.0**	22.2	**4.8**	2.5
	Leasehold land				
	At cost	**19.4**	-	**-**	-
	Buildings on development land				
	At cost	**0.2**	0.1	**-**	-
	Accumulated depreciation	**-**	-	**-**	-
		0.2	0.1	**-**	-
	Total properties held for development	**61.6**	22.3	**4.8**	2.5
	Plant and equipment				
	At cost	**996.6**	911.9	**45.2**	41.7
	Accumulated depreciation	**(641.3)**	(590.3)	**(34.0)**	(30.2)
	Total plant and equipment	**355.3**	321.6	**11.2**	11.5
	Capital works in progress - at cost	**84.0**	68.7	**5.2**	0.9
	Total property, plant and equipment				
	At cost	**1,199.5**	1,043.9	**59.2**	49.1
	Accumulated depreciation	**(644.1)**	(592.6)	**(36.4)**	(32.2)
	Statement of financial position total	**555.4**	451.3	**22.8**	16.9

RECONCILIATIONS

Reconciliations of the carrying amounts for each class of property, plant and equipment are as follows:

Investment properties				
Carrying amount at beginning of financial year	**28.6**	50.8	**-**	-
Additions	**48.2**	5.9	**-**	-
Disposals	**(37.6)**	(28.1)	**-**	-
Transfers	**(0.2)**	-	**-**	-
Carrying amount at end of financial year	**39.0**	28.6	**-**	-
Developed freehold land				
Carrying amount at beginning of financial year	**2.1**	46.3	**-**	12.9
Disposals	**(3.6)**	(38.9)	**-**	(12.9)
Acquisitions through entities acquired / (disposals through entities sold)	**-**	(4.9)	**-**	-
Net foreign currency movements arising from self-sustaining foreign operations	**-**	(0.4)	**-**	-
Transfers	**5.5**	-	**-**	-
Carrying amount at end of financial year	**4.0**	2.1	**-**	-

	Consolidated		FAL	
	2005	2004	**2005**	2004
	$m	$m	**$m**	$m
RECONCILIATIONS (cont.)				
Buildings on developed freehold land				
Carrying amount at beginning of financial year	**3.7**	196.7	**-**	57.9
Additions	**-**	4.0	**-**	0.2
Disposals	**(7.8)**	(167.2)	**-**	(55.2)
Depreciation expense	**(0.2)**	(2.9)	**-**	(0.7)
Acquisitions through entities acquired / (disposals through entities sold)	**-**	(29.8)	**-**	-
Net foreign currency movements arising from self-sustaining foreign operations	**-**	(1.3)	**-**	-
Transfers	**6.5**	4.2	**-**	(2.2)
Carrying amount at end of financial year	**2.2**	3.7	**-**	-
Developed leasehold land				
Carrying amount at beginning of financial year	**1.0**	2.2	**-**	-
Additions	**2.2**	-	**-**	-
Disposals	**-**	(1.2)	**-**	-
Carrying amount at end of financial year	**3.2**	1.0	**-**	-
Buildings on developed leasehold land				
Carrying amount at beginning of financial year	**3.3**	9.2	**2.0**	-
Additions	**3.3**	-	**-**	-
Disposals	**-**	(7.7)	**-**	-
Depreciation expense	**(0.5)**	(0.3)	**(0.4)**	(0.2)
Net foreign currency movements arising from self-sustaining foreign operations	**-**	(0.1)	**-**	-
Transfers	**-**	2.2	**-**	2.2
Carrying amount at end of financial year	**6.1**	3.3	**1.6**	2.0
Freehold land held for development				
Carrying amount at beginning of financial year	**22.2**	14.6	**2.5**	-
Additions	**20.4**	8.2	**-**	2.5
Acquisitions through entities acquired / (disposals through entities sold)	**-**	(1.4)	**-**	-
Net foreign currency movements arising from self-sustaining foreign operations	**(0.3)**	0.2	**-**	-
Transfers	**(0.3)**	0.6	**2.3**	-
Carrying amount at end of financial year	**42.0**	22.2	**4.8**	2.5
Leasehold land held for development				
Carrying amount at beginning of financial year	**-**	-	**-**	-
Additions	**19.4**	-	**-**	-
Carrying amount at end of financial year	**19.4**	-	**-**	-
Buildings on development land				
Carrying amount at beginning of financial year	**0.1**	0.7	**-**	-
Transfers	**0.1**	(0.6)	**-**	-
Carrying amount at end of financial year	**0.2**	0.1	**-**	-
Plant and equipment				
Carrying amount at beginning of financial year	**321.6**	341.1	**11.5**	12.7
Additions	**42.1**	22.1	**2.6**	2.7
Disposals	**(14.2)**	(4.5)	**(0.9)**	(0.6)
Depreciation expense	**(86.2)**	(85.0)	**(4.1)**	(4.4)
Acquisitions through entities acquired / (disposals through entities sold)	**-**	(40.0)	**-**	-
Net foreign currency movements arising from self-sustaining foreign operations	**(1.6)**	2.1	**-**	-
Transfers	**93.6**	85.8	**2.1**	1.1
Carrying amount at end of financial year	**355.3**	321.6	**11.2**	11.5

14 PROPERTY, PLANT AND EQUIPMENT (cont.)

	Consolidated		FAL	
	2005	2004	**2005**	2004
	$m	$m	**$m**	$m
RECONCILIATIONS (cont.)				
Capital works in progress				
Carrying amount at beginning of financial year	**68.7**	46.2	**0.9**	1.7
Net transfers to completed fixed assets	**(116.0)**	(92.2)	**(4.6)**	(1.1)
Capital works expenditure during financial year	**131.3**	114.7	**8.9**	0.3
Carrying amount at end of financial year	**84.0**	68.7	**5.2**	0.9

Valuations

Up to 30 July 2000, freehold land and buildings were revalued triennially.

With effect from the 2001 financial year, freehold land and buildings are carried at cost, based on the revalued amounts at 30 July 2000.

The valuations at that date were determined by independent valuation.

Properties held for development were not revalued in July 2000 and have been included at cost or prior period revaluation amount less accumulated depreciation. Independent valuations were performed as at July 2003 for all land and buildings, other than land held for resale, which is included in inventories.

The valuation amounts by class of land and buildings, for such properties still owned by the economic entity at balance date, together with additions during the current financial year, at cost, were:

Investment properties	**41.4**	30.8	**-**	-
Developed land and buildings	**15.8**	12.2	**1.6**	2.0
Properties held for development	**63.8**	24.4	**4.8**	2.5
	121.0	67.4	**6.4**	4.5

All independent valuations were estimates of the amounts for which the assets could have been exchanged between a knowledgeable and willing buyer and a knowledgeable and willing seller in an arms' length transaction at the valuation date and were determined by registered valuers in Australia and New Zealand.

The potential effect of any capital gains tax which might arise in connection with the Group's most recent revaluations of land and buildings has not been provided for. Capital gains and losses on the sale of land and buildings of the Group's New Zealand entities are not subject to capital gains tax.

15. INTANGIBLES

Goodwill				
Cost at beginning of financial year	**902.5**	870.0	**11.5**	11.5
Additions during period	**1.7**	24.6	**-**	-
Net foreign currency movements arising from self sustaining foreign operations	**(4.0)**	7.9	**-**	-
Cost at end of financial year	**900.2**	902.5	**11.5**	11.5
Accumulated amortisation	**(223.7)**	(180.6)	**(2.7)**	(2.1)
	676.5	721.9	**8.8**	9.4
Trade names, trademarks and copyrights				
At cost	**0.2**	-	**0.2**	-
Statement of financial position total	**676.7**	721.9	**9.0**	9.4

		Consolidated		FAL	
		2005	2004	**2005**	2004
		$m	$m	**$m**	$m
16.	**OTHER ASSETS**				
	Current				
	Prepayments	**9.2**	10.5	**2.5**	3.8
	Other	**2.5**	5.0	**-**	0.1
	Statement of financial position total	**11.7**	15.5	**2.5**	3.9
	Non-current				
	Trade deposits	**0.8**	0.4	**-**	-
	Other	**3.9**	5.3	**2.3**	2.4
	Statement of financial position total	**4.7**	5.7	**2.3**	2.4

		Consolidated 2005 $m	Consolidated 2004 $m	FAL 2005 $m	FAL 2004 $m
17.	**PAYABLES**				
	Current				
	Trade creditors and accruals	**426.8**	437.2	**150.2**	133.3
	Other creditors	**0.5**	0.5	**-**	-
	Statement of financial position total	**427.3**	437.7	**150.2**	133.3
	Trade creditors and accruals include the following amounts owing to related parties:				
	Controlled entities	**-**	-	**0.9**	1.0
	Non-current				
	Loans - controlled entities	**-**	-	**27.6**	26.6
	Other	**-**	1.6	**-**	-
	Statement of financial position total	**-**	1.6	**27.6**	26.6
18.	**INTEREST-BEARING LIABILITIES**				
	Current				
	Finance lease liabilities	**1.4**	-	**-**	-
	Statement of financial position total	**1.4**	-	**-**	-
	Non-current				
	Bank borrowings - secured	**384.2**	424.8	**30.0**	-
	Finance lease liabilities	**18.1**	-	**-**	-
	Statement of financial position total	**402.3**	424.8	**30.0**	-

19.BORROWING FACILITIES AND BANK FINANCIAL ACCOMMODATIONS

These facilities comprise borrowing lines and other financial accommodations, consisting of working capital and term facilities in both Australia and New Zealand.

The term debt and working capital facilities have been restructured and have extended maturity dates of five and three years respectively from balance date. Details of facilities at balance date are as follows:

	2005				2004			
	Available		**Utilised**		Available		Utilised	
	NZ$m	**A$m**	**NZ$m**	**A$m**	NZ$m	A$m	NZ$m	A$m
Current accommodations								
New Zealand								
Bank overdrafts	**3.0**	**2.7**	**-**	**-**	3.0	2.7	-	-
Non-current accommodations								
Australia								
Working capital	**n.a.**	**75.0**	**n.a.**	**-**	n.a.	75.0	n.a.	-
Term loan	**n.a.**	**267.0**	**n.a.**	**30.0**	n.a.	267.0	n.a.	-
Letters of credit	**n.a.**	**4.0**	**n.a.**	**0.1**	n.a.	4.0	n.a.	0.1
Guarantees	**n.a.**	**6.0**	**n.a.**	**5.3**	n.a.	6.0	n.a.	5.3
New Zealand								
Working capital	**350.0**	**-**	**-**	**-**	350.0	316.7	254.5	230.3
Term loan	**320.0**	**287.7**	**105.2**	**94.6**	320.0	289.5	215.0	194.5
Letters of credit	**5.0**	**4.5**	**1.8**	**1.6**	8.1	7.3	1.7	1.5
Guarantees	**21.0**	**18.9**	**15.1**	**13.6**	12.3	11.1	6.8	6.2

Exchange rates for translation at balance date were: **2005** - A$1.00 = NZ$1.1123 2004 - A$1.00 = NZ$1.1053

These facilities are secured in accordance with a negative pledge agreement, comprising floating charges over the principal assets of the economic entity and a fixed charge over real property.
In addition, guarantees and indemnities are also provided as security.

	Consolidated		**FAL**	
	2005	2004	**2005**	2004
	$m	$m	**$m**	$m
20. PROVISIONS				
Current				
Employee entitlements	**36.9**	35.1	**3.3**	3.0
Lease impairment	**5.4**	5.7	**-**	-
Restructuring	**0.1**	0.5	**-**	-
Other	**0.3**	0.5	**-**	-
Statement of financial position total	**42.7**	41.8	**3.3**	3.0
Non-current				
Employee entitlements	**11.5**	11.5	**2.6**	2.6
Lease impairment	**3.5**	6.6	**-**	-
Other	**0.2**	0.5	**-**	-
Statement of financial position total	**15.2**	18.6	**2.6**	2.6
Aggregate employee entitlements				
Current	**36.9**	35.1	**3.3**	3.0
Non-current	**11.5**	11.5	**2.6**	2.6
	48.4	46.6	**5.9**	5.6

	Consolidated		FAL	
	2005	2004	**2005**	2004
	$m	$m	**$m**	$m

RECONCILIATIONS

Reconciliations of the carrying amounts for each class of provision, except for employee benefits, are as follows:

	2005 $m	2004 $m
Lease impairment - current and non-current		
Carrying amount at beginning of financial year	**12.3**	17.2
Provisions made during financial year	-	2.5
Amounts utilised during financial year	**(3.4)**	(5.6)
Disposals through entities sold	-	(1.3)
Reversal of unused provision	-	(0.6)
Net foreign currency movements arising from self-sustaining foreign operations	-	0.1
Carrying amount at end of financial year	**8.9**	12.3
Restructuring		
Carrying amount at beginning of financial year	**0.5**	0.8
Amounts utilised during financial year	**(0.4)**	(0.3)
Carrying amount at end of financial year	**0.1**	0.5
Other - current and non-current		
Carrying amount at beginning of financial year	**1.0**	7.6
Provisions made during financial year	-	0.6
Amounts utilised during financial year	**(0.5)**	(1.3)
Disposals through entities sold	-	(5.9)
Carrying amount at end of financial year	**0.5**	1.0

21. CONTRIBUTED EQUITY

	Consolidated 2005	Consolidated 2004	FAL 2005	FAL 2004
Issued capital				
117,828,603 (2004 - 117,124,145) ordinary shares, each fully paid	**688.6**	675.9	**688.6**	675.9
Balance at beginning of year	**675.9**	667.9	**675.9**	667.9
Shares issued during the year				
704,458 (2004 - 439,365) issued under the FAL Employee Share Ownership Plan ("ESOP")	**12.7**	8.0	**12.7**	8.0
Balance at end of year	**688.6**	675.9	**688.6**	675.9

Terms and conditions of ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings, either in person or by proxy.
In the event of winding up of the Company, ordinary shareholders participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on the ordinary shares held.

22. RESERVES

	Consolidated 2005	Consolidated 2004	FAL 2005	FAL 2004
Asset revaluation	**5.5**	5.5	**6.8**	6.8
Foreign currency translation	**14.5**	13.4	-	-
General	-	-	-	-
Statement of financial position total	**20.0**	18.9	**6.8**	6.8
Movements in reserves				
Asset revaluation				
Balance at beginning of financial year	**5.5**	21.8	**6.8**	24.3
Transferred to retained profits on realisation	-	(16.3)	-	(17.5)
Balance at end of financial year	**5.5**	5.5	**6.8**	6.8

22. RESERVES (cont)	Consolidated		FAL	
	2005	2004	**2005**	2004
	$m	$m	**$m**	$m
Foreign currency translation				
Balance at beginning of financial year	**13.4**	15.4	-	-
Adjustment on translation of foreign controlled entities' financial statements	**1.1**	(2.0)	-	-
Balance at end of financial year	**14.5**	13.4	-	-
General				
Balance at beginning of financial year	-	2.8	-	-
Movements	-	(2.8)	-	-
Balance at end of financial year	-	-	-	-

Nature and purpose of reserves

Asset revaluation

The asset revaluation reserve represents the net revaluation increments and decrements arising from the revaluation of certain classes of land and buildings up to 30 July 2000, net of amounts utilised for other purposes in prior years.

Following the adoption of the deemed cost election on application of AASB 1041 "Revaluation of Non-Current Assets" from 31 July 2000, the reserve is no longer available for offset against write-downs of land and buildings.

In the event of the disposal of the land and buildings that created the reserve, appropriate amounts will be transferred to retained earnings.

The FAL Constitution does not impose any restrictions on making distributions from the asset revaluation reserve.

Foreign currency translation

The foreign currency translation reserve records the foreign currency differences arising from the translation of the financial statements of self-sustaining foreign controlled entities.

23. RETAINED PROFITS				
Balance at beginning of financial year	**318.6**	261.4	**157.0**	168.1
Net operating profit after income tax for the year	**84.3**	142.7	**85.9**	76.1
Dividends paid	**(112.7)**	(104.6)	**(112.7)**	(104.6)
Transfer from asset revaluation reserve	-	16.3	-	17.5
Other - transfer from general reserve	-	2.8	-	-
Statement of financial position total	**290.2**	318.6	**130.2**	157.1

	Consolidated		FAL	
	2005	2004	**2005**	2004
	$m	$m	**$m**	$m
24. STATEMENTS OF CASH FLOWS				
(a) Reconciliation of cash				
Cash balance comprises:				
Cash on hand and at bank	**73.5**	59.2	**20.5**	6.1
Bank overdraft	**-**	-	**-**	-
Closing cash balance	**73.5**	59.2	**20.5**	6.1
(b) Reconciliation of profit from ordinary activities after income tax to net cash flows from operating activities				
Profit from ordinary activities after income tax	**84.3**	142.7	**85.9**	76.1
Depreciation and amortisation				
Property, plant and equipment	**89.7**	88.2	**4.5**	5.3
Intangibles	**44.7**	42.9	**0.6**	0.6
Lease premiums and other assets	**0.2**	0.1	**0.1**	0.1
Provision for employee entitlements	**2.0**	2.6	**(1.4)**	0.2
Provision for doubtful debts	**(0.2)**	(0.8)	**-**	(0.3)
Profit on sale of controlled entity	**-**	(19.1)	**-**	-
Loss/(profit) on sale of property, plant and equipment	**(4.4)**	(32.9)	**1.4**	(12.3)
Loss on disposal of other non-current assets	**-**	2.3	**-**	1.4
Profit on redemption of New Zealand preference shares	**-**	(5.2)	**-**	(5.2)
Changes in assets and liabilities (adjusted for effects of controlled entities purchased during the financial year)				
Receivables	**(7.0)**	(13.2)	**(0.6)**	(4.6)
Inventories	**(9.3)**	(39.4)	**15.9**	(5.8)
Payables	**(5.3)**	11.9	**16.7**	11.4
Current tax liabilities	**(4.5)**	1.2	**(20.6)**	(7.1)
Deferred tax assets	**(5.5)**	9.5	**(1.3)**	(1.6)
Other current assets	**15.6**	9.6	**12.4**	0.4
Net cash flows from operating activities	**200.3**	200.4	**113.6**	58.6

(c) Disposal of controlled entity

With effect from 2 November 2003 FAL sold 100% of the Farmers Holdings Limited Group (refer Note 10). Details of the disposal are as follows:

Proceeds on disposal		
- cash	-	199.6
- repayment of Farmers non-consumer finance debt	-	74.1
Gross proceeds on disposal	-	273.7
Carrying amounts of assets and liabilities disposed of are:	-	
- cash	-	31.4
- inventories	-	121.4
- property, plant and equipment	-	76.5
- consumer finance receivables net of consumer finance debt	-	19.2
- other assets	-	97.7
- accounts payable	-	(62.8)
- non-consumer finance borrowings	-	(89.9)
- other liabilities	-	(13.0)
Net assets of Farmers disposed of	-	180.5
Net cash effect	-	
- cash proceeds	-	199.6
- Farmers cash balance disposed of	-	(31.4)
Cash proceeds on disposal as reflected in the consolidated statement of		

There were no acquisitions or disposals of controlled entities in the 2005 financial year.

		Consolidated		FAL	
		2005	2004	**2005**	2004
		$m	$m	**$m**	$m
25.	**COMMITMENTS**				
(a)	**Capital expenditure**				
	Estimated capital expenditure contracted for at balance date but not provided for and payable:				
	Not later than one year	**47.3**	39.8	-	-
		47.3	39.8	-	-
(b)	**Operating lease payments**				
	Expenditures contracted for but not provided for at balance date and payable:				
	Not later than one year	**137.4**	128.5	**13.0**	10.9
	Later than one year but not later than five years	**478.1**	449.1	**44.6**	39.2
	Later than five years	**646.7**	614.2	**65.6**	66.5
		1,262.2	1,191.8	**123.2**	116.6
	Future minimum lease payments receivable in respect of non-cancellable sub-leases	**61.6**	49.3	**22.9**	27.0

The consolidated entity leases property under operating leases expiring at various dates from one to twenty seven years, with most lease terms ranging from ten to twenty years. Leases generally provide the consolidated entity with a right of renewal, at which time all terms are renegotiated. Lease payments comprise a base amount and in some instances allow for an incremental contingent rental based on turnover. Lease conditions are generally on normal commercial terms, and in some instances include restrictions or requirements such as permitted uses, constraints on the assignment or sub-letting of tenanted property and must trade clauses.

(c)	**Operating lease assets**				
	Land and buildings generating operating lease income				
	At cost or revalued amount	**54.7**	28.8	-	-
	Accumulated depreciation	**(0.1)**	(0.1)	-	-
	Net book value	**54.6**	28.7	-	-
	Future minimum lease payments contracted for at balance date and receivable:				
	Not later than one year	**1.0**	1.1	-	-
	Later than one year but not later than five years	**1.4**	2.5	-	-
	Later than five years	-	0.1	-	-
		2.4	3.7	-	-

The consolidated entity leases property to third parties under operating leases expiring in from one to ten years, with most lease terms ranging from five to ten years. Lease conditions are generally on normal commercial terms.

(d)	**Finance leases**				
	Finance lease rentals are payable as follows:				
	Not later than one year	**2.9**	-	-	-
	Later than one year but not later than five years	**13.4**	-	-	-
	Later than five years	**10.9**	-	-	-
		27.2	-	-	-
	Future lease finance charges	**7.7**	-	-	-
		34.9	-	-	-
	Finance lease liabilities provided for in the financial statements:				
	Current	**1.4**	-	-	-
	Non-current	**18.1**	-	-	-
	Total finance lease liability	**19.5**	-	-	-

26. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

	Floating interest rate		Fixed interest rate maturing in: 1 year or less		1 to 5 years		Greater than 5 years		Non-interest bearing		Total carrying amount per statement of financial position		Weighted average effective Interest rate	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m	**%**	%
Financial assets														
Cash assets	**4.9**	6.1	**-**	-	**-**	-	**-**	-	**68.6**	53.1	**73.5**	59.2	**5.3**	5.1
Receivables - trade	**-**	-	**-**	-	**-**	-	**-**	-	**70.8**	64.3	**70.8**	64.3	**-**	-
Receivables - other	**-**	0.4	**-**	-	**-**	-	**-**	-	**19.9**	165.8	**19.9**	166.2	**-**	5.6
Unlisted investments - other	**-**	-	**-**	-	**-**	0.5	**-**	-	**0.6**	-	**0.6**	0.5	**-**	5.5
Secured loan to related party	**-**	-	**-**	-	**-**	-	**-**	-	**23.2**	19.6	**23.2**	19.6	**-**	-
Trade Deposits	**-**	-	**-**	-	**-**	-	**-**	-	**0.8**	0.4	**0.8**	0.4	**-**	-
Total financial assets	**4.9**	6.5	**-**	-	**-**	0.5	**-**	-	**183.9**	303.2	**188.8**	310.2		
Financial liabilities							**-**	-						
Bank borrowings	**190.9**	230.3	**193.3**	194.5	**-**	-	**-**	-	**-**	-	**384.2**	424.8	**7.2**	6.4
Trade creditors and accruals	**-**	-	**-**	-	**-**	-	**-**	-	**426.8**	437.2	**426.8**	437.2	**-**	-
Other creditors	**-**	-	**-**	-	**-**	-	**-**	-	**0.5**	2.1	**0.5**	2.1	**-**	-
Interest rate hedges	**-**	(108.6)	**-**	108.6	**-**	-	**-**	-	**-**	-	**-**	-	(1)	(1)
Finance lease liability	**-**	-	**1.4**	-	**8.9**	-	**9.2**	-	**-**	-	**19.5**	-	**8.26**	-
Total financial liabilities	**190.9**	121.7	**194.7**	303.1	**8.9**	-	**9.2**	-	**427.3**	439.3	**831.0**	864.1		

(1) The disclosure of effective interest rates is not applicable to derivative financial instruments.

26. FINANCIAL INSTRUMENTS (cont.)

(b) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised at balance date are as follows:

	Total Carrying Amount as per statement of financial position		Aggregate net fair value	
	2005	2004	**2005**	2004
	$m	$m	**$m**	$m
Financial assets				
Cash assets	**73.5**	59.2	**73.5**	59.2
Receivables - trade	**70.8**	64.3	**70.8**	64.3
Receivables - other	**19.9**	166.2	**19.9**	166.2
Unlisted investments - other	**0.6**	0.5	**0.6**	0.5
Secured loan to related party	**23.2**	19.6	**13.6**	11.3
Financial liabilities				
Bank borrowings	**384.2**	424.8	**384.2**	424.8
Trade creditors and accruals	**426.8**	437.2	**426.8**	437.2
Other creditors	**0.5**	2.1	**0.5**	2.1
Interest rate hedges	-	-	-	1.3

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

(i) Recognised financial instruments

Cash and cash equivalents:
The carrying amount approximates fair value because of their short term to maturity.

Trade receivables and payables:
The carrying amount approximates fair value because of their short term to maturity.

Short-term interest-bearing liabilities:
The carrying amount approximates fair value because of their short term to maturity.

Secured loan to related party:
The fair value of secured loans relating to the Employee Share Plan is estimated using discounted cash flow analysis, based on projected repayments of the loans

Long-term interest-bearing liabilities:
The carrying amount approximates fair value as interest on the liabilities is payable at market rates.

(ii) Unrecognised financial instruments

Interest rate hedges:
The fair values of interest rate hedge contracts are determined as the unrealised gains or losses at balance date calculated by reference to current interest rates.

(c)Credit risk

The maximum credit risk associated with recognised financial assets is the carrying value shown in the statement of financial position. The credit exposure of interest rate hedges is represented by their net fair value, as disclosed above.

Group entities have no significant concentration of credit risk with any single counterparty and as a matter of policy, in respect of investment of cash and hedging transactions, only transact with financial institutions that have at least a short term counterparty rating of "A-1".

Credit risk arising from dealings in financial instruments is controlled by adhering to strict policies relating to credit approvals, selection of counterparties, limits set by the Board, and reporting and monitoring procedures.

(d)Hedging instruments

Interest rate hedges

At balance date, the economic entity does not have any interest rate swap agreements.

	Consolidation		FAL	
	2005	2004	**2005**	2004
	$m	$m	**$m**	$m
27. CONTINGENT LIABILITIES				
(a) Guarantees given to financial institutions in respect of:				
Letters of credit	**1.7**	1.5	**0.1**	0.1
Guarantees given to third parties	**19.0**	6.2	**5.3**	5.3
	20.7	7.7	**5.4**	5.4

(b) Under the terms of an ASIC Class Order, the chief entity has guaranteed future deficiencies, if any, arising on the winding up of any of the wholly owned Australian controlled entities identified in Note 28. No such deficiency exists.

(c) The chief entity has not entered into any agreements granting directors of the chief entity termination benefits on loss of office.

(d) Legal action regarding vacating lease

Gibbons Holdings Ltd (landlord of the ex Rattrays Nelson premises) claimed that Wholesale Distributors Ltd ("WDL") a subsidiary of Progressive Enterprises Limited ("PEL") had effectively renewed the lease for 8 years to 31 October 2010. The lease in dispute is for a period from 2 November 2002 to 31 October 2010. The claim against WDL was heard in the High Court in February 2004 and the High Court dismissed Gibbons claim and awarded costs to PEL. This decision was appealed by Gibbons in February 2005.

On 16th August 2005, the Court of Appeal released its decision which upheld the Gibbons appeals and set aside the judgement of the High Court. The potential adverse financial impact could be up to NZ$2.0 million before tax.

On September 21, PEL provided a submission to the Supreme Court to be granted leave to appeal following external council advice.

28. CONTROLLED ENTITIES

(a) Investments in controlled entities comprise:

Name		Country of incorporation or formation	Principal activities	Beneficial percentage held by economic entity 2005 %	2004 %
Foodland Associated Limited	(2)	AUST	Chief entity/wholesale		
Wholly owned controlled entities:					
SR Brands Pty Ltd	(2)	AUST	Marketing	**100**	100
Foodland Properties Pty Ltd	(2)	AUST	Property development	**100**	100
Duaringa Pty Ltd	(2)	AUST	Inactive	**100**	100
Languedoc Pty Ltd	(2)	AUST	Inactive	**100**	100
Progressive Enterprises Holdings Limited		AUST	Inactive	**100**	-
Wholly owned controlled entities:					
Drumstar V 2 Pty Ltd		AUST	Inactive	**100**	-
Foodland Property Holdings Pty Ltd	(2)	AUST	Property development	**100**	100
Wholly owned controlled entities:					
FAL Properties Pty Ltd	(2)	AUST	Property development	**100**	100
Dampier Boulevard Pty Ltd	(2)	AUST	Property	**100**	100
Action Holdings Pty Ltd ("AHL")	(2)	AUST	Parent entity	**100**	100
Wholly owned controlled entities:					
Action Supermarkets Pty Ltd	(2)	AUST	Retail supermarkets	**100**	100
Action Projects Pty Ltd	(2)	AUST	Property	**100**	100
Quickstop Pty Ltd	(2)	AUST	Fuel retailer	**100**	100
Foodchain Holdings Pty Ltd	(2)	AUST	Retail supermarkets	**100**	100
FAL Superannuation Fund Pty Ltd	(2)	AUST	Super fund trustee	**100**	100
Drumstar Pty Ltd		AUST	Inactive	**100**	100
Venture Stores (1992) Pty Ltd		AUST	Inactive	**100**	100
Foodland N.Z. Finance Limited (50% owned by FAL and 50% owned by AHL)	(1)	NZ	Finance entity	**100**	100
Foodland (N.Z.) Holdings Limited	(1)	NZ	Parent entity	**100**	100
Wholly owned controlled entities:					
FAL Insurance Limited	(1)	NZ	Captive insurer	**100**	100
Progressive Enterprises Limited	(1)	NZ	Parent entity	**100**	100
Wholly owned controlled entities:					
The Supply Chain Limited	(1)	NZ	Distribution	**100**	100
Caledonian Leasing Limited	(1)	NZ	Lease holder	**100**	100
General Distributors Limited	(1)	NZ	Parent entity	**100**	100
Woolworths (New Zealand) Limited	(1)	NZ	Inactive	**100**	100
Fresh Zone Limited (formerly Price Chopper Limited)	(1)	NZ	Inactive	**100**	100
S R Brands Limited	(1)	NZ	Inactive	**100**	100
SuperValue/FreshChoice Limited	(1)	NZ	Inactive	**100**	100
Foodtown Supermarkets Limited	(1)	NZ	Inactive	**100**	100
Countdown Foodmarkets Limited	(1)	NZ	Inactive	**100**	100
Wholesale Services Limited	(1)	NZ	Parent entity	**100**	100
Wholly owned controlled entity:					
Wholesale Distributors Limited	(1)	NZ	Wholesale	**100**	100

Controlled entities incorporated in New Zealand carry on business in that country.

(1)Audited by Ernst & Young - New Zealand.
(2)Pursuant to ASIC class order 98/1418 dated 13 August 1998, relief has been granted to these controlled entities of FAL from the Corporations Act 2001requirements for preparation, audit and publication of financial statements.
As a condition of the class order, FAL and the controlled entities subject to the class order ("the Closed Group") entered into a deed on 18 September 1992.

The effect of the deed is that FAL has guaranteed to pay any deficiency in the event of winding up of a controlled entity. Each controlled entity has also given a similar guarantee in the event that FAL is wound up. The consolidated statement of financial performance and statement of financial position of the entities which are members of the Closed Group are as follows:

28. CONTROLLED ENTITIES (cont.)

Consolidated statement of financial performance of the Closed Group	**2005 $m**	2004 $m
Revenue from sale of goods	**2,449.9**	2,330.8
Cost of goods sold	**(2,087.8)**	(1,985.7)
Gross profit	**362.1**	345.1
Dividends and other charges to controlled entities in New Zealand-	**58.2**	58.2
Other operating revenue	**173.7**	111.0
Non-operating revenue	**-**	239.8
Marketing and distribution costs	**(290.2)**	(266.2)
Occupancy costs	**(83.3)**	(72.8)
Administrative costs	**(43.1)**	(35.6)
Borrowing costs	**(2.5)**	(2.7)
Other costs	**(18.6)**	(229.1)
Profit from ordinary activities before income tax	**156.3**	147.7
Income tax expense attributable to ordinary activities	**(39.5)**	(42.3)
Profit from ordinary activities after income tax	**116.8**	105.4
Total changes in equity other than those resulting from transactions with owners as owners	**116.8**	105.4

Consolidated statement of financial position of the Closed Group	**2005 $m**	2004 $m
Current assets		
Cash assets	**38.3**	23.3
Receivables	**69.2**	74.6
Inventories	**201.5**	202.1
Other	**7.4**	8.8
Total current assets	**316.4**	308.8
Non-current assets		
Receivables	**298.3**	296.0
Other financial assets	**170.4**	170.3
Property, plant and equipment	**236.7**	179.6
Intangibles	**139.7**	146.9
Deferred tax assets	**9.2**	8.7
Other	**3.4**	3.5
Total non-current assets	**857.7**	805.0
Total assets	**1,174.1**	1,113.8

		2005 $m	2004 $m
28.	**Consolidated statement of financial position of the Closed Group (cont.)**		
	Current liabilities		
	Payables	**162.6**	141.7
	Current tax liabilities	**3.9**	11.3
	Provisions	**11.7**	11.5
	Total current liabilities	**178.2**	164.5
	Non-current liabilities		
	Interest-bearing liabilities	**30.0**	-
	Provisions	**10.4**	10.6
	Total non-current liabilities	**40.4**	10.6
	Total liabilities	**218.6**	175.1
	Net assets	**955.5**	938.7
	Shareholders' Equity		
	Contributed equity	**688.6**	675.9
	Reserves	**5.5**	5.5
	Retained profits	**261.4**	257.3
	Total shareholders' equity	**955.5**	938.7

The assets of the Closed Group are subject to security arrangements provided in connection with borrowing facilities and bank financial accommodations available to group entities outside the Closed Group, described more fully in Note 19.

	Consolidated 2005 $000	Consolidated 2004 $000	FAL 2005 $000	FAL 2004 $000
29. AUDITORS' REMUNERATION				
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
Ernst & Young - Australian firm				
Audit or review of financial reports of FAL or any entity in the economic entity	**421**	411	**421**	411
Other audit-related services	**-**	20	**-**	20
Total audit and other assurance services	**421**	431	**421**	431
Tax compliance services	**41**	64	**41**	64
Tax advisory services	**1,255**	334	**1,255**	334
Independent Accountants Report - FAL Demerger	**804**	-	**804**	-
	2,521	829	**2,521**	829
Related practices of Ernst & Young Australia - New Zealand firm				
Audit or review of financial reports of entities in the economic entity	**259**	235		
Other audit related services	**35**	-		
Tax compliance services	**120**	126		
Tax advisory services	**76**	58		
	490	419		

30. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

(a) Superannuation - Australian entities

The FAL Superannuation Fund has various categories of membership, which provide accumulation benefits or defined benefits, depending on the category of membership.

The Company and certain of its controlled entities have a legally enforceable obligation to contribute to the Fund.

In respect of the defined benefit categories of membership, all employees who are invited and elect to join the FAL Superannuation Fund, are entitled to benefits on retirement, disability or death. The Fund provides defined benefits based on years of service and final average salary. Employees contribute to the Fund at various percentages of their wages and salaries, while the entities' contributions are generally at rates recommended by the actuary of the Fund. The existing contribution rates for all categories of defined benefit membership equal or exceed the rate specified in Superannuation Industry (Supervision) Act 1993 legislation.

In view of the shortfall between the net market value of investments and maximum accrued benefits of defined benefit fund employees indicated by an actuarial review at 1 November 2002 and the requirement of AASB 119 "Employee Benefits" to recognise the net surplus or deficit in the defined benefit fund as an asset or liability at the date of transition to the Australian equivalent of International Financial Reporting Standards, an interim actuarial assessment of the defined benefit section of the fund was performed as at 31 July 2005 by Tracy Polldore FIAA, which showed the following position at that date in respect of the defined benefit section of the Fund:

	$m
Maximum accrued benefits	15.2
Net market value of investments	19.2
Surplus in net market value of investments compared to maximum accrued benefits	4.0
Vested benefits	15.0

The net market value of investments disclosed above excludes $368,000 of employer contributions due before 31 July 2005 and provided for in these financial statements but paid after that date.

30. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont)

(b)Foodland Associated Limited Employee Share Ownership Plan ("ESOP")
An employee share plan, approved by shareholders in December 1999, has been established where eligible employees of the Company and its wholly owned controlled entities are offered the right to acquire ordinary shares in the Company, which are funded by an interest-free, non-recourse loan from the Company to the trustee for the ESOP.

The eligibility criteria include position within the FAL Group, geographic location and minimum lengths of service. The acquisition price is calculated at the weighted average market price for FAL's shares traded on the Australian Stock Exchange ("ASX") during the five business days immediately preceding the closing date of the offer. Shares offered to Australian employees are issued at a discount of one cent to the calculated weighted average price.

Shares are issued to a trustee company in which they immediately vest. The employee is eligible to take unrestricted possession of these shares at the earlier of three years from the date of issue or the date employment ceases, provided that the loan is repaid by proceeds of sale of the shares or other means. Where the loan is repaid by the sale of shares by the Company, any remaining surplus on sale is paid to the employee, while any shortfall is borne and expensed by FAL. Dividends declared on the shares held by the trustee are applied to reduce the Company loans, after taking into account employee liability to tax on those dividends.

Shares vested in the trustee company have full dividend rights and have full voting rights in that employees can direct the trustee company on how to apply the votes relating to their shares.

At the date of this report and in view of the current corporate activity, the Board had not decided to formally terminate the ESOP plan. The Board have indicated that if:

a) the demerger proceeds, but the scheme of arrangements with Metcash and Woolworths do not proceed, it is the intention to terminate the plan
b) the demerger proceeds and the scheme of arrangements proceed, the intention would be to terminate the plan
c) neither the demerger nor the scheme proceed, the plan would remain operational.

The Board anticipate confirming the operation of the plan following the 2nd November 2005 meeting.

In case of the plan being terminated employee participants may either repay the outstanding and take unrestricted possession of the shares or direct the Trustee to sell their ESOP shares, repay the outstanding loan and remit to employee the remaining funds.

Should the demerger proceed and not the scheme of arrangements the separate Boards of FAL and PEH will consider an appropriate ESOP scheme for the separate entities.

30. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (cont.)

(b) Foodland Associated Limited Employee Share Ownership Plan ("ESOP") (cont.)

Summary of share movements in the plan:

	Opening Balances	Issued to Trustee during the year				Shares Transferred from Trustee		Closing Balances of Shares Held by Trustee			
Grant dates	Shares	Grant price	Issue dates	Shares	Fair value per share	Shares	Fair value per share	Shares	Fair value aggregate	ESOP loan balance	Fair value of vested shares
					$		$		$000	$000	$000
2005											
10 Nov 04	**-**	**$18.06**	**10 Nov. 04**	**322,525**	**19.04**	**29,849**	**$22.07**	**292,676**	**7,996**	**5,220**	**-**
10 Nov 04	**-**	**$18.07**	**10 Nov. 04**	**381,933**	**19.04**	**45,729**	**$25.07**	**336,204**	**9,185**	**5,958**	**-**
2 Dec 03	**2,137**			**-**		**569**	**$25.38**	**1,568**	**43**	**29**	**-**
3 Dec 03	**16,197**			**-**		**-**	**-**	**16,197**	**442**	**278**	**-**
17 Oct 03	**156,332**			**-**		**76,634**	**$21.76**	**79,698**	**2,177**	**1,356**	**-**
17 Oct 03	**231,649**			**-**		**26,535**	**$24.36**	**205,114**	**5,604**	**3,520**	**-**
4 Aug 03	**8,895**			**-**		**-**	**-**	**8,895**	**243**	**154**	**-**
9 May 03	**9,587**			**-**		**-**	**-**	**9,587**	**262**	**175**	**-**
21 Dec 02	**136,581**			**-**		**72,733**	**$21.74**	**63,848**	**1,744**	**1,116**	**-**
21 Dec 02	**212,035**			**-**		**25,240**	**$22.99**	**186,795**	**5,103**	**3,273**	**-**
24 April 02	**14,474**			**-**		**-**	**-**	**14,474**	**395**	**215**	**395**
13 Dec 01	**58,847**			**-**		**47,890**	**$24.92**	**10,957**	**299**	**110**	**299**
13 Dec 01	**297,961**			**-**		**170,759**	**$24.24**	**127,202**	**3,475**	**1,300**	**3,475**
23 Mar 01	**11,185**			**-**		**-**	**-**	**11,185**	**306**	**72**	**306**
23 Mar 01	**56,415**			**-**		**44,890**	**$24.87**	**11,525**	**315**	**75**	**315**
28 Aug 00	**203,578**			**-**		**131,891**	**$24.45**	**71,687**	**1,958**	**347**	**1,958**
	1,415,873			**704,458**		**672,719**		**1,447,612**	**39,547**	**23,198**	**6,748**
2004											
2 Dec 03	-	$19.17	2 Dec. 03	2,137	$19.05	-		2,137	38	40	-
3 Dec 03	-	$18.09	4 Dec. 03	16,197	$19.06	-		16,197	287	288	-
17 Oct 03	-	$18.10	25 Nov. 03	172,804	$19.33	16,472	$19.73	156,332	2,772	2,799	-
17 Oct 03	-	$18.09	25 Nov. 03	239,332	$19.33	7,683	$19.36	231,649	4,107	4,128	-
4 Aug 03	-	$18.58	10 Sept. 03	8,895	$18.51	-		8,895	158	159	-
9 May 03	9,587			-		-		9,587	170	181	-
21 Dec 02	153,258			-		16,677	$19.28	136,581	2,422	2,511	-
21 Dec 02	234,194			-		22,159	$19.17	212,035	3,759	3,856	-
24 April 02	14,474			-		-		14,474	257	227	-
13 Dec 01	110,482			-		51,635	$19.23	58,847	1,043	639	-
13 Dec 01	336,420			-		38,459	$19.29	297,961	5,283	3,172	-
23 Mar 01	11,185			-		-		11,185	198	79	198
23 Mar 01	102,445			-		46,030	$19.17	56,415	1,000	416	1,000
12 Oct 00	24,271			-		24,271	$19.38	-	-	-	-
11 Nov 00	452,221			-		452,221	$19.05	-	-	-	-
28 Aug 00	402,801			-		199,223	$18.80	203,578	3,609	1,064	3,609
	1,851,338			439,365		874,830		1,415,873	25,103	19,559	4,807

Shares vested during the financial year are the total of the following columns from the table above:

- "Shares Transferred from Trustee", which represents shares either sold by the trustee on behalf of employees who ceased employment or were transferred to them following repayment of the outstanding balance of the company loan; and

- "Fair value of vested shares", which represents shares still held by the trustee company at balance date but on which there are no restrictions on transferring ownership to the employee, other than payment of the relevant ESOP loan balance

Fair values have been calculated as follows:

Issued to Trustee during the year	Average price of FAL shares traded on the ASX on the issue date.
Shares transferred from Trustee	Average price of FAL shares traded on the ASX on the dates the ESOP shares were transferred, weighted for the number of ESOP shares transferred
Closing balances of shares	Closing price of FAL shares on the ASX at balance date.

The closing market price of ordinary FAL shares at 31 July 2005 was $27.32.

Amounts recognised in the financial statements of both the economic entity and the Company in relation to the ESOP during the year were:

	2005	2004
	$,000	$000
Loan to trustee company	12,724	7,957
Contributed equity	12,724	7,957
Shortfalls on redemption of loan balances expensed in FAL	-	2

31. TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS")

IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IRFS

The company is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents to International Financial Reporting Standards (AIFRS) which will be applicable to the financial year ended 30 July 2006. The company has allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, the company established project teams to address each of the areas in order of priority. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 2 August 2004, the company's transition date to AIFRS. This will form the basis of accounting for AFRS in the future, and is required when the company prepares its first fully AIFRS compliant annual financial report for the year ended 30 July 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the best estimate of the quantitative impact of the changes on total equity as at the date of transition and 31 July 2005 and on net profit for the year ended 31 July 2005.

The figures disclosed are the company's best estimates of the quantitative impact of the changes as at the date of preparing the 31 July 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRS and interpretations thereof being issued by the standard-setters and International Financial Reporting Interpretations Committee; and (c) emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group Interpretations.

Reconciliation of equity as presented under AGAAP to that under AIFRS

		Consolidated		FAL	
		2005	2004	**2005**	2004
		$'m	$'m	**$'m**	$'m
Total Equity under AGAAP		**998.8**	1,013.4	**825.6**	839.8
Write-back of goodwill amortisation	(i)	**44.7**	-	**0.6**	-
Inventory valuation adjustment	(ii)	**(4.0)**	(4.0)	**(1.0)**	(1.0)
Provision for Depreciation on Investment Property	(iii)	**(1.1)**	(0.8)	**-**	-
Derecognition of employee share plan loan receivable	(iv)	**(23.2)**	(19.6)	**(23.2)**	(19.6)
Derecognition of shopper loyalty scheme	(v)	**(2.2)**	(2.9)	**-**	-
Derecognition of store opening costs	(v)	**(2.0)**	(3.2)	**-**	-
Recognition of employee benefits	(vi)	**3.0**	(0.3)	**3.0**	(0.3)
Income taxes	(vii)	**(2.7)**	(2.7)	**(0.6)**	(0.6)
Total Equity under AIFRS		**1,011.3**	979.9	**804.4**	818.3

(i) Under AASB 3 Business Combinations, goodwill would not be permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential

31. TRANSITION TO AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRS") (cont)

impairment. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. The Group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition.

(ii) Settlement discounts in relation to inventory purchases which were previously recognised in income have been deducted from the cost of inventory.

(iii) Under AASB 140 Investment Properties depreciation on investment properties is required as the company has elected to adopt the cost model.

(iv) Under AASB 2 Share based Payments, it is likely that the employee share loan plan arrangements will be treated as an in-substance grant of options because of the limited recourse nature of the loans. This treatment would require the balance of the employee share loan plan receivable asset to be derecognised against contributed equity, and diluted earnings per share will be adjusted accordingly. No adjustment will be made to retained earnings, as a result of the exemption available in AASB 1 for fully vested option issues.

(v)Under AASB 138 Intangible Assets, certain costs incurred in the pre-opening phase of a retail store development and shopper loyalty schemes would be expensed. The Group's current accounting policy allows for the capitalisation of such costs.

(vi)Under AASB 119 Employee benefits, FAL will be required to recognise an asset for the net surplus based on an actuarial calculation of the position of the fund or accrue a liability in the case of a net deficit of the fund. The FAL Group has elected to recognise actuarial gains and losses as income or expense in the Statement of Financial Performance.

(vii)Under AASB 112 Income taxes, certain deferred tax liabilities, relating principally to land and buildings carried at deemed cost, are recognised that are not recognised under AGAAP.

Reconciliation of net profit under AGAAP to that under AIFRS

		31 July 2005	
		Consolidated	FAL
		$'m	$'m
Net Profit as reported under AGAAP		84.3	85.9
Amortisation of Goodwill	(i)	44.7	0.6
Inventory valuation adjustment	(ii)	-	-
Write back of Loyalty Schemes	(iii)	0.7	-
Depreciation on Investment Properties	(iv)	(0.3)	-
Employee benefits	(v)	3.3	3.3
Derecognition of store opening costs	(iii)	1.2	-
Net Profit under AIFRS		133.9	89.8

(i)Under AASB 3 Business Combinations, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired.

(ii)Settlement discounts in relation to inventory purchases which were previously recognised in income have been deducted from the cost of inventory.

(iii)Under AASB 138 costs associated with the pre opening phase of stores and shopper loyalty schemes are now expensed.

(iv)Under AASB 140 Investment Properties depreciation on investment properties is now depreciated as the company has adopted the cost model approach.

(v)Under AASB 119 Employee benefits, FAL will be required to recognise an asset for the net surplus based on an actuarial calculation of the position of the fund or accrue a liability in the case of a net deficit of the fund. The FAL Group has elected to recognise actuarial gains and losses as income or expense in the Statement of Financial Performance.

32. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of specified directors and specified executives

(i) Specified directors

L F Bleasel	Chairman (non-executive)
T M Coates	Group Managing Director and Chief Executive Officer
S Crane	Director (non-executive)
E Fraunschiel	Director (non-executive) – retired 8 December 2004
J Fletcher	Director (non-executive) - appointed 30 September 2004
N M T Geary	Director (non-executive)
Sir Colin Maiden	Director (non-executive)
P J Mansell	Director (non-executive)

(ii) Specified executives

C E Bennett	General Manager Corporate Affairs
J S Brown	General Manager Finance
R McGregor	General Manager Franchise & Supply
R K McPhee	General Manager Retail & Property
R Sudano	General Manager Group Buying & Marketing
R Umbers	Managing Director Progressive Enterprises Limited

(b)Remuneration policy for specified directors and specified executives

(i)Specified non-executive directors

The FAL Board as a whole determines non-executive directors' fees. They are set to reflect the responsibilities and time spent by the directors on the affairs of the Company. The fees are based on remuneration surveys and take into account the level of fees paid to directors by comparable Australian corporations, the size and complexity of the Company's operations and the responsibilities of the directors.

Within the limit of $1,500,000 set as the aggregate remuneration payable to non-executive directors and approved by shareholders at the December 2003 Annual General Meeting, Board fees payable to non-executive directors are determined as follows:

Chairman	$420,000 (inclusive of all committee work)
Each non-executive director	$140,000 (inclusive of all committee work)

Fees payable to non-executive directors are fixed. Non-executive directors are not entitled to incentive rewards for annual results or otherwise according to the Company's performance.

Non-executive directors who are eligible for superannuation entitlements receive the statutory contribution to superannuation pursuant to their Board fee. In addition, non-executive directors are entitled to retirement benefits in accordance with the arrangements set out below.

The FAL Directors' Retirement Scheme ("DRS"), which provided benefits to retiring non-executive directors was discontinued from 1 January 2004, following approval at the December 2003 Annual General Meeting.

The future retirement benefit arrangements for non-executive directors approved by the shareholders at the Annual General Meeting are as follows:

-The accrued benefits under the DRS of directors who had completed the three year qualifying period will be preserved and indexed by reference to any increases in directors' fees and will be paid to such directors when they leave office.

--For directors who had not completed the three year qualifying period under the DRS but had more than one year's service on the FAL Board, their prospective entitlement to retirement benefits has been calculated on a pro-rata basis at 1 January 2004 and will be preserved and indexed by reference to any increases in directors' fees and will be paid to such directors when they leave office, provided they have completed the three year qualifying period.

-With effect from 1 January 2004, non-executive directors are required to apply a certain part of their total directors' fees (initially 15%) to the acquisition of shares in FAL on a 12 monthly basis. It is the non-executive directors' responsibility to acquire the appropriate number of shares in each 12 month period and it is anticipated that the non-executive directors will purchase the shares on market, so there will be no dilutionary effect. The purchase of shares in the Company is subject to insider trading restrictions and the Company's share trading policy, as amended from time to time.
-Due to the corporate activity and the subsequent announcement of the demerger and scheme of arrangements with Metcash Limited and Woolworths Limited, the Directors have been unable to apply any of their fees to acquire shares.

(c)Remuneration policy for specified directors and specified executives (cont.)
(ii)Specified executives
The Remuneration Committee is responsible for recommending to the Board for its determination the remuneration policies of the FAL Group, in particular, those affecting the Group Managing Director and those senior executives who report directly to him.

Remuneration policies are directed at attracting, motivating and retaining quality personnel. A key element in setting remuneration is market competitiveness, internally equitable as between executives, and linked to the creation of shareholder value. The Remuneration Committee obtains independent advice on the appropriateness of senior executives' remuneration packages and internal advice from the General Manager Human Resources & Employee Benefits in determining the appropriate performance measures for them.

The Company's remuneration policy for the Group Managing Director and his senior executives is based on three main components, being fixed remuneration, short term incentives and long term incentives:

Fixed remuneration: This element reflects the importance of the position and comprises a base salary, superannuation and ancillary benefits, such as a motor vehicle.

Short term incentive: The amount eligible to be paid is determined by annual performance against personal and business targets for the company and business service unit for which the executive is responsible. Targets are set for the year and approved by the Remuneration Committee. Incentives paid are approved by the committee on the basis of demonstrated performance against those targets at the end of the financial year.

Long term incentive: The Group Managing Director and senior executives receive long term incentives through participation in the company's employee share ownership plan. The plan, described in more detail in note 30(b) to the financial statements, provides an opportunity for senior executives to receive non-recourse, interest-free loans to purchase shares in the Company, which are repayable by dividends.

		Primary			Post-employment		Equity compensation	
		Salary and fees	Bonus	Non-monetary benefits	Superannuation benefits	Prescribed benefits	Value of shares	Total
		$000	$000	$000	$000	$000	$000	$000
(i) Specified directors								
L F Bleasel	**2005**	**420**	**-**	**11**	**38**	**-**	**-**	**469**
	2004	233	-	8	21	-	-	262
T M Coates	**2005**	**1,314**	**1,112**	**150**	**216**	**-**	**-**	**2,792**
	2004	1,312	600	184	191	-	15	2,302
S Crane	**2005**	**140**	**-**	**-**	**13**	**-**	**-**	**153**
	2004	107	-	8	10	-	-	125
E Fraunschiel#	**2005**	**58**	**-**	**-**	**5**	**-**	**-**	**63**
	2004	123	-	-	11	-	-	134
J Fletcher*	**2005**	**117**	**-**	**-**	**11**	**-**	**-**	**128**
N M T Geary	**2005**	**140**	**-**	**3**	**13**	**-**	**-**	**156**
	2004	123	-	6	11	-	-	140
Sir Colin Maiden	**2005**	**155**	**-**	**13**	**-**	**20**	**-**	**188**
	2004	123	-	7	7	-	-	137
P J Mansell	**2005**	**140**	**-**	**4**	**13**	**-**	**-**	**157**
	2004	107	-	-	10	-	-	117
Total all specified directors	**2005**	**2,484**	**1,112**	**181**	**309**	**20**	**-**	**4,106**
	2004	2,128	600	213	261	-	15	3,217

2004 total for all specified directors includes Messrs R E Cohen and D B Humphreys, who retired in that financial year.
*Appointed 30 September 2004
Retired 8 December, 2004

32. DIRECTOR AND EXECUTIVE DISCLOSURES (cont.)

(c) Remuneration policy for specified directors and specified executives (cont.)

		Primary			Post-employment		Equity compensation	
		Salary and fees	Bonus	Non-monetary benefits	Superannuation benefits	Prescribed benefits	Value of shares	Total
		$000	$000	$000	$000	$000	$000	$000
C E Bennett	**2005**	**359**	**85**	**92**	**60**	**-**	**12**	**608**
	2004	360	46	95	60	-	13	574
J S Brown	**2005**	**331**	**242**	**125**	**38**		**11**	**747**
	2004	313	26	78	37	-	11	465
R McGregor	**2005**	**290**	**169**	**59**	**31**		**10**	**559**
	2004	270	82	30	31	-	10	423
R K McPhee	**2005**	**380**	**118**	**67**	**44**		**12**	**621**
	2004	364	44	48	40	-	13	509
R Sudano	**2005**	**362**	**172**	**69**	**42**		**12**	**657**
	2004	344	48	52	38	-	12	494
R Umbers [1]	**2005**	**589**	**96**	**86**	**74**	**-**	**15**	**860**
E K van Arkel [2]	2004	643	152	109	80	-	26	1,010
Total all specified executives	**2005**	**2,311**	**882**	**498**	**289**	**-**	**72**	**4,052**
	2004	2,294	398	412	286	-	85	3,475

[1] R Umbers was not a specified executive for the year ended 1 August 2004
[2] E K van Arkel was not a specified executive for the year ended 31 July 2005. the Company has a consultancy arrangement with E.K.van Arkel which expires in June, 2006

(d)Equity instruments

The Group Managing Director and specified executives are entitled to participate in the FAL Employee Share Ownership Plan ("ESOP"), the details of which are set out in Note 30(b) to the financial statements. Non-executive directors are not entitled to participate in the ESOP.

(i)Rights over equity instruments granted as remuneration

During the financial year the following fully paid ordinary shares were issued to the trustee company on behalf of the Group Managing Director and specified executives under the ESOP:

	Number of shares issued	Grant price per share	Value per share at grant date
Specified director			
T M Coates	-	-	-
Specified executives			
C E Bennett	12,752	$18.06	$19.04
J S Brown	11,370	$18.06	$19.04
R McGregor	10,113	$18.06	$19.04
R K McPhee	12,553	$18.06	$19.04
R Sudano	12,144	$18.06	$19.04
R Umbers	17,037	$18.07	$19.04

The shares issued to the trustee company vest immediately and are funded by an interest-free, non-recourse loan from the trustee company.

The employee is eligible to take unrestricted possession of these shares at the earlier of three years from the date of issue or the date employment ceases, provided that the loan is repaid.

32. DIRECTOR AND EXECUTIVE DISCLOSURES (cont.)

(d) Equity instruments (cont.)

(ii) Shareholdings of specified directors and executives (including via personally related entities)

Shares held in Foodland Associated Limited	**Balance 1 August 2004**	**Granted as remuneration via ESOP**	**Vested ESOP shares transferred and sold**	**Net other Changes**	**Balance 31 July 2005**
Specified director					
L F Bleasel	16,000	-	-	-	16,000
T M Coates	299,398	-	-	(112,000)	187,398
S Crane	7,000	-	-	-	7,000
J A Fletcher	1,000	-	-	-	1,000
E Fraunschiel (1)	15,000	-	-	-	15,000
N M T Geary	16,500	-	-	-	16,500
Sir Colin Maiden	23,129	-	-	-	23,129
P Mansell	3,000	-	-	-	3,000
Specified executives					
C E Bennett	40,664	12,752	-	-	53,416
J S Brown	20,380	11,370	-	-	31,750
R McGregor	18,031	10,113	-	-	28,144
R K McPhee	56,485	12,553	(21,085)	-	47,953
R Sudano	30,698	12,144	(10,796)	-	32,046
R Umbers	43,293	17,037	-	-	60,330
	590,578	**75,969**	**(31,881)**	**(112,000)**	**522,666**

All equity transactions with the specified director and specified executives, other than those arising from remuneration, have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arms' length.

(1) Retired 8th December 2004

(e) Loans to specified directors and specified executives

		Balance at beginning of financial year	**Interest not charged**	**New loans from ESOP allocations**	**Repayments via dividend offsets**	**Cash repayments**	**Balance at end of financial year**	**Highest amount owing in financial year**
		$000	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Specified director								
T M Coates	**2005**	**747**	**47**	**-**	**(32)**	**-**	**715**	**728**
	2004	3,151	95	293	(192)	(2,505)	747	3,151
Specified executives								
C E Bennett	**2005**	**609**	**47**	**230**	**(29)**	**-**	**810**	**823**
	2004	558	35	230	(31)	(148)	609	630
J S Brown	**2005**	**373**	**32**	**205**	**(16)**	**-**	**562**	**571**
	2004	188	23	195	(10)	-	373	380
R McGregor	**2005**	**322**	**18**	**182**	**(14)**	**-**	**490**	**497**
	2004	-	13	331	(9)	-	322	328
R K McPhee	**2005**	**647**	**50**	**227**	**(26)**	**(110)**	**738**	**860**
	2004	471	36	216	(40)	-	647	673
R Sudano	**2005**	**471**	**39**	**219**	**(16)**	**(114)**	**560**	**629**
	2004	285	25	208	(22)	-	471	487
R Umbers(1)	**2005**	**748**	**47**	**308**	**(42)**	**-**	**1,014**	**1,036**
E K van Arkel(2)	2004	869	70	460	(44)	-	1,285	1,309
Total specified directors and executives	**2005**	**3,917**	**280**	**1,371**	**(175)**	**(224)**	**4,889**	
	2004	5,522	297	1,933	(348)	(2,653)	4,454	

(1) R Umbers was not a specified executive for the year ended 1 August 2004

(2) E K van Arkel was not a specified executive for the year ended 31 July 2005. the Company has a consultancy arrangement with E.K.van Arkel which expires in June, 2006

32. DIRECTOR AND EXECUTIVE DISCLOSURES (cont.)

Terms and conditions of loans
All of the loans to the specified director and specified executives relate to the ESOP. They are interest-free, non-recourse loans from the trustee company for the ESOP. Dividends declared on the shares held by the trustee are applied to reduce the loans, after taking into account the employee's liability to tax on those dividends. Loans can also be repaid directly by the employees or from the proceeds of an on-market sale of the shares.

33. RELATED PARTY TRANSACTIONS

(a)Directors
Since the end of the previous financial year, no director of the chief entity has received or become entitled to receive a benefit other than a benefit included in the aggregate amount of emoluments as disclosed in Note 32.

Certain directors are also directors of other public entities. The directors involved do not exercise significant influence within the entities and any transactions between those entities and entities in the FAL economic entity were conducted under normal commercial terms and conditions.

(b)Controlled entities - wholly owned group
(i)Entities within the economic entity made and received advances from time to time during the financial year on an interest-free basis, with the exception of FAL, which has unsecured loans, bearing interest at normal commercial rates, to Progressive Enterprises Limited and Foodland(N.Z.) Holdings Limited, on which interest of $12,484,000 (2004 - $11,881,200) and $5,697,000 (2004 - $4,159,386), respectively, was charged.

(ii)Action Supermarkets Pty Ltd purchased stock from FAL under normal terms and conditions. The value of inventories supplied was $317,729,418 (2004 - $307,987,883).

(iii)FAL provided management, accounting and computer services to Action Supermarkets Pty Ltd. Billings for these services were $9,033,000 (2004 - $6,984,000).

(iv)FAL provided management services and secured financial facilities to New Zealand wholly owned entities. Billings for these services were $2,253,000 (2004 - $5,578,987).

(v)FAL provided information technology system installation services to Progressive Enterprises Limited. Billings for these services were $1,915,000 (2004 - $1,854,000).

(vi)FAL charged Progressive Enterprises Limited $9,948,000 (2004 - $10,343,000) in royalties for trade names associated with the acquisition of the Denstree Limited Group.

(c)Ultimate parent
FAL is the ultimate Australian parent.

34. SUBSEQUENT EVENTS

a) Corporate Activity

On 6th December 2004, Metcash Trading Limited launched a hostile bid for the Group operations.

The Board determined that this bid was not in the best interests of Shareholders and announced that the Group would be demerged into separately listed Australian and New Zealand businesses.

On 25th May 2005 the Board announced that in conjunction with the proposed demerger of the Group, separate Schemes of Arrangement would be entered into with Woolworths Limited to acquire the New Zealand business, plus 22 Action stores and sites, and Metcash Trading Limited would acquire the remaining Australian businesses.

The group presented the scheme booklet to the Federal Court on Thursday 15th September for consideration. On Friday 16th September the Federal Court ordered that a meeting of shareholders be held on 2nd November in Perth, to consider the scheme booklet.

Should the shareholders vote in favour of the schemes and vote demerger, it is anticipated that outcome will be presented to the Federal Court on November 9th for final review and ratification. Provided the Court give their consent to the outcomes of the shareholder meeting, FAL will cease trading on 10th November, with scheme taking effect on November 24th, 2005.

34. SUBSEQUENT EVENTS (cont.)

b) Settlement of Australian Taxation Office Dispute

On 1 February 2001, FAL and one of its Australian wholly owned subsidiaries were issued with income tax assessments from the ATO pursuant to Part IVA (the anti-avoidance provisions) of the Income Tax Assessment Act, arising from an ATO audit of the Australian Group's affairs, which commenced in 1994.

FAL and its subsidiary lodged formal objections against the assessments issued in respect of the transaction and had commenced proceedings against the ATO to have the amended assessments overturned.

At 31 July 2005 the outstanding assessments, including penalties and interest, approximated $25.4 million, including compound interest from the date of the assessments.

In September 2005, FAL and the ATO commenced discussions on potential options to settle the dispute. Subsequently in October, an agreement to settle the matter was reached and a deed of settlement signed the Australian Taxation Office and FAL on 25 October.

This deed set out the settlement terms, which due to materiality have been subsequently recognised as if they had occurred in the 2005 Accounts. As a result the results which were announced to the market on 13th September have been adjusted.

Under the settlement FAL agreed to pay tax and penalties amounting to $11.0 million. This amount has been shown within the tax expense account. As the ATO are currently withholding $25.4 million in GST refunds, this settlement will result in FAL receiving a cash amount of $14.4 million prior by the end of the calendar 2005, thus the current receivable has been adjusted downwards from $25.4 million to $14.4 million.

The following is an extract from the "Adjustment to Preliminary Final Statement" that was issued to Australian Stock Exchange on 25 October, 2005.

The consolidated results of the consolidated entity for the year ended 31 Juky 2005differed from those announced in the un-audited preliminary final statement (Appendix 4E) made to the Australian Stock Exchange, as follows:

	Consolidated Financial Statements	Preliminary Financial Statements
	2005	2005
	$'000	$'000
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	**163.7**	163.7
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	**(79.4)**	(68.4)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	**84.3**	95.3

Directors' Declaration

In accordance with a resolution of the directors of Foodland Associated Limited, we state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of the Company and of the economic entity are in accordance with the Corporations Act 2001 including:

      (i) compliance with accounting standards and Corporations Regulations 2001 as required by section 296; and

      (ii) giving a true and fair view of the financial position as at 31 July 2005 and the performance for the 52 weeks ended on that date of the Company and of the economic entity as required by section 297; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 July 2005.

3. In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that members of the Closed Group identified in Note 28 will be able to meet any obligations or liabilities to which it is or may become subject to by virtue of the deed of cross guarantee.

On behalf of the Board

TM COATES	**LF BLEASEL**
T M Coates Director	L F Bleasel Director

Canning Vale, Western Australia

31 October 2005

ERNST & YOUNG

■ The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

Independent audit report to members of Foodland Associated Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Foodland Associated Limited (the company) and the consolidated entity, for the 52 weeks ended 31 July 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion:

1. the financial report of Foodland Associated Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of Foodland Associated Limited and the consolidated entity at 31 July 2005 and of their performance for the 52 weeks ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

JP DOWLING

J P Dowling
Partner
Perth
31 October 2005

ERNST & YOUNG

■ The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

The Board of Directors
Foodland Associated Limited
218 Bannister Road
CANNING VALE WA 6155

Auditor's Independence Declaration to the Directors of Foodland Associated Limited

In relation to our audit of the financial report of Foodland Associated Limited for the financial year ended 31 July 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

JP DOWLING

J P Dowling
Partner
Perth
31 October 2005

Shareholder Information
As at 14 October, 2005

DISTRIBTION OF FULLY PAID ORDINARY SHARES

	Shareholders	Number of Shares	% of Contributed Equity
1 – 1,000	5,373	2,664,766	2.26
1,001 – 5,000	2,724	5,640,822	4.79
5,001 – 10,000	237	1,646,097	1.40
10,001 – 100,000	184	4,853,442	4.12
100,001 and over	45	103,023,476	87.43
Total	8,563	117,828,603	100.00

SUBSTANTIAL SHAREHOLDERS IN THE CHIEF ENTITY

	Number of Shares[1]	% of Contributed Equity[2]
UBS Nominees Pty Ltd	21,174,382	17.97
Credit Suisse First Boston Australia (Holdings) Limited	8,913,996	7.57
Schroder Investment Management Australia Limited	6,356,016	5.43
Metcash Limited[3]	1,693	-

[1] As disclosed in last notice received
[2] The percentage set out in the notice is calculated on the total issued shares capital on the day the notice is lodged
[3] Metcash Limited, under Corporations Law, is obliged to lodge Substantial Notices to FAL should they receive acceptances of their offer for parcels of shares greater than 1% of total issued capital and 1% thereafter.

TWENTY LARGEST SHAREHOLDERS

	Number of Shares	% of Contributed Equity
National Nominees Limited	17,898,680	15.19
Citicorp Nominees Pty Limited	13,154,500	11.16
J P Morgan Nominees Australia Limited	11,973,731	10.16
ANZ Nominees Limited	8,248,516	7.00
HSBC Custody Nominees (Australia) Limited	6,843,892	5.81
Westpac Custodian Nominees Limited	6,552,721	5.56
Cogent Nominees Pty Limited	4,038,000	3.43
Credit Suisse First Boston Europe Limited	3,940,000	3.34
RBC Global Services Australia Nominees Pty Limited	3,772,880	3.20
HSBC Custody Nominees (Australia) Limited	3,314,545	2.81
UBS Nominees Pty Ltd	2,925,607	2.48
Pan Australian Nominees Pty Limited	2,172,600	1.84
Milton Corporation Limited	2,105,000	1.79
Queensland Investment Corporation	1,820,832	1.55
FAL Share Plan Nominees Pty Ltd	1,364,484	1.16
Brispot Nominees Pty Limited	1115,810	0.95
Cogent Nominees Pty Limited	1,103,952	0.94
Australian Foundation Investment Company Limited	1,000,000	0.85
AMP Life Limited	891,565	0.76
CSFB Fourth Nominees Pty Limited	867,364	0.74
Total	95,104,679	80.71

VOTING RIGHTS

All issued fully paid ordinary shares carry one vote per share without restriction. On a show of hands, every member present in person or by proxy, or by attorney or by representative, shall have one vote and upon a poll every member in person or by proxy, or by attorney or by representative, shall have one vote per fully paid share held.

HOLDERS OF LESS THAN A MARKETABLE PARCEL

The number of shareholders holding less than a marketable parcel ($500) of 19 ordinary shares in the Company, based on a share price at close of market on 14 October, 2005 of $18.26, was 182.

LIQUIDITY OF SHARES

During the financial year, the average number of share trades per day was 224 with an average volume of 669,000 shares per day at an average value of $15.6 million per day.