BURNS, PHILP & COMPANY LIMITED
ABN 65 000 000 359

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25 August 2006

The Announcements Officer
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Preliminary Final Report

In accordance with Listing Rule 4.3A and Appendix 4E of the Listing Rules, I enclose the Preliminary Final Report for Burns, Philp & Company Limited. The Preliminary Final Report should be read in conjunction with the Burns Philp Financial Year 2006 Annual Report (see below).

Burns Philp Financial Year 2006 Annual Report

In accordance with Listing Rule 4.5, I enclose for lodgment a copy of the Burns Philp 2006 Annual Report (incorporating the Directors' Report and the Financial Report and Independent Audit Report dated 25 August 2006). The typeset version will be lodged at the same time as the Annual Report is distributed to shareholders.

I note by such lodgment the Company obtains relief from dual lodgment of financial statements granted by ASIC Practice Note 61.

Yours sincerely

HELEN GOLDING
Company Secretary/Group Legal Counsel

Encl.

BURNS, PHILP & COMPANY LIMITED

ACN 000 000 359

PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED JUNE 30, 2006

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PRELIMINARY FINAL REPORT

FOR THE YEAR ENDED JUNE 30, 2006
RESULTS FOR ANNOUNCEMENT TO THE MARKET

Name of entity

BURNS, PHILP & COMPANY LIMITED

ACN 000 000 359	Reporting period: Year ended June 30, 2006 Previous corresponding period: Year ended June 30 2005

			$A million
Sales from continuing operations [1]	down 47.7%	to	1,061.6
Profit after tax attributable to members [2]	down 22.9%	To	827.1
Net profit for the period attributable to members [2]	down 22.9%	to	827.1

	Amount per security	Franked amount per security
Dividends – Ordinary Shares		
Interim dividend	Nil ¢	Nil ¢
Previous corresponding year	Nil ¢	Nil ¢
Dividends – Converting Preference Shares		
Interim dividends		
September 30, 2005	0.5671 ¢	0.5671 ¢
December 31, 2005 (paid January 3, 2006)	0.5856 ¢	0.5856 ¢
March 31, 2006	0.5363 ¢	0.5363 ¢
June 30, 2006	0.5610 ¢	0.5610 ¢
Total	2.2500 ¢	2.2500 ¢
Previous corresponding period	2.2500 ¢	Nil ¢

(1) Sales from continuing operations were down 47.7% primarily due to the disposal of the Baking, Spreads & Oils businesses on December 21, 2005. The comparative period includes sales from these businesses for the full year to June 30, 2005.

(2) Profit after tax attributable to members and net profit attributable to members were both down 22.9%. The current period includes a gain of A$699.2 million on disposal of the Baking, Spreads & Oils businesses offset by costs of A$164.8 million incurred on the early repayment of the US high yield debt. The prior corresponding period included the gain of A$812.7 million after tax on disposal of the Yeast & Bakery Ingredients group and Herbs and Spices business.

This is the Group's first preliminary final report prepared under AIFRS and comparatives have been restated.

ADDITIONAL INFORMATION REQUIRED BY APPENDIX 4E.

3 For the income statements please refer to page 34 of the attached Annual Report.

4 For the balance sheets, please refer to page 35 of the attached Annual Report.

5 For the statements of cash flows, please refer to page 37 of the attached Annual Report.

6 For details of individual and total dividends or distributions and dividend or distribution payments, please refer to page 83 in the attached Annual Report.

7 The Group had no dividend reinvestment plans in operation during the year ended June 30, 2006. Currently there are no intentions to implement a dividend reinvestment plan

8 The statements of changes in equity, including movements in retained earnings, can be found at page 36 in the attached Annual Report.

9 For the net tangible assets per security with the comparative figure of the previous corresponding period, please see the table below:

Cents per share	**June 30, 2006**	**June 30, 2005**
Net tangible asset ("NTA") backing/(deficit) per ordinary share	97.1	(12.0)
Net asset backing per ordinary share	116.8	78.2

NTA backing/(deficit) per ordinary and converting preference share	78.1	(0.3)
Net asset backing per ordinary and converting preference share	92.2	64.5

10 For details of entities over which control has been gained or lost during the period, please refer to Notes 2(a), 6, 26 and 27 to the Financial Report in the attached Annual Report.

11 For details of associates and joint venture entities, please refer to Note 13 to the Financial Report in the attached Annual Report.

12 For other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position, please refer to Notes 1 to 30 to the Financial Report in the attached Annual Report.

13 The Financial Report in the attached Annual Report has been prepared in accordance with the Australian equivalent of International Financial Reporting Standards ("AIFRS") and also complies with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

14 For the commentary on the results for the period, please refer to the "Managing Director's Operating and Financial Review" on pages 2 to 8 of the attached Annual Report.

15 The Financial Report in the attached Annual Report has been audited and is not subject to dispute or qualification.

BURNS, PHILP & COMPANY LIMITED
2006 ANNUAL REPORT

Burns, Philp & Company Limited
ACN 000 000 359

Registered Office
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Australia
(GPO Box 543, Sydney NSW 2001)
Telephone: +61 2 9259 1111
Facsimile: +61 2 9247 3272
Email: shareholder.enquiries@burnsphilp.com
Website: www.burnsphilp.com

Managing Director & Chief Executive Officer
Thomas J Degnan

Company Secretary
Helen Golding

Auditor
KPMG

Stock Exchange Listings
Ordinary Shares:
Australian Stock Exchange Limited, Sydney
(Home Exchange)
New Zealand Exchange Limited

New Zealand Capital Notes:
New Zealand Exchange Limited

Annual General Meeting
November 16, 2006 at 10.30am
Wesley Theatre
Lower Ground Floor
Wesley Conference Centre
220 Pitt Street
Sydney NSW 2000
Australia

Share Registry
Ordinary Shares:
Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Australia
(Locked Bag A14, Sydney South NSW 1235)
Telephone: +61 2 8280 7127
Facsimile: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Location of Other Registries
American Depositary Receipts:
JPMorgan Chase Bank, N.A.
JPMorgan Service Center
PO Box 3408
South Hackensack, NJ, 07606-3408
USA
Telephone: +1 (800) 990 1135
(non-US callers will be charged IDD)
Facsimile: +1 (781) 575 4082
Email: adr@jpmorgan.com
www: www.adr.com

New Zealand Capital Notes:
Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna, Auckland
(Private Bag 92119, Auckland 1020)
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Telephone: +64 9 488 8777
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Email: enquiry@computershare.co.nz
Website: www.computershare.co.nz

Burns, Philp & Company Limited is incorporated and domiciled in Australia and is a public company limited by shares.

MANAGING DIRECTOR'S OPERATING AND FINANCIAL REVIEW

Burns, Philp & Company Limited ("Burns Philp" or "the Company") comprises the Company and its controlled entities (together referred to as "the Group"). Based in Australia, the Group is a manufacturer, marketer and distributor of food ingredients and consumer branded food and related products.

During the financial year under review, the Group continued with initiatives to achieve its goal of maximising shareholder return. The Group's Baking, Spreads & Oils businesses were disposed of by way of an initial public offering of shares in the new Goodman Fielder Limited ("Goodman Fielder"). The Group received net proceeds of approximately A$2.3 billion and retained a 20% interest in the business. A gain on sale of A$699.2 million was recognised.

On May 23, 2006, the Group announced that it had entered into an agreement to sell its Australian Snacks business ("Uncle Tobys") to Nestlé Australia Limited ("Nestlé") for A$890.0 million. The sale completed on July 14, 2006 and the gain on sale will be recorded in the 2007 financial year.

Following the disposal of these businesses, the Group's remaining assets are the New Zealand Snacks business ("Bluebird Foods"), the 20% investment in Goodman Fielder, a 50% stake in Fresh Start Bakeries (a manufacturer of hamburger buns) and cash. The New Zealand Snacks business remains subject to strategic review.

On August 22, 2006, the Company received a letter from Rank Group Limited ("Rank"), the Company's major shareholder, advising that it intends to make an offer for all the shares in Burns Philp that it does not already own. The independent directors have engaged advisors to assist them in considering the offer when received.

As at the date of this report the Company has not received a Bidder's Statement from Rank, but expects to receive one shortly. The Bidder's Statement will set out Rank's intentions for the Company which in turn will depend upon whether their offer is successful.

The Directors will prepare a Target's Statement containing their advice and, with the benefit of an Independent Experts' Report, the Directors' recommendation to shareholders. The Bidder's and Target's Statements will be dispatched to all shareholders.

This is the Group's first set of annual financial results reported under Australian equivalents to International Financial Reporting Standards ("AIFRS"). Prior year financial information has been restated for the impact of AIFRS. A summary of our financial performance and position follows:

FINANCIAL HIGHLIGHTS

A$ million	Year ended June 30 2006	2005
Continuing operations		
Sales		
Baking, Spreads & Oils(i)	**930.1**	1,908.4
Bluebird Foods	**131.5**	121.3
Other	**-**	0.4
	1,061.6	2,030.1
EBITDA before non-operating items		
Baking, Spreads & Oils(i)	**168.3**	323.5
Bluebirds Foods	**12.4**	11.3
Income on equity accounted investments	**23.7**	1.8
Corporate & other	**(18.6)**	(21.9)
	185.8	314.7
Non-operating items		
Gain on sale of Baking, Spreads & Oils businesses	**699.2**	-
Adjustment to goodwill on recognition of deferred taxes	**-**	(12.9)
Total EBITDA	**885.0**	301.8
Depreciation and amortisation	**(29.1)**	(52.7)
EBIT	**855.9**	249.1
Net financing costs		
Net interest (expense)	**(9.3)**	(150.8)
Net loss on derivative instruments	**(12.9)**	(5.9)
Net foreign currency exchange gain/(loss)	**(5.2)**	32.5
Costs to repay high yield debt	**(164.8)**	-
	(192.2)	(124.2)
Profit before tax	**663.7**	124.9
Income tax benefit	**134.1**	55.3
Profit after tax from continuing operations	**797.8**	180.2
Discontinued Uncle Tobys business(ii)		
Profit after tax from operations	**41.3**	42.2
After tax gain/(loss) on sale	**(7.8)**	-
Other discontinued operations		
Profit after tax from operations	**-**	42.0
After tax gain/(loss) on sale	**(2.6)**	812.7
Profit after tax from discontinued operations	**30.9**	896.9
Minority interests	**(1.6)**	(4.0)
Net profit after tax attributable to members of Burns Philp	**827.1**	1,073.1

(i) Businesses divested within the period (December 21, 2005).
(ii) Business divested subsequent to period (July 14, 2006).

FINANCIAL POSITION

A$ million	As of June 30, 2006	2005
Shareholders' Funds	**2,609.7**	1,832.0
Cash and cash equivalents	**2,405.9**	492.3
Debt	**(810.3)**	(1,119.0)
Net Cash (Debt)	**1,595.6**	(626.7)
Net tangible asset backing for ordinary and converting preference shares (A$)	0.78	(0.03)
Net asset backing for ordinary and converting preference share (A$)	0.92	0.64

OVERVIEW OF FINANCIAL HIGHLIGHTS

The financial results for the current period were affected by the disposal of our Baking, Spreads & Oils businesses part way through the period. As we have retained an indirect interest in the businesses via our 20% investment in Goodman Fielder, they are treated as continuing operations. However, from the time of disposal in December 2005, we only recognised our share of the business' net profit after tax. This has led to a decrease in sales and EBITDA compared to the prior period and an increase in income on equity accounted investments.

Net interest expense declined in the year. Debt repayments and increased cash on deposit arising from asset sale proceeds were the key factors affecting this decrease. During the period, the Group repaid all of its outstanding US$710 million high yield debt. This debt was repaid early as the interest costs were relatively higher than our alternatives and the terms and conditions were less flexible. As is common with facilities of this type, penalty payments were required for prepayment. In addition, costs to raise the debt, that had previously been deferred and were being amortised over the life of the debt, were written off. Consequently, costs of $164.8 million were recognised with approximately 30% being non-cash.

We have recorded an income tax benefit of $134.1 million in the period, primarily reflecting tax losses recognised. These losses offset the capital gain on the sale of Uncle Tobys (where a sale has been recognised for tax purposes but not for accounting purposes) and the deferred tax liability on the difference between accounting and tax book values relating to our Goodman Fielder shares.

The businesses have generally performed in line with expectations.

OBJECTIVES AND STRATEGY

The Group's primary objective is to maximise shareholder return. Historically, our business strategy has emphasised the following key elements:

- *Maintain our market leading positions*: We focus on maintaining our leading market positions in the businesses we operate. We strive to maintain these positions by providing our customers with high quality products and service, investing in innovation and building our brands.
- *Continue to pursue profit enhancement initiatives*: We intend to continue to pursue initiatives that improve the Group's operating efficiencies and maintain our competitive cost base.
- *Pursue selective acquisitions*: We intend to pursue selective acquisitions of businesses. We intend to rigorously evaluate potential acquisitions to ensure that they are businesses to which we can add substantial value and for which we have sufficient management expertise to manage and integrate effectively.
- *Maximise efficiency of funds invested*: We will continue to manage closely our cash and investments in working capital and non-current assets so as to maximise the returns generated from these investments.

While the Group will continue to strive to maximise shareholder return, given the existing portfolio of businesses, and the pending offer from Rank, the future strategies will depend on the outcome of the Rank offer that has been announced.

PERFORMANCE REVIEW – CONTINUING OPERATIONS

We manage our operating businesses primarily on their ability to generate operating profit and cash. As the Group's capital structure and capital allocation decisions are made centrally, the primary measurement used to assess business unit management is earnings before interest, tax, depreciation and amortisation ("EBITDA"). Other performance measurements used are average working capital targets, operating cash flow targets and specific business related objectives, including safety performance. A review of the performance of each business segment follows.

Bluebird Foods

A$ million	**2006**	2005
Revenue	**131.5**	121.3
EBITDA	**12.4**	11.3
EBIT	**5.0**	3.9
Total assets	**152.8**	164.6

We manufacture and market retail branded salty and nutritious snacks. Our products are primarily sold under the *Bluebird* brand name. We operate from one main production site in New Zealand. Our main customers are the major supermarket chains and convenience stores in New Zealand.

The business environment for salty snacks and nutritious snacks is generally competitive and dynamic. There are strong competitors in each of our product categories. The development of private label products is continuing, and we are working with our customers to offer them both the leading branded products as well as house brand items. Pricing, volumes, production costs and customer service are the key drivers of profitability. During the year our focus has been on progressing the restructuring of the business. We completed the acquisition of the *Krispa* and *Aztec* brands from Hansells during the year which contributed to the improved results for the period. We also made significant improvements in the operating efficiency at our manufacturing site.

Revenues increased 8.4% to A$131.5 million in fiscal 2006, compared to A$121.3 million in the prior year. The *Krispa* and *Aztec* acquisition, completed on November 1, 2005, contributed approximately A$8.0 million in sales during the period, while category growth and new product development also led to increased revenue.

EBITDA increased to A$12.4 million in fiscal 2006 compared to A$11.3 million in the prior year. The increase was due to increased sales, improved gross margins and reduced expenses, and the earnings from the Hansells acquisition.

The results set out above include approximately A$4.8 million in restructuring costs incurred during the year, while the prior year included approximately A$1.0 million in costs arising from a plant restructure.

Baking, Spreads & Oils

	Baking		**Spreads & Oils**		**Total Baking, Spreads & Oils**	
A$ million	**2006**	2005	**2006**	2005	**2006**	2005
Revenue	**431.0**	891.5	**499.1**	1,016.9	**930.1**	1,908.4
EBITDA	**65.8**	124.7	**102.5**	185.9	**168.3**	310.6
EBIT	**56.4**	104.0	**90.3**	161.4	**146.7**	265.4
Total assets	**-**	985.6	**-**	1,107.0	**-**	2,092.6

We disposed of our Baking, Spreads & Oils businesses as part of the Goodman Fielder initial public offering on December 21, 2005. The Group retained a 20% interest in Goodman Fielder.

As a consequence of the disposal of these businesses, the Group's financial results only reflect the earnings of these businesses up to the date of disposal, compared to a full fiscal year in the prior period. Prior to the disposal, the businesses traded satisfactorily.

Since December 21, 2005, the Group's earnings generated from these businesses is the equity income derived from the Group's investment in Goodman Fielder.

Equity Investments

A$ million	**2006**	2005
BPC's share of net profit	**23.7**	1.8
Carrying value of investments	**359.0**	8.4

The Group's equity investments consist of its 20% stake in Goodman Fielder, as well as our interest in Fresh Start Bakeries Australia Pty Limited ("Fresh Start Bakeries Australia"). The Group's earnings on these investments are derived from our share of the associates' net profit after tax.

Equity income from our investment in Goodman Fielder was A$22.8 million, which was in line with our expectations as contained in Goodman Fielder's prospectus. The market value of our investment in Goodman Fielder at June 30, 2006 was approximately A$567.1 million compared to a book value of A$349.7 million. Our book value has been calculated after deferring 20% of the profit on disposal of our Baking, Spreads & Oils businesses.

Income generated on the Group's other equity investment, Fresh Start Bakeries Australia, was in line with expectations.

Corporate and other

The corporate and other business category is comprised mainly of the Group's head office functions. These services are primarily located at the registered office of the parent company in Sydney, Australia. These functions include company secretarial, legal, finance and tax.

The corporate and other business category includes approximately A$7.3 million in gains on sale of surplus properties and investments recorded during the year. The prior year included approximately A$3.3 million in gains on sale of investments.

PERFORMANCE REVIEW – DISCONTINUED OPERATIONS

Uncle Tobys

A$ million	2006	2005
Revenue	**278.2**	297.2
EBITDA	**74.0**	81.1
EBIT	**58.1**	60.6
Total Assets	**498.8**	499.6

During the period we manufactured and marketed retail branded products including nutritious snacks, breakfast cereals and instant soups. Our products were sold under brand names such as *Uncle Tobys* and *Country Cup*. We operated from one main production site at Wahgunyah in Victoria, Australia. Our main customers were the major supermarket chains and convenience stores.

Pricing, volumes, production costs and customer service are the key drivers of profitability. During the year our focus has been on maintaining our leading product positions, delivering innovation and ensuring that we were a low cost producer. We also made significant improvements to the operating efficiency of our manufacturing site.

Revenues decreased 6.4% to A$278.2 million in fiscal 2006, compared to A$297.2 million in the prior year. Revenue has been affected by a number of factors including a reduction in stock levels held by major customers as they continue to rationalise their supply chain, as well as competitive trading conditions during the year which reduced category market value growth.

EBITDA decreased to A$74.0 million in fiscal 2006 from to A$81.1 million in the prior year. The reduction in EBITDA reflects the impact of lower revenue and was partly offset by reduced administration costs.

The current period includes restructuring expenses of A$1.5 million. During the prior year, we recognised expenses of approximately A$2.2 million for the write-off of inventory, plant and equipment damaged by a fire in a storage facility at our manufacturing facility.

As previously noted, the Group completed the sale of Uncle Tobys on July 14, 2006.

Investments for future performance

Capital investments

Following the sale of the Baking, Spreads & Oils businesses and Uncle Tobys, the Group owns one major manufacturing facility in New Zealand. The existing manufacturing operations are of varying ages and types of construction and are considered to be in generally good condition and suitable for their present use.

The Group's investment policy is divided into three main categories: 1) health and safety, 2) expansion or profit enhancement and 3) stay in business capital. Spending on health and safety issues occurs as required. Spending on profit enhancement initiatives is generally based on the basis of cash payback. Strategic investments may be made where the return is less than would otherwise be required.

Capital expenditures on property, plant and equipment for continuing operations in fiscal 2006 totalled A$29.6 million compared to A$35.4 million in the prior year. In fiscal 2006, the major investments in property, plant and equipment were related to the upgrade of our Baking operations in Sydney, Melbourne and Brisbane, our Snacks plant in Wahgunyah and our Spreads & Oils plants in Australia.

Further information on the Group's capital expenditure commitments at balance date is contained in Note 23 to the financial statements.

Business closure and rationalisation activities

Since acquiring the Snacks and Baking, Spreads & Oils businesses in 2003, significant restructuring and rationalisation activities have been undertaken to improve efficiency and productivity in our businesses.

While these activities are now largely complete and the majority of the costs incurred, we will continue to seek further opportunities to improve the operating performance of the Group's continuing operations.

Sales, marketing and advertising

The Group operates in a dynamic market characterised by constant change and innovation. The Group's active investment in market research and development is a common way in which new customer needs are identified, and products are constantly tested and further developed.

As a supplier of consumer branded food products, we routinely undertake numerous sales and marketing programs designed to support current brands and new product offerings. In fiscal 2006, the Group developed and launched new products in its Snacks and Baking, Spreads & Oils businesses, which operate largely in the retail industry.

Review of financial condition

Capital structure

As at June 30, 2006, the Group had net cash (cash less total interest bearing liabilities) of A$1,595.6 million compared to net debt of A$626.7 million at June 30, 2005. Details of the Group's interest bearing liabilities can be found in Note 19 to the financial statements. The Group's debt primarily consisted of a senior unsecured facility, due in October 2006, and the New Zealand Subordinated Capital Notes ("NZ Capital Notes"), due in December 2008 and November 2011.

Treasury policy

The Group is exposed to market risks including changes in interest rates, changes in foreign currency exchange rates, changes in commodity prices and credit risk. To manage the volatility relating to these risks, the Group takes advantage of natural offsets to the extent possible. For example, where possible and as appropriate, the Group borrows in the same countries and currencies in which the Group's assets are located and cash flows are generated. In appropriate circumstances and where the Group is unable to naturally offset its exposure to these risks, the Group enters into derivative transactions to synthetically reduce the exposures. The purpose of these hedging instruments is to create a corresponding, but opposite, movement to the movement in the underlying value of the asset, liability or cash flow being hedged. The Group enters into these transactions only in accordance with internal policies approved by the Board.

Further information on the Group's key financial risks and details on the nature of the financial instruments it uses to manage these risks is provided in Note 29 to the financial statements.

Cash flow, liquidity and funding

The Group's cash requirements in the past generally have been funded through cash flow from operations, borrowings under credit facilities and, in certain cases, equity offerings and asset sales.

We believe that our existing cash resources and the anticipated cash flows from operations will provide sufficient liquidity over the next twelve months to meet our currently anticipated cash requirements. Our ability to generate sufficient cash depends on our future performance which, to a certain extent, is subject to general economic, financial, competitive and other factors that are beyond our control. In addition, our future capital expenditures and other cash requirements could be higher than we currently expect as a result of various factors, including any acquisitions that we may undertake. If this occurs, or if the amounts of our anticipated sources of cash are lower than expected, we may be required to seek additional external financing.

At June 30, 2006, total cash had increased to A$2,405.9 million from A$492.3 million at June 30, 2005.

Net cash provided by operating activities for fiscal 2006 was A$97.0 million compared to A$177.5 million in the prior year. Cash generated from operations decreased in the year, primarily reflecting the reduction in cashflow following the disposal of the Baking, Spreads & Oils businesses in December 2005. Interest paid decreased as a result of the repayment of our senior and Senior Subordinated Notes in October 2005. Interest received increased significantly reflecting the increase in cash deposits following the sale of businesses during the year.

Net cash provided by investing activities for the current year was a net inflow of A$2,252.1 million compared with net cash provided of A$1,774.4 million for the year ended June 30, 2005. This increase is primarily due to increased cash proceeds from the sale of businesses during the period.

Net cash used in financing activities for fiscal 2006 was A$450.5 million compared to A$1,591.7 million in the prior year. This was due to the repayment of our senior unsecured financing facilities. Net debt repayments in the period totalled A$430.1 million compared to A$1,571.1 million in the prior year.

Shareholder returns

During the year the Company paid dividends of 2.25 cents per share on its converting preference shares ("CP Shares"). Dividends paid totalled A$17.9 million. All the CP Shares converted automatically into ordinary shares of the Company on August 13, 2006.

During the year, the price per ordinary share traded between a low of A$0.87 and a high of A$1.18. On June 30, 2006 the price was A$0.915, compared to A$0.91 at June 30, 2005.

Net cash backing per share (including CP Shares) was A$0.56 per share at June 30, 2006.

Corporate governance

The Group has in place a comprehensive set of corporate governance policies and procedures. Please refer to the Directors' Report for additional information.

Impact of legislation and other external requirements

Australian equivalents to International Financial Reporting Standards (AIFRS)

From July 1, 2005 the Group is required to comply with Australian equivalents to International Financial Reporting Standards as issued by the Australian Accounting Standards Board. The nature and impact of the resulting changes in accounting policies are disclosed and discussed in Notes 1 and 30 of the financial report.

Other

There were no other significant changes in environmental or other legislative requirements during the year that have significantly impacted on the results or operations of the Group.

Thomas J. Degnan

Thomas Degnan
Managing Director
& Chief Executive Officer

August 25, 2006

DIRECTORS' REPORT

Your Directors present their report together with the financial report of Burns, Philp & Company Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities ("the Group"), for the year ended June 30, 2006 and the audit report thereon.

DIRECTORS

The names and details of the Directors of the Company in office during the financial year and until the date of this report are as follows:

Name, Qualifications and Position	Experience and Special Responsibilities
Graeme Hart MBA Chairman Non-executive Director	Director since September 22, 1997 and Chairman since September 9, 2004. Member of the Nomination Committee and the Remuneration Committee. Mr Hart is the managing director and owner of Rank Group Limited, a private investment company, which indirectly is the Company's largest shareholder. Mr Hart is a non-executive director of Goodman Fielder Limited, a company listed in Australia and New Zealand. Goodman Fielder is a consumer foods group which manufactures and markets a range of consumer food products in Australia, New Zealand and Asia Pacific. Mr Hart is also a director of Carter Holt Harvey Limited, a forest and paper products company with operations primarily in New Zealand and Australia. It is now owned by a subsidiary of Rank Group Limited. In addition to the Company, directorships of listed companies held by Mr Hart in the three year period immediately preceding June 30, 2006 are: **Company Name** — **Period of Directorship** Goodman Fielder Limited* — Since September 26, 2005 to present Carter Holt Harvey Limited** — Since September 21, 2005 to present
Thomas Degnan BA Managing Director and Chief Executive Officer	Director and Chief Executive Officer since September 1, 1997 and Managing Director since September 3, 1997. Mr Degnan is currently interim chairman and executive director of Goodman Fielder Limited and also has an interim executive role as managing director of Goodman Fielder Limited's dairy operations. Mr Degnan is also a director of Carter Holt Harvey Limited and a director of Jones Dairy Inc., a manufacturer and distributor of meat products. Mr Degnan was previously group vice president of Universal Foods Corporation, a North American based yeast and specialised food products manufacturer. In addition to the Company, directorships of listed companies held by Mr Degnan in the three year period immediately preceding June 30, 2006 are: **Company Name** — **Period of Directorship** Goodman Fielder Limited* — Since September 26, 2005 to present Carter Holt Harvey Limited** — Since September 21, 2005 to present

Mark Burrows BA, LLB, ASIA Independent non-executive Director Lead independent Director	Director since October 21, 1991 and lead independent Director since September 9, 2004. Chairman of the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee. Mr Burrows, an investment banker, chaired the Companies and Securities Advisory Committee from 1989 to 1994 and was one of the principal participants in the creation of what is now the Australian Securities & Investments Commission. Mr Burrows is currently joint deputy chairman of Brambles Industries Limited, managing director of Lazard LLC, London, chairman of Lazard Pty Ltd, deputy chairman of John Fairfax Holdings Limited, a director of Carter Holt Harvey Limited, and is an associate member of the Securities Institute of Australia. In addition to the Company, directorships of listed companies held by Mr Burrows in the three year period immediately preceding June 30, 2006 are:

Company name	Period of directorship
Brambles Industries Limited	Since April 23, 1987 to present
John Fairfax Holdings Limited	Since January 22, 1996 to present
Carter Holt Harvey Limited**	Since September 21, 2005 to present

Fred Smith Cert Mech E, BComm Independent non-executive Director	Director since March 3, 1993. Member of the Audit & Risk Committee, the Nomination Committee and the Remuneration Committee. Mr Smith has been a director of public companies in Australia and the UK for the past 30 years. Mr Smith was formerly the chief executive officer of APV plc, a UK based public company, a director of GEA Process Technologies GmbH and executive chairman of GEA Process Technologies (Asia Pacific), a director and deputy chairman of Australian National Industries Limited, chairman of Stallion Technologies Pty Limited and chairman of Sastek Pty Limited.
Bryce Murray CA, BMS Non-executive Director	Director since June 6, 2003. Member of the Audit & Risk Committee. Mr Murray is a senior executive of Rank Group Limited and has been employed by Rank Group Limited since 1996. Mr Murray is also a director of Carter Holt Harvey Limited and was previously a partner with Deloitte Touche Tohmatsu. In addition to the Company, directorships of listed companies held by Mr Murray in the three year period immediately preceding June 30, 2006 are:

Company name	Period of directorship
Carter Holt Harvey Limited**	Since September, 21, 2005 to present

* Goodman Fielder Limited was admitted to the Official List of the Australian Stock Exchange Limited ("ASX") on December 19, 2005.

** Carter Holt Harvey Limited was removed from the Official List of the ASX and delisted from the New Zealand Exchange Limited on April 5, 2006, following compulsory acquisition by a subsidiary of Rank Group Limited of the then outstanding shares on issue.

Messrs Hart, Degnan, Burrows, Smith and Murray have been in office for the whole of the reporting period.

COMPANY SECRETARY

Ms Helen Golding, BEc, LLM (Syd), was appointed to the position of Company Secretary and Group Legal Counsel on April 6, 1998. Prior to her appointment she held various roles in the Company's legal department. Prior to joining the Company, Ms Golding was a senior associate at a Sydney based law firm.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of Committees of the Board) attended by each of the Directors of the Company during the financial year were:

	Directors' Meetings(b)		**Audit & Risk Committee Meetings(c)**		**Remuneration Committee Meetings**		**Nomination Committee Meetings(d)**	
	No. held (a)	No. attended	No. held (a)	No. attended	No. held (a)	No. attended	No. held (a)	No. attended
G R Hart	12	12	-	-	1	1	3	3
T J Degnan	12	12	-	-	-	-	-	-
M D I Burrows	12	12	9	9	1	1	3	3
F W Smith	12	12	9	9	1	1	3	3
B M Murray	12	11	9	8	-	-	-	-

(a) Reflects the maximum number of meetings each Director was eligible to attend.

(b) In addition to the meetings held, written resolutions of the Board were passed on September 19, 2005, October 10, 2005, March 28, 2006 and May 23, 2006.

(c) In addition to the meetings held, a written resolution of the Audit & Risk Committee was passed on September 19, 2005.

(d) In addition to the meetings held, a written resolution of the Nomination Committee was passed on September 20, 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the manufacture, marketing and distribution of food ingredients and consumer branded food and related products.

STATE OF AFFAIRS

The following significant changes in the state of affairs of the Group occurred during the financial year under review.

In December 2005 the Group disposed of its Baking, Spreads & Oils businesses to Goodman Fielder Limited ("Goodman Fielder") As part of this transaction, the Group has retained a 20% interest in Goodman Fielder.

CONSOLIDATED RESULT

The net consolidated result attributable to members of the Company for the financial year was a profit of A$827.1 million (2005: profit of A$1,073.1 million).

OPERATING AND FINANCIAL REVIEW

The review of operations, business strategies and prospects and financial position are set out in the Managing Director's Operating and Financial Review on pages 2 to 8 in this Annual Report.

EVENTS SUBSEQUENT TO BALANCE DATE

The sale of Uncle Tobys, the Group's Australian snacks business, was completed on July 14, 2006. Refer to Note 6 of the financial statements for further details.

On August 13, 2006, all outstanding converting preference shares ("CP Shares") were automatically converted into ordinary shares on a one for one basis.

On August 22, 2006, Rank Group Limited ("Rank") announced its intentions to acquire the ordinary shares of the Company that it does not already own. Rank's offer is A$1.10 per ordinary share and is subject to two conditions:

- a 90% minimum acceptance condition; and
- Rank receiving approval from the Foreign Investments Review Board in Australia and the Overseas Investment Office in New Zealand.

The Directors of the Company, other than Mr Hart and Mr Murray (who are both associated with Rank), are considering this offer.

There is no other matter or circumstance which has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the Group's operations, its results or its state of affairs in future financial years.

LIKELY DEVELOPMENTS

Likely developments in the Group's operations in future financial years and the expected results of those operations are reported, as appropriate, in the Managing Director's Operating and Financial Review on pages 2 to 8 in this Annual Report.

DIVIDENDS

There have been no dividends paid, declared or recommended since the end of the previous financial year in respect of the ordinary shares. The CP Shares automatically converted to ordinary shares on August 13, 2006. The CP Shares were entitled to receive, where there were profits available for payment of dividends, a cumulative preferential dividend of 7.5% per annum based on the issue price of A$0.30 per CP Share. Dividends were paid quarterly with a final dividend, for the period July 1, 2006 to August 13, 2006, declared on June 23, 2006 and paid on August 14, 2006.

Since the end of the previous financial year the following interim dividends and final dividend were paid to holders of the CP Shares:

Payment Date	Total Dividend (franked)	Amount per CP Share
	A$	(cents)
September 30, 2005	4,521,453	0.5671
January 3, 2006	4,668,888	0.5856
March 31, 2006	4,265,090	0.5363
June 30, 2006	4,461,524	0.5610
August 14, 2006	2,206,108	0.2774

OPTIONS OVER UNISSUED SHARES OR INTERESTS

There were no options for ordinary shares on issue during the current financial year and none were on issue as at the date of this report.

No employee options were on issue as at the date of this report.

DIRECTORS' HOLDINGS OF ORDINARY SHARES

All the CP Shares were automatically converted to ordinary shares on August 13, 2006 pursuant to the terms of their issue.

The number of ordinary shares in which each Director has a relevant interest as at the date of this report and which have been notified by the Directors to the Australian Stock Exchange ("ASX") in accordance with Section 205G(1) of the Corporations Act 2001 is as follows:

	Ordinary Shares
G R Hart	1,629,315,312
T J Degnan	4,010,172
M D I Burrows	5,843
F W Smith	19,502
B M Murray	-

CORPORATE GOVERNANCE STATEMENT

This statement outlines the Company's main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations ("Best Practice Recommendations") unless otherwise stated.

The Board monitors the Company's corporate governance practices in light of changing regulatory requirements and updates them as necessary. Details of the corporate governance practices of the Company are available in the corporate governance section on the Company's website.

Board of Directors

The Board is responsible for the overall corporate governance of the Group and for determining its strategic direction. This includes the setting of goals, monitoring performance and ensuring the Group's internal control and reporting procedures are adequate and effective.

A summary of the Board's charter follows. The charter is available on the Company's website.

The role and responsibilities of the Board

The role and responsibilities of the Board are formally set out in its charter. The Board charter specifies the functions reserved for the Board and those delegated to management.

In addition to matters it is expressly required by law to approve, the Board's key responsibilities include input into and final approval of management's development of the Company's strategic direction; monitoring senior management's performance and implementation of strategy; overseeing the Company's internal control and accountability systems; approving and monitoring financial and other reports; approving and monitoring capital expenditure; appointing and removing the Chief Executive Officer, the Chief Financial Officer and the Company Secretary; monitoring the achievement of management's goals; and reviewing and ratifying risk management systems.

The Board has delegated to the Chief Executive Officer and certain senior executives the authority and powers necessary to implement the strategies approved by it and to manage the day-to-day operations and administration of the Company.

Board Processes

To assist in the performance of its responsibilities, the Board has established an Audit & Risk Committee, a Nomination Committee and a Remuneration Committee. These Committees have written charters which are reviewed as required.

The Board holds at least six scheduled meetings a year and holds other meetings as necessary to address any specific matters that may arise. Details of attendances at meetings by Directors in the last financial year are reported on page 11.

The agenda for meetings is prepared in conjunction with the Chairman, Chief Executive Officer and Company Secretary. Standing agenda items include the Managing Director's review of the business, the finance reports, strategic matters, health, safety and risk management reports, governance and compliance.

Composition of the Board and independence of its members

Details of Board members, including their skills, experience, qualifications and term in office, are set out on pages 9 and 10. The Board's approach to assessing independence takes into account criteria established by the Best Practice Recommendations. The Board has adopted the Best Practice Recommendations' test for independence as a director. The materiality thresholds are assessed by the Board on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

In accordance with the independence definition adopted by the Board, the independent non-executive Directors during the full financial year ended June 30, 2006 were Mr Burrows and Mr Smith. The Board does not consider that Mr Burrows' and Mr Smith's tenure on the Board (15 years and 13 years respectively) has materially interfered with their ability to act in the best interests of the Company. The Board has determined that Messrs Hart, Murray and Degnan are not independent directors. Mr Hart, the Chairman of the Company, is a substantial shareholder of the Company through his wholly-owned company, Rank, Mr Murray is a senior executive of Rank and Mr Degnan is an executive of the Company.

The Board did not have a majority of independent Directors during the financial year. The Board considers that, notwithstanding that all the criteria of independence may not be met for certain of its Directors, each of its Directors does bring independent judgement to bear in his decision-making.

The independence of the Directors is regularly reviewed. In accordance with the Board's charter, all Directors must declare immediately to the Board any potential or active conflict of interest. In such circumstances that Director will not participate in any decision making. Each Director is entitled to obtain independent professional advice at the expense of the Company, and non-executive Directors meet regularly without management present.

The Board charter also provides that where the Chairman is not independent, then a lead independent Director will be appointed. Mr Burrows, as the Board's lead independent Director, has the responsibility to assume the role of Chairman when Mr Hart is unable to act in that capacity for any reason (including in circumstances where the Chairman has a conflict of interest).

Retirement and re-election of Directors

The Company's constitution requires that each Director (other than the Managing Director) retires every three years. Retiring Directors may offer themselves for re-election by shareholders. In addition, any Directors appointed during the year by the Board must offer themselves for re-election by shareholders at the next annual general meeting of the Company. The Board does not impose a pre-determined restriction on the tenure of Directors as it considers that this restriction may result in the loss of vital experience and expertise. The Nomination Committee considers and recommends to the Board candidates for re-election.

Chairman

The Board is authorised by the Company's constitution to elect a Chairman. It is Board policy to elect a non-executive Director as Chairman. The Chief Executive Officer of the Company cannot become the Chairman of the Board during his term as Chief Executive Officer or in the future. This is consistent with the Company's policy to maintain an appropriate division between the roles and responsibilities of the Board and management. The Chairman is responsible for the leadership of the Board, ensuring the Board is effective, setting the agenda of the Board, conducting the Board meetings and conducting the shareholders' meetings. On September 9, 2004 Mr Hart was elected Chairman and Mr Burrows was appointed lead independent Director.

Performance evaluation

The Nomination Committee has the responsibility to arrange annual performance evaluations of the Board, its Committees and its individual Directors. The Committee arranged such performance evaluations during August 2006.

The Remuneration Committee evaluates the performance of all executives who report directly to the Chief Executive Officer as part of their remuneration review.

A description of the Company's process for performance evaluation of the Board, its Committees, individual Directors and key executives is available on its website.

Board access to information and independent advice

Any of the Directors may obtain external independent professional advice relating to his or her duties as a Board member, at the Company's expense and subject to prior consultation with the Chairman or the lead independent Director as appropriate. To the extent required to enable them to carry out their duties, all Directors also have access to the books and records of the Company and may consult management and employees as required.

Company Secretary

The Company Secretary is responsible for ensuring that Board procedures and policies are followed and provides advice to the Board on corporate governance and legislative matters. All Directors have unrestricted access to the advice and services of the Company Secretary.

Board Committees

The Board has three Committees, the memberships of which are set out below.

	Audit & Risk Committee	**Nomination Committee**	**Remuneration Committee**
Independent non-executive Directors	Mark Burrows(i) Fred Smith	Mark Burrows(i) Fred Smith	Mark Burrows(i) Fred Smith
Non-executive Directors	Bryce Murray	Graeme Hart	Graeme Hart
Executive Directors	N/A	N/A	N/A

(i) Committee Chairman

Details of attendances at each meeting in the last financial year are set out on page 11.

To enable each of the Committees to discharge their responsibilities adequately and effectively, each of them has the authority to retain advisers and external legal counsel as appropriate.

Each Committee reports to the Board and provides the Board with copies of its minutes of meetings at the next occasion the Board meets following the approval of the minutes by the relevant Committee.

Nomination Committee

The Nomination Committee has a formal charter, approved by the Board. The charter is available on the Company's website.

Composition

Details of the Chairman and members of the Committee are set out in the table above.

The Committee must have at least three non-executive Directors, with a majority being independent. The Board may appoint additional non-executive Directors to the Committee or remove and replace members of the Committee by resolution.

Role

The Nomination Committee is responsible for periodically reviewing and considering the structure of the Board and making recommendations regarding appointments, retirements and terms of office of Directors.

The Nomination Committee is also responsible for assessing the competencies of potential Board candidates; induction procedures for new appointees to the Board; recommending candidates for election or re-election to the Board; recommending terms of appointment, removal and retirement from the Board; reviewing succession plans for the Board; and arranging annual performance evaluations of the Board, its Committees and individual Directors.

A description of the procedure for the selection and appointment of new Directors to the Board and the Nomination Committee's policy for the appointment of Directors are both available on the Company's website.

Meetings of the Nomination Committee

The Committee meets at least once each year on a formal basis and additionally as circumstances may require.

Details of meetings attended by Committee members in the last financial year are reported on page 11.

Remuneration Committee

The Remuneration Committee has a formal charter approved by the Board. The charter is available on the Company's website.

Composition

Details of the Chairman and members of the Committee are set out in the table on page 14.

The Committee must be comprised of at least three Directors, with a majority being independent. The Chair is an independent Director. The Board may appoint additional Directors to the Committee or remove and replace members of the Committee by resolution.

Role

The Remuneration Committee makes recommendations to the Board on the remuneration packages and policies applicable to executive Directors and senior executives of the Group. The Committee also has responsibility for the Company's recruitment, retention and termination policies for senior management and reviews and approves any equity based plans and other incentive schemes.

Meetings of the Remuneration Committee

The Committee meets once a year on a formal basis and additionally as circumstances may require.

Details of meetings attended by Committee members in the last financial year are reported on page 11.

Remuneration Report

The Company's remuneration policy and procedures is discussed in its Remuneration Report for the financial year ended June 30, 2006 which is set out on pages 19 to 26.

Audit & Risk Committee

The Audit & Risk Committee has a formal charter approved by the Board. The charter is available on the Company's website along with information on procedures for the selection and appointment of the external auditor and for the rotation of external audit partners.

Composition

Details of the Chairman and members of the Committee are set out in the table on page 14.

The Committee must have at least three members, all of whom must be non-executive Directors, with a majority being independent. All members must be financially literate. Independent non-executive members must satisfy the independence requirements of the Best Practice Recommendations.

Under the charter a Director may not be both the Chairman of the Audit & Risk Committee and the Chairman of the Board.

Role

The role of the Audit & Risk Committee is to review the Company's financial reporting, to oversee the independence of the external auditors and to assess the effectiveness and adequacy of the internal control framework. The responsibilities of the Audit & Risk Committee are set out in its charter and include reviewing all financial reports, approving new accounting policies and procedures to ensure compliance with applicable accounting standards (including with respect to Australian equivalents to International Financial Reporting Standards), monitoring procedures to comply with all applicable regulatory requirements and assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.

All audit and non-audit services provided by the external auditor require pre-approval by the Audit & Risk Committee. The Audit & Risk Committee reviews the performance of the external auditor on an annual basis.

The Audit & Risk Committee reports to the Board on all matters relevant to the Committee's role and responsibilities.

Meetings of the Audit & Risk Committee

The Committee meets at least four times each year on a formal basis and holds special meetings as necessary.

Meetings are attended by invitation by the other Directors including the Chief Executive Officer, the Company Secretary, the Chief Financial Officer and the external auditor, KPMG.

Details of meetings attended by Committee members in the last financial year are reported on page 11.

External Auditor

The external auditor is responsible for planning and carrying out the audit of the Group's annual financial reports and reviewing the Group's half-yearly financial reports.

The external auditor was appointed on November 27, 1984. The lead external audit engagement partner was last rotated in June 2000 and will be rotated next after this financial year ended June 30, 2006.

Information on procedures for the selection and appointment of the external auditor and for the rotation of the lead external audit engagement partner is available on the Company's website.

The Audit & Risk Committee reviews the appointment and performance of the external auditor and the rotation of the lead engagement partner, provides pre-approval of audit and non-audit services that are to be undertaken by the external auditor and ensures that the external auditor delivers an annual statement to the Company on its independence.

The Audit & Risk Committee meets with the external auditor without management being present at least twice during each financial period. The external auditor is provided with the opportunity, at its request, to meet with the Board of Directors without management being present.

Attendance at the Annual General Meeting

The Company's external auditor attends the annual general meeting and is available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

Certification of Financial Reports

Both the Chief Executive Officer and the Chief Financial Officer have stated to the Board in writing that in each of their opinions:

(a) With regard to the integrity of the financial report of Burns, Philp & Company Limited (the "Company") for the year ended June 30, 2006:

- (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001 ("the Act");
- (ii) the financial statements of the Company, and the notes referred to in paragraph 295 (3)(b) of the Act for the financial year comply with the accounting standards; and
- (iii) the financial statements and notes for the financial year give a true and fair view in accordance with section 297 of the Act.

(b) With regard to risk management and internal compliance and control systems of the Company for the year ended June 30, 2006:

- (i) the statements made in (a) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board of Directors; and
- (ii) the risk management and internal compliance and control systems of the Company and its consolidated entities are operating efficiently, in all material respects.

This statement is given annually.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The following internal control framework is in place:

Financial monitoring and reporting

The Company has a comprehensive strategic planning and budgeting system, the results of which are presented to and approved by the Board. Management and the Board monitor performance against budget and key financial benchmarks through monthly reporting routines and detailed business reviews.

Risk management

The Board has responsibility for reviewing and ratifying systems of risk management and has established a Group risk management policy and procedures.

The Audit & Risk Committee regularly reviews risk management reports and reports to the Board on the status and management of risks.

The Group has implemented review procedures, and allocated management resources, to consider financial, legal, tax, safety, health, environmental and human resources aspects of the Group's business. These resources work closely with operational management to identify and manage risk across the Group.

The Group evaluates the economic balance between self-retention of risks and risk transfer. The Group has implemented global insurance arrangements for risk transfer with international insurers that have high prudential ratings. The Group monitors its compliance with its risk management policy and, amongst other risk control measures, develops contingency plans to manage potential business interruptions.

Internal controls

The Board has responsibility for reviewing and ratifying internal compliance and control systems.

The Audit & Risk Committee regularly reviews the effectiveness and adequacy of internal control processes and reports its findings to the Board.

Management assumes the primary responsibility for implementing internal controls and for the internal control environment. In accordance with the Company's policy each head of a business unit and financial controller reports quarterly to the Chief Executive Officer and the Chief Financial Officer and, on an exceptions basis, to the Audit & Risk Committee, on the operation and effectiveness of key internal controls. Any identified deficiencies in internal controls are followed up and acted upon by business units.

In addition, the Company maintains an internal audit function to conduct internal audits and reviews of the Group's operations.

A description of the Company's risk management policy and internal compliance and control system is available on its website.

Ethical Standards

Code of Ethics and Conduct of Directors, Senior Executives and Officers

The Code of Ethics and Conduct of Directors, Senior Executives and Officers sets out the requirements for all Directors, senior financial officers and senior executives to promote and engage in ethical conduct, maintain confidentiality and comply with all applicable laws and regulations so as to maintain the Group's integrity and its reputation for fair and reasonable conduct.

The Audit & Risk Committee has sole authority to approve any deviation or waiver from the Code of Ethics and Conduct of Directors, Senior Executives and Officers.

The Code of Ethics and Conduct of Directors, Senior Executives and Officers is in addition to the Corporate Code of Conduct of Employees and is available on the Company's website.

Corporate Code of Conduct of Employees

The Corporate Code of Conduct of Employees is a set of business values and procedures that provides guidance to all employees with respect to compliance with the law in all of their business dealings and decisions on behalf of the Group. The Corporate Code of Conduct of Employees extends to all people employed by the Group and is designed to encourage ethical and appropriate behaviour in all areas of business.

The Corporate Code of Conduct of Employees encourages employees to raise any matters of concern with the head of their business unit or the Company Secretary and Group Legal Counsel, without fear of retribution.

The Corporate Code of Conduct of Employees is available on the Company's website.

Dealings in Company Securities

The Company has a policy on dealing in the securities of the Company which is binding on all Directors and employees of the Group. The policy sets out the restrictions on dealing in the securities.

The Company's policy concerning trading in the Company's securities is available on the Company's website.

The time for any Director or employee to buy or sell Company securities is limited to the four week period starting from the:

- date of the Company's annual general meeting;
- release of the quarterly results announcements to the ASX;
- release of the half yearly results announcement to the ASX;
- release of the preliminary final results announcement to the ASX; or
- release of a disclosure document offering equity securities in the Company.

The Company may vary this rule for a particular period by making a general announcement to all employees either before or during this period. However, if a Director or employee of the Company is in possession of price sensitive information which is not generally available to the public, then he or she must not deal in the Company's securities at any time.

Directors must obtain the approval of the Chairman (or, in the case of the Chairman, the approval of the Deputy Chairman or, where there is not a Deputy Chairman, the lead independent Director) before they buy, sell or otherwise deal in the securities of the Company. First or second line reports of the Chief Executive Officer must also obtain approval before dealing.

All employees must notify the Company within five business days of a transaction occurring. In accordance with the provisions of the Corporations Act 2001 and the ASX Listing Rules, all Directors must advise the Company, which must advise the ASX within five business days, of any transactions conducted by them in the securities of the Company.

Continuous Disclosure

The Company is committed to ensuring that the market and shareholders are provided with complete and timely information. A summary of the policies and procedures designed to guide compliance with the Company's continuous disclosure obligations is available on the Company's website.

The Company has in place a continuous disclosure policy to ensure that all price sensitive information is disclosed to the:

- ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules; and
- New Zealand Exchange Limited ("NZX") in accordance with the Companies Act 1993 and the NZX Listing Rules.

The Company Secretary is responsible for overseeing and co-ordinating disclosure of information to the ASX and the NZX and, as appropriate, to shareholders.

All information provided to the ASX or the NZX is posted on the Company's website as soon as practical after release to the market.

Communications with Shareholders

The Company is committed to providing all shareholders and stakeholders with accessible and timely information on the Company's key activities and performance.

The Company's website includes links to copies of the annual, half-yearly and any quarterly reports, the Chairman's address at the annual general meeting and announcements made to the ASX and the NZX. By registering with the Company's registrar, shareholders can receive email notifications when the Company makes an announcement to the ASX, including the release of financial reports.

Information is also communicated to shareholders through the distribution of the annual report by post. Shareholders have the opportunity to raise matters at general meetings with the members of the Board and may question the external auditor on the conduct of the audit and the preparation and content of the auditor's report at the annual general meeting of the Company.

The Company's Shareholder Communications Strategy is available on the Company's website.

Corporate Governance Best Practice Code – New Zealand

The Company has a secondary listing on the NZX. The corporate governance rules and principles of the ASX and the Company's current corporate governance practices do not materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

ENVIRONMENTAL REGULATION

The Group's manufacturing operations are subject to the environmental regulations of the particular countries in which they operate.

The management of environmental risks and compliance with environmental regulations is regarded by the Company as of primary importance.

The Audit & Risk Committee is responsible for overseeing the Company's environmental risk management processes. To enable it to meet its responsibilities, the Audit & Risk Committee has established a regular reporting process. Environmental performance is reported from each site up through management to the Committee on a regular basis. Any priority issues are reported to the Board.

Certain site-based and corporate management have responsibility for:

- the implementation of environmental management plans;
- identifying where remedial actions are required;
- the implementation of action plans;
- the regular monitoring of regulatory requirements; and
- ensuring all employees are aware of the Company's environmental obligations with respect to their areas of responsibility.

The Group has corporate and locally based procedures in place to monitor potential or actual environmental risks and manage compliance with existing and new environmental regulations as they come into force.

The Directors are not aware of any significant breaches of environmental regulations during the financial year or any significant environmental liabilities having been incurred. Compliance with the requirements of environmental regulations and with the specific requirements of site environmental licenses was substantially achieved across all operations.

During the financial year, monitoring of the Wiri manufacturing site in New Zealand identified excess pH levels. However, with the completion of a detailed resolution plan and the implementation of immediate remedial activity, the pH levels have returned to the target range. Apart from this incident, there were no significant instances of non-compliance in relation to license requirements.

REMUNERATION REPORT

This report outlines the Board's policy for determining the nature and amount of remuneration of its Directors, the Company Secretary and senior executives of the Company and of the Group and the relationship between such policy and the Company's performance.

The adoption of the Remuneration Report will be subject to a non-binding vote of shareholders at the Company's annual general meeting on November 16, 2006.

Remuneration philosophy

The performance of the Company depends upon the quality of its Directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- where it is appropriate to do so, link senior executive rewards to shareholder value by ensuring that appropriate performance hurdles must be achieved before an executive becomes entitled to any bonus payments; and
- for all senior executives, provide that a significant portion of remuneration is 'at risk' upon meeting pre-determined performance benchmarks.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for recommending to the Board the compensation arrangements for executive Directors (currently the Chief Executive Officer ("CEO")) and determining and reviewing the compensation arrangements for all managers who report directly to the CEO. Compensation arrangements for all other executives are determined by the CEO or relevant managers having regard to guidelines determined by the CEO in consultation with the Remuneration Committee.

The primary purpose of the Remuneration Committee is to support and advise the Board by:

- reviewing and approving the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensuring that the executive remuneration policy demonstrates a clear relationship between executive performance and remuneration and, where appropriate, the Company's performance;
- fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- reviewing the Company's recruitment, retention and termination policies and procedures for senior management;
- reviewing and approving the remuneration of direct reports to the Managing Director and, as appropriate, other senior executives;
- recommending to the Board the terms and conditions of appointment (including remuneration) of the CEO and any other executive Directors; and
- reviewing and approving any incentive schemes.

Remuneration structure

In accordance with the Best Practice Recommendations, the structure of non-executive Director and executive remuneration is separate and distinct.

Non-executive Director remuneration

Objective

The Board aims to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre at a reasonable cost which is acceptable to shareholders.

Structure

In accordance with the constitution and the ASX Listing Rules, the aggregate remuneration of non-executive Directors is determined from time to time by a general meeting of shareholders. The latest determination was at the annual general meeting held on November 5, 2003 when shareholders approved an aggregate remuneration of up to A$900,000 in any one financial year. The fees of the non-executive Directors are determined within the limits of the aggregate amount, as agreed by the Board.

The amount of aggregate remuneration and the manner in which it is apportioned amongst Directors is reviewed as required. When considered appropriate to do so, the Board also obtains advice from external consultants.

Each Director is entitled to receive a fee for being a Director of the Company. The non-executive Director fee for the year ended June 30, 2006 was A$100,000. Subject to the pre-existing arrangements regarding Directors' retirement allowances, this fee is inclusive of any compulsory superannuation contributions and any retirement benefits. No additional fees are payable to non-executive Directors for being a member or chair of a Committee of the Board. Mr Hart and Mr Murray did not receive Directors' fees for the financial period and do not currently receive fees in their respective positions as Chairman and Director.

There is no proposal to either increase the aggregate fee or to alter the apportionment of the fee between the Directors for the year ending June 30, 2007.

The remuneration of non-executive Directors for the period ended June 30, 2006 is detailed in Table 1 on page 24.

Retirement Allowances

Two of the current Directors of the Company, Mr Burrows and Mr Smith, will be entitled to a retirement allowance when they resign as Directors. Both Mr Burrows and Mr Smith entered into deeds with the Company in 1992 and 1993 which related to their entitlements on ceasing to be a Director of the Company. Pursuant to those deeds, Mr Burrows and Mr Smith would each have been entitled to a retirement allowance calculated at the retirement date, less any accrued benefit including income thereon, to which they may become entitled as a result of superannuation contributions being made by the Company.

The retirement allowance was calculated by multiplying the number of years of service (up to a maximum of 15 years), times 1/15 of 5 times the average emoluments over the last 3 years of service.

On November 10, 2003 the Company entered into a Retirement Allowance Deed with each of the independent non-executive Directors, whereby each of their retirement allowances were frozen as at December 31, 2003 (other than adjustments for CPI increases from that date until retirement).

Executive remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration having regard to their position and responsibilities within the Company and the Group and so as to:

- reward executives for Company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company and Group; and
- ensure total remuneration is competitive by market standards.

Structure

The Remuneration Committee determines remuneration having regard to market levels of remuneration for comparable executive roles.

The only executive who is engaged under a formal employment contract is the CEO. Details of the contract are provided on page 23. All other executives' terms of employment are set out in letters of appointment. Employment can be terminated by either the employee or the Company on the giving of a specified period of notice, the length of which varies depending on the employee's role in the Company. Employees are not entitled to any other payments on termination, other than statutory entitlements or in circumstances of a redundancy.

Remuneration consists of the following key elements:

- Fixed remuneration; and
- "At Risk" Remuneration – Short Term Incentive (STI).

The proportion of fixed remuneration and STI remuneration is established by the Remuneration Committee for each of the executives who report directly to the CEO. For other executives, remuneration guidelines are set by the CEO. Table 2 on page 25 details the variable component (%) of the most highly remunerated senior managers of the Company and of the Group, respectively.

The Company did not implement any equity-based remuneration during the financial year nor does it intend to do so for the year ending June 30, 2007.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is determined by assessing an individual's competency level and experience against the position requirements relative to the business unit/functional alignment and external market conditions.

Fixed remuneration of the CEO and of the key management personnel who report directly to the CEO is reviewed annually by the Remuneration Committee. Guidelines for setting the fixed remuneration of other executives is determined by the Remuneration Committee in consultation with the CEO. A recommendation is presented to the Committee following a review of Group, business unit and individual performance, relevant comparative remuneration in the market and internal, and where appropriate external, advice on policies and practices. The Committee has access to external advice independent of management if it considers it appropriate to seek such advice.

Structure

Executives are given the opportunity to receive a portion of their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component of the most highly remunerated senior managers of the Company and the Group is detailed in Table 2 on page 25.

Short Term Incentive (STI)

In addition to their base salary, certain executives in the Group may be entitled to receive part or all of a specified percentage of their base salary by way of a performance-linked cash incentive payment.

Executives without operational accountabilities

For executives who do not have operational accountabilities (such as the Chief Financial Officer and the Company Secretary), entitlement to any bonus payment is measured against the achievement or otherwise of agreed performance objectives. The relevant executive will be entitled to receive part or all of a specified percentage of their base salary if he or she achieves certain agreed upon objectives particular to their area of responsibility, and not linked to the performance of the Company or Group. The specified percentage of base salary "at risk" for executives without operational accountabilities would typically be in the range of 10-40% of base salary, depending on seniority.

Executives with operational accountabilities

For managers with operational responsibilities, financial performance criteria are also relevant in determining entitlements. Certain executives whose responsibilities have a direct and significant impact on the performance of a business unit are invited to receive a results-based cash payment designed to reward them for meeting or exceeding their objectives. Senior executives can earn up to an additional 100% of their fixed remuneration if certain "stretch" targets are achieved.

The objective of this incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential incentive available is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets set while being reasonable in the circumstances.

Whether incentive payments are made to such executives depends on the extent to which specific operating targets set at the beginning of the financial year are met. The operating targets consist of a number of key performance indicators which vary from manager to manager and may include both financial and non-financial measures of performance. The financial objectives for the financial period to June 30, 2006 have been the achievement of certain specified EBIT targets for the relevant business unit, together with specific business related objectives, including safety performance program. The Company has predetermined benchmarks which must be met in order to trigger any payments under the incentive program.

Discretionary Incentives / Payments

The Remuneration Committee also has the authority to authorise the payment of other incentives in special circumstances. In the financial period to June 30, 2006, certain senior executives who played critical roles in the company achieving its strategic objectives for the year were paid (or may be entitled to receive in the future) additional amounts. In summary, during the period:

1. the Company entered into agreements with a number of senior executives in the businesses, that in consideration of them remaining employed for certain specified periods, they would be paid certain amounts up to the equivalent of their fixed remuneration for the year.
2. certain head office executives of the Company were paid ex-gratia bonuses in consideration of the additional work undertaken by them.

After the end of the financial year certain senior executives (including the CEO, the Chief Financial Officer and the Company Secretary) were paid discretionary incentives in recognition of each of their contibutions to the Company's achievement of its strategic objectives.

Further details of such payments made to the most highly remunerated executives of the Company and the Group is set out in the table and notes to the table on pages 25 and 26.

Group performance

As previously noted, a significant percentage of the remuneration of the CEO and certain senior executives is "at risk" and is, for senior managers with operational responsibilities, aligned to Group performance. In considering the Company's performance and benefits for shareholder wealth in implementing and maintaining such incentive programs, the Remuneration Committee has regard to a number of indicators of Company performance, including the Company's earnings (EBIT) and operating margins (EBIT margin %), and market capitalisation.

The table below shows the performance of the Group for the last five years (including the current period).

	Australian GAAP			AIFRS	
Year ended June 30,	**2002**	**2003**	**2004**	**2005**	**2006**
Sales revenue	1,322.7	1,887.2	3,354.9	2,571.3	1,339.8
EBIT from operations	237.7	241.0	376.8	390.4	216.1
EBIT margin (%)	18.0%	12.8%	11.2%	15.2%	16.1%
Gains on sales of businesses	-	-	50.4	812.7	699.2

During the year ended June 30, 2006, the Group adopted Australian equivalents to International Financial Reporting Standards ("AIFRS"). The comparative information for the year ended June 30, 2005 has been restated. The financial information for the years ended June 30, 2004, 2003 and 2002 in the table above are presented under previous Australian GAAP.

The change in EBIT over the last five years is affected by the adoption of AIFRS as mentioned above, but is primarily affected by the timing of acquisitions and disposals of businesses over the last five years.

During the year, the price per ordinary share traded between a low of A$0.87 and a high of A$1.18. On June 30, 2006 the price was A$0.915, compared to A$0.91 at June 30, 2005.

The table below shows the market price per ordinary share at June 30, for the last five years, and the market capitalisation of the Company, including ordinary and CP Shares and options.

As of June 30,	2002	2003	2004	2005	2006
Ordinary share price (A$)	0.65	0.75	0.68	0.91	0.915
Market capitalisation (A$m)	1,581	2,080	1,948	2,598	2,601

Other than with respect to the CP Shares, no dividends were paid on the Company's ordinary shares.

The Remuneration Committee considers that the performance-linked remuneration structure is generating the desired outcome, as evident in the increased operating margins in recent periods and the increase in the Company's market capitalisation over the last five years (including during the current period).

Employment contracts

It is the Group's policy that employment arrangements with key management personnel be unlimited in term but capable of termination on notice, the length of which varies having regard to the seniority of the relevant executive. The Company retains the right to terminate these employment arrangements by making a payment in lieu of the relevant notice period. In the event of redundancy, an additional payment is made having regard to the employee's years of service prior to the redundancy.

The CEO, Mr Degnan, has a contract of employment with a Group company, BPC United States Inc. The contract specifies the duties and obligations to be fulfilled by the CEO. The contract of employment is for an unlimited term which is terminable by either the Group or Mr Degnan on 12 months' notice. The Group may make a payment in lieu of notice equivalent to the aggregate of Mr Degnan's then applicable base salary, maximum potential bonus and car allowance. Mr Degnan's maximum potential incentive bonus is currently 50% of his base salary. Mr Degnan has no entitlement to a termination payment in the event of removal for misconduct or a change in control of the Company.

Details of the nature and amount of each major element of remuneration of each Director of the Company and each of the named Company executives and relevant group executives who receive the highest remuneration are set out in the tables below.

The Company is the holding company of the Burns Philp Group. Other than Mr Degnan (whose remuneration is disclosed with the other Directors' remuneration in Table 1), only two individuals qualify as "company executives" of the Company for the purposes of the Corporations Act 2001. Details of the nature and amount of each major element of remuneration of these named Company executives, and the most highly remunerated Group executives are set out in Table 2.

TABLE 1: REMUNERATION OF DIRECTORS FOR THE YEAR ENDED JUNE 30, 2006

		Primary benefits			Post employment						Proportion of remuneration performance related (%)[12]
A$		**Salary & fees**	**Non monetary[1]**	**Cash STI**	**Superannuation**	**Retirement benefits**	**Equity Options[3]**	**Discretionary incentives**	**Non-cash benefits[2]**	**Total**	
Non-executive Directors											
G R Hart	**2006**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Chairman,	2005	-	-	-	-	-	-	-	-	-	-
B M Murray	**2006**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Director	2005	-	-	-	-	-	-	-	-	-	-
F W Smith	**2006**	**100,000**								**100,000**	**-**
Director	2005	100,000	-	-	-	-	-	-	-	100,000	-
M D Burrows	**2006**	**91,743**			**8,257**					**100,000**	**-**
Director	2005	91,743	-	-	8,257	-	-	-	-	100,000	-
A G McGregor	**2006**	-	**-**	**-**		**-**	**-**	**-**	**-**	-	**-**
Former Chairman, retired on August 11, 2004	2005	31,276	-	-	2,815	505,847	-	-	-	539,938	-
Total remuneration for Non-executive Directors	**2006**	**191,743**	**-**	**-**	**8,257**	**-**	**-**	**-**	**-**	**200,000**	**-**
	2005	223,019	-	-	11,072	505,847	-	-	-	739,938	-
Executive Directors											
T J Degnan[4] [5][11]	**2006**	**1,742,861**	**159,654**	**871,430**	**-**	**-**	**-**	**2,614,291**	**80,440**	**5,468,676**	**63.7%**
Managing Director (Chief Executive Officer)	2005	1,656,287	147,236	828,144	9,504	-	-	5,029,739	47,089	7,717,999	75.9%
Total remuneration for all Directors	**2006**	**1,934,604**	**159,654**	**871,430**	**8,257**	**-**	**-**	**2,614,291**	**80,440**	**5,668,676**	
	2005	1,879,306	147,236	828,144	20,576	505,847	-	5,029,739	47,089	8,457,937	

TABLE 2: REMUNERATION OF EXECUTIVES WHO RECEIVED THE HIGHEST REMUNERATION FOR THE YEAR ENDED JUNE 30, 2006

		Primary benefits			Post employment						Proportion of
A$		**Salary & fees**	**Non monetary[1]**	**Cash STI**	**Superannuation**	**Retirement benefits**	**Equity Options[3]**	**Discretionary Incentives**	**Non-cash benefits[2]**	**Total**	**remuneration performance related (%)[12]**
Executives employed by the Company											
A P Hugli[4][6][11]	**2006**	**530,000**	**-**	**212,000**	**-**	**-**	**-**	**750,000**	**10,192**	**1,502,192**	**64.0%**
Chief Financial Officer	2005	485,000	-	169,750	-	-	-	642,500	199	1,297,449	62.6%
H D Golding[6][11]	**2006**	**419,972**	**9,468**	**188,000**	**40,560**	**-**	**-**	**660,000**	**45,196**	**1,363,196**	**62.2%**
Company Secretary/ Group Legal Counsel	2005	359,594	28,403	150,500	42,002	-	-	570,000	55,858	1,206,357	59.9%
Executives employed by the Group											
R Vela[4][10]	**2006**	**162,044**	**645**	**-**	**-**	**3,005,322**	**-**	**-**	**-**	**3,168,011**	**-**
Managing Director, Baking & Commercial Division, Australasia	2005	1,423,265	39,558	990,820	184,759	-	-	-	188,209	2,826,611	35.1%
P Hitchcock[8][9][10]	**2006**	**186,183**	**694**	**202,285**	**15,171**	**-**	**-**	**430,000**	**17,186**	**851,519**	**74.3%**
Managing Director, Commercial	2005	368,537	1,463	400,000	30,000	-	-	-	1,001	801,001	49.9%
G Hardie[8][9][10]	**2006**	**199,378**	**22,213**	**220,161**	**5,711**	**-**	**-**	**468,000**	**4,601**	**920,064**	**74.8%**
Managing Director, Baking Australia	2005	406,520	50,020	330,000	11,585	-	-	-	-	798,125	41.3%
A McIver[7][10]	**2006**	**382,380**	**1,495**	**-**	**31,125**	**-**	**-**	**625,000**	**11,914**	**1,051,914**	**59.4%**
Managing Director, Uncle Tobys	2005	345,413	1,463	314,000	28,124	-	-	-	-	689,000	45.6%
G Erby[8][9][10]	**2006**	**173,145**	**694**	**94,086**	**14,113**	**-**	**-**	**400,000**	**15,983**	**698,021**	**70.8%**
Managing Director, Meadow Lea Foods	2005	299,162	1,463	325,000	24,375	-	-	-	19,018	669,018	48.6%
A Taylor[4][8][9]	**2006**	**178,170**	**9,416**	**111,591**	**18,559**	**-**	**-**	**336,048**	**-**	**653,784**	**68.5%**
Managing Director, Retail NZ	2005	301,359	35,460	182,674	36,786	-	-	-	-	556,279	32.8%
Total remuneration for Executives	**2006**	**2,231,272**	**44,625**	**1,028,123**	**125,239**	**3,005,322**	**-**	**3,669,048**	**105,072**	**10,208,701**	
	2005	3,988,850	127,830	2,862,744	357,631	-	-	1,212,500	264,285	8,843,840	

TABLE 3: TOTAL REMUNERATION OF KEY MANAGEMENT PERSONNEL[13]

Total for Company	**2006**	**2,884,576**	**169,122**	**1,271,430**	**48,817**	**-**	**-**	**4,024,291**	**135,828**	**8,534,064**	
	2005	2,723,900	175,639	1,148,394	62,578	505,847	-	6,242,239	103,146	10,961,743	
Total for Group	**2006**	**4,165,876**	**204,279**	**1,899,553**	**133,496**	**3,005,322**	**-**	**6,283,339**	**185,512**	**15,877,377**	
	2005	5,868,156	305,066	3,690,888	378,207	505,847	-	6,242,239	311,374	17,301,776	

(1) This includes remuneration received in non-monetary form, including car park allowances, housing allowances and other fringe benefits.

(2) This represents net increase in leave entitlements accrued during the current year.

(3) No options over unissued shares in the Company were granted to any director or any officer of the Burns Philp Group as part of their remuneration during the period. There are no unvested options held by any director or officer.

(4) Remuneration is payable in currencies other than Australian dollars and for the purposes of disclosure has been converted to Australian dollars at the prevailing exchange rates.

(5) On July 26, 2006, the Remuneration Committee approved, and Mr Degnan was paid, a discretionary bonus of US$1,950,000 (A$2,614,291) in recognition of his contribution to the Company's financial performance. For the financial period to June 30, 2006, Mr Degnan was entitled to receive a maximum of US$650,000 (A$871,430) being 50% of his base salary as a bonus entitlement, dependent on his achieving key financial and strategic objectives as determined from time to time by the Chairman. The Board has determined that Mr Degnan will be paid 100% of his bonus entitlement for the period to June 30, 2006.

(6) On July 26, 2006, the Remuneration Committee approved, and Mr Hugli and Ms Golding were each paid, a discretionary bonus of A$750,000 and A$660,000 respectively in recognition for each of their contributions to the Company's achievement of its strategic objectives over the recent period.

(7) On July 26, 2006, the Remuneration Committee approved, and Mr McIver, managing director of Uncle Tobys Foods, was paid a discretionary bonus of A$625,000 in recognition of his contribution to the Company's achievement of its strategic objectives over the recent period.

(8) Amounts accrued for performance related incentive payments payable by Goodman Fielder to Goodman Fielder executives have been calculated on the assumption that, as at June 30, 2006, the executives will have reached their bonus targets (made up of Company and individual objectives), and that Goodman Fielder will pay each of the relevant executives the maximum potential incentive. The amount accrued with respect to these incentives has been pro-rated for the period July 1, 2005 to December 21, 2005, which represents the period these executives were employed by the Group. The amounts for 'salary and fees' 'non monetary' and 'superannuation' are also pro-rated for the period July 1, 2005 to December 21, 2005.

(9) The Company has also entered into agreements with each of Mr Hitchcock, Mr Hardie, Mr Erby, Ms Taylor and certain other Goodman Fielder executives, to pay each of them an incentive payment if they remain employed in their current positions as executives of Goodman Fielder until December 31, 2006. If this condition is met the incentive payment will be paid during January 2007.

(10) As at the date of this report the named executives are no longer employed by the Group. Mr Vela's employment ceased on July 31, 2005. Following the sale of Uncle Tobys on July 14, 2006, Mr McIver is no longer employed by the Group. The remaining executives ceased employment with the Group following the initial public offering of Goodman Fielder on December 21, 2005.

(11) Each of Mr. Degnan, Mr. Hugli and Ms Golding received 100% of their potential performance-related incentive for the period July 1, 2005 to June 30, 2006.

(12) For the purpose of this calculation, the performance related percentage includes cash STI, and discretionary incentives.

(13) Each director and executive included in the tables above represent the "key management personnel" for the purpose of AASB 124 "Related Party Disclosures".

INDEMNIFICATION AND INSURANCE

Indemnification of Officers

The Company has agreed to indemnify all of the current Directors, the Company Secretary and the Chief Financial Officer of the Company, and a former Director (Mr A McGregor, now deceased) and a former Company Secretary (Philip West) against losses incurred in their role as director, secretary, executive or other employee of the Company or its subsidiaries subject to certain exclusions, including to the extent that such an indemnity is prohibited by the Corporations Act or any other law. The agreement stipulates that the Company will meet the full amount of any such liabilities costs and expenses (including legal fees).

By a Deed Poll dated December 18, 1997 (as amended on November 3, 2000) the Company agreed to indemnify each director and company secretary of a subsidiary of the Company against any liability incurred as a result of having served as a director, secretary or employee of a subsidiary. The indemnity is subject to certain exclusions including to the extent that such an indemnity is prohibited by the Corporations Act or any other law. The agreement stipulates that the Company will meet the full amount of any such liabilities costs and expenses (including legal fees).

By two separate Deeds of Indemnity authorised by the Board on November 14, 2005, the Company agreed to indemnify each of Mr H E Perrett and Mr M Ould on a full indemnity basis (subject to certain specified limitations) and to the full extent permitted by law against any liability incurred by either of them in their capacity as a director of Goodman Fielder in relation to certain specified matters in connection with the divestment by Burns Philp of its Baking, Spreads & Oils businesses and the initial public offering (IPO) of ordinary shares in Goodman Fielder.

Goodman Fielder (while it was still a member of the Group), also executed Deeds of Indemnity in favour of:

- the directors of Goodman Fielder as at November 15, 2005;
- the company secretary of Goodman Fielder; and
- each director, alternate director, and each company secretary from time to time of any subsidiaries of Goodman Fielder.

Each of these deeds provides an indemnity on a full indemnity basis to the full extent permitted by law against all losses and liabilities incurred by them in their capacity as officers of the Company (or its subsidiaries).

Each of the indemnities referred to above provide that the Company or, in the case of the deeds entered into by Goodman Fielder, Goodman Fielder must maintain directors and officers insurance for a specified period and pay such premiums to the extent permitted by the law.

The Company has not been advised of any claims under any of the above indemnities.

Insurance

During the financial year the Company paid insurance premiums for a directors' and officers' (and legal expenses) liability insurance contract, that provides cover for the current and former Directors, secretaries and executive officers of both the Company and its subsidiaries. The Directors have not included details of the nature of the liabilities covered in this contract or the amount of the premium paid as disclosure is prohibited under the terms of the contract.

Indemnification of Auditors

During the financial year ended June 30, 2006, in connection with the initial public offering of ordinary shares in Goodman Fielder:

a) Goodman Fielder (when it was still a member of the Group) agreed to indemnify the auditor, KPMG, in its role as Investigating Accountant, from any liability arising from Goodman Fielder's failure to maintain proper internal controls over its website, and/or its failure to comply with ASIC's rules or interpretations related to the use of electronic media for information delivery or other applicable ASIC rules and interpretations, and/or the distribution of the proposed prospectus in jurisdictions to which KPMG Transaction Services had not given its prior written consent.

b) The Company and Goodman Fielder agreed to indemnify KPMG against any claims by third parties arising from or connected to a breach by either company of their obligation under the agreement of engagement.

From time to time the Group engages its external auditor, KPMG, to conduct non-statutory audit work and provide other services. The terms of engagement include an indemnity in favour of KPMG:

a) against all losses, claims, costs, demands, actions, damages, liabilities or any proceedings ("liabilities") incurred by KPMG in respect of third party claims arising from a breach by the Group under the engagement terms; and

b) for all liabilities KPMG has to the Group or any third party as a result of reliance on information provided by the Group which is false, misleading or incomplete.

NON – AUDIT SERVICES

During the year KPMG, the Company's auditor, performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice endorsed by a resolution of the Audit & Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit & Risk Committee to ensure they did not impact the integrity and objectivity of the auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional Independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 29 of this Annual Report.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices, for audit and non-audit services provided during the year are set out in Note 2(e) to the consolidated financial statements.

ROUNDING OF AMOUNTS

Burns, Philp & Company Limited is a company of the kind referred to in ASIC Class Order 98/100 dated July 10, 1998 and in accordance with that Class Order amounts in the financial report and in this Directors' Report have been rounded to the nearest tenth of a million dollars, unless otherwise shown.

This report has been made in accordance with a resolution of the Directors of the Company.

Thomas J. Degnan

Thomas J Degnan
Managing Director
August 25, 2006

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Burns, Philp & Company Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended June 30, 2006 there has been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Alan Walsh
Partner

Sydney
August 25, 2006

SHAREHOLDER INFORMATION

As at August 21, 2006

This section includes information required by the ASX Listing Rules and not disclosed elsewhere in this report.

Voting Rights

Burns Philp has only ordinary shares on issue. The voting rights attaching to the ordinary shares are set out in article 56 of the Company's constitution. In summary, that article provides that every member present or represented shall have one vote on a show of hands and upon a poll shall have one vote for each fully paid ordinary share held.

Substantial ShareHolders

The following substantial shareholdings have been advised to the Company:

	Number of shares	% of voting power
Rank Group Ltd*	1,629,315,312	57.59%
Lazard Asset Management Pacific Co	226,909,305	8.02%

*This includes holdings in the names of Millstreet Investments Ltd and Kintron Developments Ltd.

Holders of Each Class of Equity Security

The distribution and number of holders of ordinary shares, together with holders holding less than a marketable parcel, were as follows:

	No. of holders*	Number of shares	% of issued capital
(a) Distribution			
1 - 1,000	6,852	3,593,329	0.13
1,001 - 5,000	11,340	32,993,705	1.17
5,001 - 10,000	5,641	45,605,363	1.61
10,001 - 100,000	6,907	191,539,204	6.77
100,001 - and over	539	2,555,403,094	90.32
(b) Number of holders	31,279	2,829,134,695	100.00
(c) Holders holding less than a marketable parcel	3,165	650,952	0.02

* This is the number of holders as shown on the register. Beneficial holdings may differ.

Twenty Largest Shareholders*	**Number of shares**	**% of issued capital**
Kintron Developments Limited	1,485,113,075	52.49
J P Morgan Nominees Australia Limited	181,005,774	6.40
Westpac Custodian Nominees Limited	170,805,565	6.04
Millstreet investments Limited	144,202,237	5.10
ANZ Nominees Limited	102,434,091	3.62
National Nominees Limited	93,198,724	3.29
Citicorp Nominees Pty Limited	46,910,324	1.66
Citicorp Nominees Pty Limited (CFSIL Cwlth Boff Super A/c)	17,931,544	0.63
Cogent Nominees Pty Limited	15,255,950	0.54
UBS Wealth Management Australia Nominees Pty Lyd	13,145,552	0.46
Queensland Investment Corporation	10,222,235	0.36
Goodman Capital Pty Ltd	8,870,868	0.31
Victorian Workcover Authority	8,322,874	0.29
HSBC Custody Nominees (Australia) Limited – GSCO ECA	7,484,126	0.26
Credit Suisse Securities (Europe) Ltd	6,440,000	0.23
Goodman Realties Pty Ltd	6,409,429	0.23
Custodial Services Limited	6,184,574	0.22
Forbar Custodians Limited	5,315,378	0.19
Transport Accident Commission	5,141,327	0.18
HSBC Custody Nominees (Australia) Limited	5,037,045	0.18
	2,339,430,692	82.68
Total issued shares	2,829,134,695	100.00%

*As shown on the register; beneficial holdings may differ.

Enquiries

Shareholders seeking information on their holdings should contact the registrar, Link Market Services Limited (Link), Level 12, 680 George Street, Sydney NSW 2000, telephone (02) 8280 7127, international +61 2 8280 7127, facsimile (02) 9287 0303, international +61 2 9287 0303 or email registrars@linkmarketservices.com.au.

All enquiries must include your Securityholder Reference Number ("SRN") or Holder Identification Number ("HIN"). Your SRN or HIN is recorded on most documents forwarded to you including your holding statement, CHESS statement and proxy form.

Holders can also visit Link's website www.linkmarketservices.com.au and access a wide variety of holding information, download instruction forms and make some changes online.

The following can be accessed via a security login using your SRN or HIN as well as surname (or company name) and recorded postcode:

- Check current and previous holding balances
- Choose preferred annual report delivery option
- Update address details
- Update bank account details
- Lodge, or confirm lodgement of, Tax File Number ("TFN"), Australian Business Number ("ABN") or exemption
- Check transaction and dividend history
- Enter email addresses to subscribe to email announcements
- Check share prices and graphs

Tax File Number Information

The Company is obliged to record tax file number or exemption details provided by Australian resident shareholders. While it is not compulsory to provide your tax file number or exemption details, the Company is obliged to deduct tax at the top marginal income tax rate plus Medicare levy from unfranked dividends paid to shareholders resident in Australia who have not supplied this information. For shareholders who have not provided this information, forms are available upon request from our registrar.

Change of Address

Please advise the registrar in writing if you have a new postal address. Shareholders sponsored by a broker should advise their broker of any changes.

American Depositary Receipts

In the United States the Company's shares are traded on the over-the-counter market in the form of sponsored American Depositary Receipts ("ADR"). Each ADR represents six Burns Philp ordinary shares. Enquiries about ADRs should be made to the depository, JPMorgan Chase Bank, N.A., JPMorgan Service Center, PO Box 3408, South Hackensack, NJ 07606-3408, USA, telephone US domestic toll free +1(800) 990 1135, facsimile +1 (718) 575 4082, email adr@jpmorgan.com, website www.adr.com.

Burns Philp Finance New Zealand Limited Capital Notes

Burns Philp Finance New Zealand Limited (formerly Goodman Finance Limited), a wholly-owned subsidiary of the Company incorporated in New Zealand, has issued NZ$212.5 million Capital Notes ("New Zealand Capital Notes"). Quotation and trading of the New Zealand Capital Notes on the NZX commenced on July 1, 2003. Enquiries in relation to the New Zealand Capital Notes should be made to the registrar, Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Auckland (Private Bag 92119, Auckland 1020), telephone +64 9 488 8777, facsimile +64 9 488 8787, email enquiry@computershare.co.nz.

Burns Philp Communications

The annual report is the main source of information for shareholders, supplemented by announcements. All announcements made to the ASX and the NZX are available for viewing on the Company's website www.burnsphilp.com. You can subscribe via our registrar's website, www.linkmarketservices.com.au, to receive email notification of the Company's major announcements. Shareholders not wishing to receive printed annual reports should advise the share registry in writing or via our registrar's website.

FINANCIAL REPORT AND INDEPENDENT AUDIT REPORT

CONTENTS

INCOME STATEMENTS

For the year ended June 30

A$ million	Note	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Continuing operations					
Revenue from sale of goods		**1,061.6**	2,030.1	**-**	-
Cost of goods sold		**(643.7)**	(1,240.0)		-
Gross profit		**417.9**	790.1	**-**	-
Gain on disposal of Baking, Spreads & Oils businesses	2(a)	**699.2**	-	**-**	-
Dividends received from subsidiaries		**-**	-	**1,172.4**	-
Other income	2(b)	**14.0**	10.3	**0.4**	3.9
Selling, marketing and distribution expenses		**(214.9)**	(404.4)	**-**	-
General and administration expenses		**(79.2)**	(135.8)	**(25.6)**	(22.4)
Other expenses	2(c)	**(4.8)**	(12.9)	**-**	(24.7)
Share of profits of associates and jointly controlled entities	13	**23.7**	1.8	**-**	-
Profit/(loss) from continuing operations before net financing costs and tax	2	**855.9**	249.1	**1,147.2**	(43.2)
Financial income	3	**85.1**	43.2	**62.1**	60.1
Financial expenses	3	**(277.3)**	(167.4)	**-**	(1.7)
Net financing (costs)/income	3	**(192.2)**	(124.2)	**62.1**	58.4
Profit before tax from continuing operations		**663.7**	124.9	**1,209.3**	15.2
Income tax benefit	4	**134.1**	55.3	**176.6**	44.0
Profit after tax from continuing operations	5	**797.8**	180.2	**1,385.9**	59.2
Discontinued operations					
Profit after tax from discontinued operations and gains and losses after tax on sale of discontinued operations	6	**30.9**	896.9	**-**	37.6
Net profit after tax		**828.7**	1,077.1	**1,385.9**	96.8
Attributable to:					
Equity holders of the parent		**827.1**	1,073.1	**1,385.9**	96.8
Minority interests		**1.6**	4.0	**-**	-
		828.7	1,077.1	**1,385.9**	96.8
Earnings per share — basic (cents)					
Continuing operations	7	**28.1**	6.3		
Discontinued operations	7	**1.1**	31.7		
Basic earnings per share		**29.2**	38.0		
Earnings per share — diluted (cents)					
Continuing operations	7	**26.8**	6.3		
Discontinued operations	7	**1.0**	31.7		
Diluted earnings per share		**27.8**	38.0		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 40 to 116.

BALANCE SHEETS

As of June 30

A$ million	Note	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Current assets					
Cash and cash equivalents	8	**2,405.9**	492.3	**0.9**	0.8
Receivables	9	**24.1**	212.5	**1,910.6**	576.4
Inventories	10	**9.1**	143.7	**-**	-
Assets classified as held for sale	11	**501.9**	6.3	**-**	-
Other assets	12	**26.8**	12.8	**16.9**	8.0
Total current assets		**2,967.8**	867.6	**1,928.4**	585.2
Non-current assets					
Receivables	9	**-**	3.2	**-**	-
Investments accounted for using the equity method	13	**359.0**	8.4	**-**	-
Other financial assets	14	**-**	-	**255.7**	255.7
Property, plant and equipment	15	**44.2**	552.3	**0.1**	0.1
Intangible assets	16	**88.0**	1,832.6	**-**	-
Deferred tax assets	17	**163.4**	65.2	**97.3**	44.0
Other assets	12	**-**	57.2	**-**	-
Total non-current assets		**654.6**	2,518.9	**353.1**	299.8
Total assets		**3,622.4**	3,386.5	**2,281.5**	885.0
Current liabilities					
Payables	18	**38.8**	228.4	**16.4**	3.8
Interest bearing borrowings	19	**640.4**	1.0	**-**	-
Current tax liabilities		**2.7**	14.5	**-**	-
Employee benefits	20	**16.6**	42.7	**11.3**	2.0
Provisions	21	**34.0**	51.4	**1.0**	-
Liabilities classified as held for sale	11	**39.6**	-	**-**	-
Total current liabilities		**772.1**	338.0	**28.7**	5.8
Non-current liabilities					
Payables	18	**43.0**	21.4	**-**	-
Interest bearing borrowings	19	**169.9**	1,118.0	**-**	-
Deferred tax liabilities	17	**1.1**	0.4	**-**	-
Employee benefits	20	**0.5**	35.7	**0.5**	0.1
Provisions	21	**26.1**	41.0	**5.2**	-
Total non-current liabilities		**240.6**	1,216.5	**5.7**	0.1
Total liabilities		**1,012.7**	1,554.5	**34.4**	5.9
Net assets		**2,609.7**	1,832.0	**2,247.1**	879.1
Equity					
Issued capital	22	**1,114.1**	1,114.1	**1,114.1**	1,114.1
Reserves	22	**(33.6)**	(15.6)	**-**	-
Retained earnings/(accumulated losses)		**1,529.2**	725.0	**1,133.0**	(235.0)
Parent interests		**2,609.7**	1,823.5	**2,247.1**	879.1
Minority interests		**-**	8.5	**-**	-
Total equity		**2,609.7**	1,832.0	**2,247.1**	879.1

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 40 to 116.

STATEMENTS OF CHANGES IN EQUITY

For the year ended June 30

Consolidated **A$ million**	**Note**	**Share capital**	**Foreign currency translation reserve**	**Hedge reserve**	**Retained earnings**	**Total parent interests**	**Minority interests**	**Total equity**
Balance at July 1, 2004		1,114.1	-	-	(330.2)	783.9	26.3	810.2
Foreign exchange translation differences, net of tax	22(b)	-	(15.6)	-	-	(15.6)	(1.2)	(16.8)
Total non-profit items recognised directly in equity		-	(15.6)	-	-	(15.6)	(1.2)	(16.8)
Net profit after tax		-	-	-	1,073.1	1,073.1	4.0	1,077.1
Total recognised income and expense		-	(15.6)	-	1,073.1	1,057.5	2.8	1,060.3
Other movements in minority interests	22(d)	-	-	-	-	-	(17.9)	(17.9)
Dividends paid to shareholders	22(c)	-	-	-	(17.9)	(17.9)	(2.7)	(20.6)
Balance at June 30, 2005		1,114.1	(15.6)	-	725.0	1,823.5	8.5	1,832.0
Balance at July 1, 2005		1,114.1	(15.6)	-	725.0	1,823.5	8.5	1,832.0
Effect of change in accounting policy	30(m)	-	-	(12.2)	(5.0)	(17.2)	-	(17.2)
Balance at July 1, 2005 restated		1,114.1	(15.6)	(12.2)	720.0	1,806.3	8.5	1,814.8
Foreign exchange translation differences, net of tax	22(b)	-	(18.9)	-	-	(18.9)	0.3	(18.6)
Other movements in hedge reserve	22(b)	-	-	0.9	-	0.9	-	0.9
Amounts reclassified to net profit from hedge reserve, net of tax	22(b)	-	-	12.2	-	12.2	-	12.2
Total non-profit items recognised directly in equity		-	(18.9)	13.1	-	(5.8)	0.3	(5.5)
Net profit after tax		-	-	-	827.1	827.1	1.6	828.7
Total recognised income and expense		-	(18.9)	13.1	827.1	821.3	1.9	823.2
Other movements in minority interests	22(d)	-	-	-	-	-	(7.4)	(7.4)
Dividends paid to shareholders	22(c)	-	-	-	(17.9)	(17.9)	(3.0)	(20.9)
Balance at June 30, 2006		1,114.1	(34.5)	0.9	1,529.2	2,609.7	-	2,609.7

Burns, Philp & Company Limited **A$ million**	**Note**	**Share capital**	**Foreign currency translation reserve**	**Hedge reserve**	**Retained earnings**	**Total equity**
Balance at July 1, 2004		1,114.1	-	-	(313.9)	800.2
Total non-profit items recognised directly in equity		-	-	-	-	-
Net profit after tax		-	-	-	96.8	96.8
Total recognised income and expense		-	-	-	96.8	96.8
Dividends paid to shareholders	22(c)	-	-	-	(17.9)	(17.9)
Balance at June 30, 2005		1,114.1	-	-	(235.0)	879.1
Balance at July 1, 2005		1,114.1	-	-	(235.0)	879.1
Effect of change in accounting policy	30(m)	-	-	-	-	-
Balance at July 1, 2005 restated		1,114.1	-	-	(235.0)	879.1
Total non-profit items recognised directly in equity		-	-	-	-	-
Net profit after tax		-	-	-	1,385.9	1,385.9
Total recognised income and expense		-	-	-	1,385.9	1,385.9
Dividends paid to shareholders	22(c)	-	-	-	(17.9)	(17.9)
Balance at June 30, 2006		1,114.1	-	-	1,133.0	2,247.1

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 40 to 116.

STATEMENTS OF CASH FLOWS

For the year ended June 30

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Cash flows from operating activities				
Cash receipts from customers	**1,349.2**	2,667.4	**0.4**	3.9
Cash paid to suppliers and employees	**(1,190.7)**	(2,310.7)	**(12.5)**	(23.8)
Cash generated from operations	**158.5**	356.7	**(12.1)**	(19.9)
Dividends received from associates and jointly controlled entities	**-**	1.4	**-**	-
Interest received	**67.3**	10.5	**62.1**	44.5
Interest paid	**(110.6)**	(180.6)	**-**	(1.7)
Income taxes paid	**(18.2)**	(10.5)	**-**	-
Net cash from operating activities[a]	**97.0**	177.5	**50.0**	22.9
Cash flows from investing activities				
Acquisition of property, plant and equipment	**(46.0)**	(58.9)	**-**	(0.1)
Acquisition of businesses, net of cash acquired[b]	**(19.5)**	(0.7)	**-**	-
Disposal of businesses, net of costs and cash disposed of[b]	**2,301.6**	1,822.9	**-**	37.6
Proceeds from sale of property, plant and equipment	**15.3**	3.0	**-**	-
Proceeds from sale of other financial assets	**0.7**	8.1	**-**	-
Net cash from investing activities[c]	**2,252.1**	1,774.4	**-**	37.5
Cash flows from financing activities				
Repayment of borrowings	**(1,092.2)**	(1,574.9)	**-**	-
Drawdown of borrowings	**662.1**	3.8	**-**	-
Loans to subsidiaries	**-**	-	**(32.0)**	(73.8)
Dividends paid – converting preference shares	**(17.9)**	(17.9)	**(17.9)**	(17.9)
Dividends paid – outside equity interests	**(2.5)**	(2.7)	**-**	-
Net cash from financing activities[c]	**(450.5)**	(1,591.7)	**(49.9)**	(91.7)
Net increase/(decrease) in cash held	**1,898.6**	360.2	**0.1**	(31.3)
Cash and cash equivalents at beginning of year	**492.3**	170.1	**0.8**	32.1
Effects of exchange rate changes on cash (including cash at beginning of the year and cash transactions during the year)	**15.0**	(38.0)	**-**	-
Cash and cash equivalents at end of year (refer to Note 8)	**2,405.9**	492.3	**0.9**	0.8

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 40 to 116.

STATEMENTS OF CASH FLOWS (CONTINUED)

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
(a) Reconciliation of net cash from operating activities to net profit after tax				
Net profit after tax	**828.7**	1,077.1	**1,385.9**	96.8
Add/(less):				
Non-cash items				
Depreciation and amortisation	**45.0**	75.5	**-**	0.1
Share of profits of associates and jointly controlled entities, net of dividends received	**(23.7)**	(3.3)	**-**	-
Dividends received from subsidiaries	**-**	-	**(1,172.4)**	-
Profit before tax on disposal of non-current assets and businesses	**(701.0)**	(965.8)	**-**	(37.6)
Adjustment to goodwill on recognition of deferred taxes	**-**	12.9	**-**	-
Amortisation of debt issue costs	**5.3**	8.5	**-**	-
Recoverable amount write-down of investments	**-**	-	**-**	24.7
Recoverable amount write-down of property, plant and equipment	**-**	2.0	**-**	-
Items not classified as operating activities				
Debt extinguishment costs	**164.8**	-	**-**	-
Net foreign currency exchange losses/(gains)	**5.2**	(32.5)	**-**	(15.6)
Changes in assets and liabilities net of effects of acquisitions and disposals of businesses				
Trade debtors	**(76.3)**	(33.7)	**-**	-
Inventories	**(9.2)**	11.6	**-**	-
Trade creditors	**16.5**	(10.3)	**-**	-
Other creditors – accrued interest payable	**(31.3)**	(26.0)	**-**	-
Provisions	**(19.6)**	(35.9)	**0.9**	(0.4)
Employee benefits	**0.8**	4.1	**2.2**	(1.0)
Derivative financial instruments	**12.9**	5.9	**-**	-
Current tax liabilities	**(7.1)**	9.9	**-**	-
Deferred tax assets and liabilities	**(121.5)**	97.2	**(174.3)**	(44.0)
Other assets and liabilities, net	**7.5**	(19.7)	**7.7**	(0.1)
Net cash from operating activities	**97.0**	177.5	**50.0**	22.9

STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Acquisitions and disposals of businesses

(i) Inflow/(outflow) of cash:

	Consolidated			
	2006		2005	
A$ million	**Acquisitions**	**Disposals**	Acquisitions	Disposals
Cash proceeds/(payments)	**(20.4)**	**2,316.0**	(0.7)	1,962.8
Transaction and other costs (paid)	**-**	**(17.9)**	-	(53.5)
Cash received for retention of workers' compensation liabilities	**-**	**26.9**	-	-
Net cash acquired/(disposed of)	**0.9**	**(23.4)**	-	(86.4)
	(19.5)	**2,301.6**	(0.7)	1,822.9

Transaction and other costs paid during the current year include A$6.4 million of costs paid in respect of outstanding claims and tax liabilities on the disposal of the Yeast & Bakery Ingredients group. These amounts were fully provided for at June 30, 2005.

(ii) Details of net assets (acquired)/disposed of:

	Consolidated			
	2006		2005	
A$ million	**Acquisitions**	**Disposals**	Acquisitions	Disposals
Investments in associates	**-**	**-**	-	42.5
Property, plant and equipment	**(3.1)**	**390.9**	(0.3)	436.5
Goodwill	**(10.3)**	**1,034.8**	(0.3)	131.5
Identifiable intangible assets	**(1.9)**	**407.0**	-	99.6
Deferred tax assets	**-**	**14.9**	-	10.8
Trade debtors	**(3.9)**	**211.8**	-	136.5
Inventories	**(1.8)**	**119.8**	(0.1)	117.7
Cash	**(0.9)**	**23.4**	-	90.8
Other current and non-current assets	**(0.2)**	**27.2**	-	48.7
Trade creditors	**1.5**	**(135.3)**	-	(69.6)
Other payables	**-**	**(67.2)**	-	(50.6)
Bank overdraft	**-**	**-**	-	(4.4)
Other interest bearing borrowings	**-**	**(6.7)**	-	(4.2)
Current and deferred tax liabilities	**-**	**(6.4)**	-	(36.0)
Provisions	**0.2**	**(61.1)**	-	(52.5)
	(20.4)	**1,953.1**	(0.7)	897.3
Minority interests	**-**	**(7.4)**	-	(17.9)
Net assets (acquired)/disposed of	**(20.4)**	**1,945.7**	(0.7)	879.4

Refer to Note 2(a) for details regarding business disposals in the current year and to Note 6 for details regarding business disposals in the year ended June 30, 2005.

(c) Non-cash financing and investing activities

During the current year, the Group disposed of its Baking, Spreads & Oils businesses to Goodman Fielder Limited ("Goodman Fielder"). A$530.0 million of the proceeds on disposal were received as ordinary shares in Goodman Fielder. Refer to Note 2(a) for further details.

There were no other significant non-cash financing and investing activities during the current or prior year.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Burns, Philp & Company Limited ("Burns Philp" or "the Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended June 30, 2006 comprises the Company and its subsidiaries (together referred to as "the consolidated entity" or "the Group") and the consolidated entity's interest in associates and jointly controlled entities.

The financial report was authorised for issue by the Directors on August 25, 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRSs") form the basis of AASBs adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous GAAP. The financial reports of the consolidated entity and the Company also comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the Company's and the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in Note 30.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value in the current period.

The Company is of a kind referred to in ASIC Class Order 98/100 dated July, 10 1998 (updated by CO 05/641 effective July 28, 2005 and CO 06/51 effective January 31, 2006) and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded to the nearest tenth of a million dollars, unless otherwise stated.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The consideration of these factors enables management to make the necessary judgements about the carrying values of assets and liabilities when the information is not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Unless otherwise indicated, the accounting policies set out below have been applied consistently to all periods presented in the consolidated financial reports and the Company's financial reports and in preparing opening AIFRS balance sheets at July 1, 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

The accounting policies have been applied consistently by all entities in the consolidated entity.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (continued)

The consolidated entity has elected to early adopt the following accounting standards, guidance and amendments:

- AASB 119 *Employee Benefits (December 2004)*
- AASB 2004-3 *Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements and AASB 124 Related Party Disclosures*
- AASB 2005-1 *Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement*
- AASB 2005-3 *Amendments to Australian Accounting Standards (June 2005) amending AASB 119 Employee Benefits (either July or December 2004)*
- AASB 2005-4 *Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts*
- AASB 2005-5 *Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement*
- AASB 2005-6 *Amendments to Australian Accounting Standards (June 2005) amending AASB 3 Business Combinations*
- AASB 2006-1 *Amendments to Australian Accounting Standards (January 2006) amending AASB 121 The Effects of Changes in Foreign Exchange Rates (July 2004)*
- UIG 4 *Determining whether an Arrangement contains a Lease*
- UIG 5 *Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
- UIG 7 *Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies*
- UIG 8 *Scope of AASB 2.*

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- AASB 7 *Financial Instruments: Disclosure (August 2005) replacing the presentation requirements of financial instruments in AASB 132 Financial Instruments: Disclosure and Presentation. AASB 7 is applicable for annual reporting periods beginning on or after January 1, 2007*
- AASB 2005-9 *Amendments to Australian Accounting Standards (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after January 1, 2006*
- AASB 2005-10 *Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7 Financial Instruments: Disclosure and Presentation. AASB 2005-10 is applicable for annual reporting periods beginning on or after January 1, 2007.*

The consolidated entity plans to adopt AASB 2005-9 and AASB 2005-10 in the 2007 financial year and AASB 7 in the 2008 financial year.

The initial applications of AASB 7 and AASB 2005-10 are not expected to have an impact on the financial results of the consolidated entity and the Company as the standard and the amendment are concerned only with disclosures.

The initial application of AASB 2005-9 could have an impact on the financial results of the consolidated entity and the Company as the amendment could result in liabilities being recognised for financial guarantee contracts that have been provided by the consolidated entity and the Company. However, the quantification of the impact is not known or reasonably estimable in the current financial year as an exercise to quantify the financial impact has not been undertaken by the consolidated entity and the Company to date.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition, less any impairment write downs, in the Company's financial statements.

Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases.

When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of the associate. Investments are carried at the lower of the equity accounted amount and recoverable amount.

Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities are accounted for using equity accounting principles. Investments are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the jointly controlled entity's net profit or loss is recognised in the consolidated income statement from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investments in associates" and "Share of associates' net profit" accounts.

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into the respective entity's functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation of the net investment in foreign operations, included related hedges and borrowings that form part of the net investment, are recognised directly in the foreign currency translation reserve, net of tax.

On disposal of a foreign operation, the cumulative balance in the foreign currency translation reserve is transferred to the income statement in determining the gain/loss on disposal.

In respect of all foreign operations, any exchange differences that arose before July 1, 2004, the date of transition to AIFRS, have been transferred to retained earnings (refer to Note 30(h)).

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Derivative financial instruments and hedging

The Group adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on July 1, 2005.

The accounting policies applied since July 1, 2005 and the accounting policies applied to comparative periods are set out below.

The quantitative effect of the change in accounting policy is set out in Note 30(m).

Current accounting policy

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, investing and financing activities. The use of financial derivatives is governed by policies approved by the board of directors. These provide written principles on the use of financial derivatives. The Group does not trade in derivative financial instruments or hold them for speculative purposes.

Derivative financial instruments are recognised initially at fair value, the best evidence of which is generally the transaction price or cost at the initial recognition date. Subsequent to initial recognition, all derivative financial instruments are measured at fair value with any gain or loss on remeasurement recognised immediately in the income statement, unless it qualifies as a cash flow hedge or as a hedge of a net investment in foreign operations.

The fair value of interest rate swaps and foreign currency derivatives is the estimated amount that the consolidated entity would receive or pay to terminate the instrument at the balance sheet date, taking into account current market conditions and the current creditworthiness of the counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedge reserve, a separate component of equity.

If the hedged transaction is no longer expected to take place, then the cumulative unrealised gain or loss recognised in the hedge reserve is recognised immediately in the income statement.

As discussed in Note 30(m), on adoption of AASB 132 and AASB 139 on July 1, 2005, the Group recognised the fair value of certain derivative financial instruments in the hedge reserve, as these instruments were considered to be effective hedges under previous GAAP. These amounts were subsequently transferred to the income statement following the extinguishment of the financial liabilities which the instruments had previously hedged.

Hedge of monetary assets and liabilities

When a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss on the hedging instrument is recognised in the income statement.

Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

Comparative period policy

Transactions were designated as a hedge of the anticipated specific purchase or sale of goods and services, purchase of qualifying assets, or an anticipated interest transaction, only when they were expected to reduce exposure to the risks being hedged, were designated prospectively so that it was clear when an anticipated transaction had or had not occurred and it was probable the anticipated transaction would occur as designated.

Gains or losses on the hedge arising up to the date of the anticipated transaction, together with any costs or gains arising at the time of entering into the hedge, were deferred and included in the measurement of the anticipated transaction when the transaction had occurred as designated. Any gains or losses on the hedge transaction after the date were included in the income statement.

The net amounts receivable or payable under forward foreign exchange contracts and the associated deferred gains or losses were recorded on the balance sheet from the date of inception of the hedge transaction. When recognised, the net receivables or payables were revalued using the foreign currency rate current at the reporting date.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Derivative financial instruments and hedging (continued)

The net amounts receivable or payable under cross currency and interest rate swaps and futures contracts and the associated deferred gains or losses were not recorded on the balance sheet until the hedge transaction occurred. When recognised the net receivables or payables were revalued using the interest or commodity rates current at reporting date.

When an anticipated transaction was no longer expected to occur as designated, the deferred gains or losses relating to the hedge transaction were recognised immediately in the income statement.

(f) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(i) below).

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity for each part of an item of property, plant and equipment. Generally this is a straight line basis. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- freehold buildings 40 – 50 years
- leasehold improvements 20 – 33 years
- plant and equipment 3 – 33 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

(g) Goodwill

Business combinations prior to July 1, 2004

Goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to July 1, 2004 has not been reconsidered in preparing the consolidated entity's opening AIFRS balance sheet at July 1, 2004 (refer to Note 30(d)).

Business combinations since July 1, 2004

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. At the date of acquisition, goodwill is determined based on the preliminary fair value of net identifiable assets acquired. Goodwill recognised on acquisition is subject to change until the allocation of the purchase price to the fair value of net identifiable assets is finalised, not more than 12 months from the date of acquisition.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested regularly, at least annually, for impairment (see Note 1(i) below).

Negative goodwill arising on an acquisition is recognised directly in the income statement.

(h) Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation and impairment losses (see Note 1(i) below).

Amortisation is charged to the income statement, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity over the estimated useful lives of the intangible assets, unless such lives are indefinite.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment

The carrying amounts of the consolidated entity's assets, other than inventories (see Note 1(k) below), employee benefit assets and deferred tax assets (see Note 1(p) below) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill and other intangible assets the recoverable amount is estimated at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Goodwill and other intangible assets were tested for impairment at July 1, 2004, the date of transition to AIFRS, even though no indication of impairment existed.

Calculation of recoverable amount

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration, less than 12 months, are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Provisions

A provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation.

A provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Dividends

A liability for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

Restructuring and employee termination benefits

Provisions for restructuring or termination benefits are recognised when a detailed plan has been approved and the restructuring or termination benefits have either commenced or been publicly announced. Future operating costs are not provided for.

Workers' compensation

Burns Philp is a self-insurer under the Victorian Accident Compensation Act and for the period April 1, 2001 to April 30, 2004, was a self-insurer under the New South Wales Workers' Compensation Act. Provisions have been made in respect of all employees in Victoria and New South Wales for all assessed workers' compensation liabilities incurred and both reported and not reported, for the relevant periods of self-insurance based on independent actuarial assessments plus a prudential margin. The actuarial assessments are based on a number of assumptions including those related to the long term nature of certain claims, the frequency and value of claims and a discount rate that is based on Australian Commonwealth Government Bond yields. In compliance with the relevant state schemes, workers' compensation risk for all Australian employees, other than for the periods of self-insurance outlined above, has been transferred via insurance to third party insurers.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the basis of first-in-first-out, or average cost, whichever is the most appropriate for each class of inventory. The method of assigning costs to inventory in each business is applied consistently from year to year. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

The cost of manufactured inventory and work in progress includes applicable variable and fixed factory overhead costs, the latter being allocated on the basis of normal operating capacity.

(l) Interest-bearing borrowings

The Group adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* on July 1, 2005.

The accounting policies applied since July 1, 2005 and the accounting policies applied to comparative periods are set out below.

The quantitative effect of the change in accounting policy is set out in Note 30(m).

Current accounting policy

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Comparative period policy

Bank loans were recognised at their principal amount, subject to set-off arrangements. Interest expense was accrued at the contracted rate. Notes payable were recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period of the maturity. Interest expense was recognised on an effective yield basis.

Ancillary costs incurred in connection with the arrangement of borrowings were capitalised and presented as an asset and amortised over the life of the borrowings on a straight line basis.

(m) Revenue recognition

Revenues are recognised at fair value of the consideration received or receivable net of the amount of goods and services tax and other value-added taxes payable to local taxation authorities. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenue.

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when the risks and rewards of ownership and title of goods pass to the customer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest rate method.

Dividends

In the Company’s financial statements, revenue from dividends and distributions paid out of post-acquisition profits by subsidiaries are recognised when they are declared by the subsidiaries. Dividends paid out of pre-acquisition profits by subsidiaries are applied firstly to reduce the carrying value of the investments in the controlled entity. Any dividends received in excess of the carrying value of the investment is then recognised as revenue.

(n) Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement as incurred.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Employee benefits (continued)

Defined benefit plans

The consolidated entity has early adopted the revised AASB 119 *Employee Benefits*.

The consolidated entity's net obligation in respect of defined benefit superannuation plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The discount rate used is the rate attaching to AA credit rated bonds that have maturity dates which most closely match the terms of maturity of the related liabilities. Where AA credit rated bonds are not available, and specifically for all Australian and New Zealand defined obligations, the discount rate used is the rate attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

All actuarial gains and losses as at July 1, 2004, the date of transition to AIFRS, were recognised as an adjustment to opening retained earnings. In respect of actuarial gains and losses that arise subsequent to July 1, 2004, and in calculating the consolidated entity's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

When the calculation results in plan assets exceeding liabilities to the consolidated entity, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Long-term service benefits

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

Provisions are calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history. Provisions are discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided up to balance date. Provisions are calculated at undiscounted amounts based on wage and salary rates that the consolidated entity expects to pay as at reporting date, including related on-costs.

(o) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and gains and losses on derivative instruments that are recognised in the income statement (see Note 1(e)). Foreign currency exchange gains and losses on net unhedged foreign currency borrowings are also included in net financing costs. Borrowing costs are expensed as incurred and included in net financing costs.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from June 12, 2003 and have therefore been taxed as a single entity from that date. The head entity within the tax consolidated group is Burns, Philp & Company Limited.

Current tax expense (income), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a group allocation method by reference to the carrying amounts in the separate financial statements of each entity and the tax values applicable under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Any current tax liabilities (assets), and deferred tax assets arising from unused tax losses, are assumed by the head entity from the subsidiaries in the tax-consolidated group and are recognised in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution to, or distribution from, the controlled entity. Distributions first reduce the carrying amount of the investment in the controlled entity and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

Nature of funding arrangements and tax sharing agreements

The members of the tax-consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) in the separate financial statements of the members of the tax-consolidated group equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

The head entity recognises the assumed current tax amounts as current tax liabilities (assets), adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities (assets) are equivalent to the tax balances generated by external transactions entered into by the tax-consolidated group. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The members of the tax-consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as the likelihood of a requirement to make a payment of any amounts under the tax sharing agreement is considered remote.

(q) Non-current assets held for sale and discontinued operations

Non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale are presented separately on the balance sheet. A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset or disposal group is available for immediate sale in its current condition, and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the asset (and all assets and liabilities in a disposal group) is brought up to date in accordance with AIFRS. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the consolidated entity's business that represents: a separate major line of business; geographical area of operations; or is a controlled entity acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Upon classification as a discontinued operation or asset held for sale, the Group ceases to depreciate or amortise non-current assets classified as held for sale, including non-current assets of disposal groups held for sale.

When the consolidated entity retains a significant continuing involvement in an operation, either directly or indirectly, that operation is not reported as a discontinued operation.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash equivalents for the purpose of the statement of cash flows.

(s) Accounting estimates and judgements

The preparation of the consolidated and Company financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation and uncertainty

Self-insured workers' compensation liabilities

Provisions for self-insured workers' compensation liabilities are based on actuarial assessments plus a prudential margin. See Note 1(j) for information regarding estimates and assumptions used in valuing these liabilities.

Realisation of deferred income tax assets

The Group assesses the recoverability of deferred tax assets with reference to estimates of future taxable income. To the extent that actual taxable income is different to the Board's estimates of future taxable income, this may affect the value of recognised deferred tax assets. Deferred tax assets have been recognised to offset deferred tax liabilities, if both deferred tax assets and liabilities are expected to be realised in the same jurisdiction and reporting period. Deferred tax assets have also been recognised based on the Board's best estimate of the recovery of these assets against future taxable income.

Critical accounting judgement in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

Presentation of the Baking, Spreads & Oils businesses

As set out in Note 1(q), where the consolidated entity retains a significant continuing involvement in an operation, either directly or indirectly, that operation is not reported as a discontinued operation.

Following completion of the disposal of the Baking, Spreads & Oils businesses to Goodman Fielder, the Group retained a 20% interest in Goodman Fielder. The Board has determined that this 20% interest in Goodman Fielder reflects an indirect significant continuing involvement in the Baking, Spreads & Oils businesses. Consequently, although these businesses have been disposed of, they continue to be presented as part of the Group's continuing operations.

NOTE 2. PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE NET FINANCING COSTS AND TAX

Profit from continuing operations before net financing costs and tax includes the following items:

(a) Gain on disposal of the Baking, Spreads & Oils businesses

A$ million	Consolidated		Burns, Philp & Company Limited	
	2006	2005	**2006**	2005
Sale proceeds	**2,846.0**	-	**-**	-
Carrying amount of net assets sold	**(1,945.7)**	-	**-**	-
Gross gain on disposal	**900.3**	-	**-**	-
Deferred profit on 20% retained interest	**(180.1)**	-	**-**	-
Costs associated with the sale	**(17.2)**	-	**-**	-
Amounts reclassified from foreign currency translation reserve	**(3.8)**	-	**-**	-
	699.2	-	**-**	-

On September 29, 2005, the Group announced its intention to dispose of its Baking and Spreads & Oils business segments through the establishment of Goodman Fielder, a new Australasian food company intended to be dual listed on the Australian and New Zealand Stock Exchanges.

On December 21, 2005, the initial public offering of Goodman Fielder was completed, resulting in the issuance of 1,325 million shares at A$2.00 per share. On the same date, Goodman Fielder completed the previously arranged purchase of the Baking and Spreads & Oils businesses from the Group for A$2,846 million, of which A$530 million was paid in shares of Goodman Fielder and A$2,316 million was paid in cash. Cash proceeds included A$1,100 million for the repayment of intercompany debts outstanding at the date of disposal. On completion of the initial public offering, the Group retained an investment in 20% of the issued capital of Goodman Fielder. The carrying amount of net assets sold was A$1,945.7 million. Additionally, A$3.8 million was transferred from the foreign currency translation reserve to net profit upon disposal of the businesses. Costs of A$17.2 million have been incurred, which are primarily associated with the corporate restructuring of these businesses and operations prior to disposal. As the Group has retained a 20% interest in Goodman Fielder, A$180.1 million of the gross gain has been deferred and offset against the carrying value of the Group's investment in Goodman Fielder. This gain will only be realised upon disposal of the Group's investment in Goodman Fielder. A net gain of A$699.2 million on the disposal of the Baking and Spreads & Oils businesses has been recorded in the current year. The gain on disposal of the Baking, Spreads & Oils businesses has been recorded in continuing operations (refer to Note 1(q)).

(b) Other income

A$ million	Consolidated		Burns, Philp & Company Limited	
	2006	2005	**2006**	2005
Gain on disposal of investments and other financial assets(i)	**0.7**	3.3	**-**	-
Gain on disposal of properties held for sale(i)	**6.6**	-		
Release of unused provisions and employees benefit liabilities(ii)	**5.2**	6.4	**-**	-
Management and guarantee fees received from subsidiaries	**-**	-	**0.3**	3.8
Other miscellaneous income items	**1.5**	0.6	**0.1**	0.1
	14.0	10.3	**0.4**	3.9

(i) During the current year the Group disposed of several properties classified as held for sale resulting in gains on disposal of approximately A$6.6 million. Additionally, the Group sold an equity investment in the current year recognising a gain on disposal of A$0.7 million. The prior year includes a gain on disposal of other financial assets totalling approximately A$3.3 million.

(ii) In years prior to June 30, 2004, provisions had been recognised for certain liabilities. As a consequence of a change in circumstances since then, the carrying value of these provisions was reduced by a net A$6.4 million during the year ended June 30, 2005. Additionally, during the current year, A$5.2 million was released from provisions and employee benefit liabilities upon resolution of amounts recognised in prior years.

NOTE 2. PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE NET FINANCING COSTS AND TAX (CONTINUED)

(c) Other expenses

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Business restructuring costs(i)	**(4.8)**	-	**-**	-
Adjustment to goodwill on recognition of deferred taxes(ii)	**-**	(12.9)	**-**	-
Write-down of investments in subsidiaries(iii)	**-**	-	**-**	(24.7)
	(4.8)	(12.9)	**-**	(24.7)

(i) During the current year, the Group incurred restructuring costs of approximately A$4.8 million in relation to redundancies and other restructuring activities in its continuing Snacks operations.

(ii) As detailed in Note 30(f), under AIFRS the initial recognition of deferred tax assets, not previously recognised on business combinations, is recognised as an income tax benefit, with a corresponding reduction in the carrying value of goodwill. As a consequence of the recognition of Australian deferred tax assets at June 30, 2005, goodwill in the continuing operations was written down by A$12.9 million.

(iii) During the year ended June 30, 2005, the Company wrote down, to net asset backing, the carrying amount of certain investments in the former holding companies for the discontinued Yeast & Bakery Ingredients and Herbs and Spices operations.

(d) Other expense items requiring separate disclosure

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Personnel expenses	**(217.5)**	(394.1)	**(5.6)**	(7.1)
Net loss on disposal of property, plant and equipment	**(1.4)**	(0.1)	**-**	-
Net bad and doubtful debts expense including movements in provision for doubtful debts	**-**	(2.9)	**-**	-
Operating lease rental expense	**(10.4)**	(28.5)	**(0.4)**	(0.4)
Research and development costs expensed	**(3.0)**	(9.8)	**-**	-
Depreciation and amortisation:				
Plant and equipment	**(24.7)**	(46.9)	**-**	(0.1)
Freehold properties	**(3.4)**	(4.8)	**-**	-
Leasehold properties	**(0.4)**	(0.9)	**-**	-
Leasehold improvements	**-**	(0.1)	**-**	-
Identifiable intangible assets	**(0.6)**	-	**-**	-
Total depreciation and amortisation	**(29.1)**	(52.7)	**-**	(0.1)

NOTE 2. PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE NET FINANCING COSTS AND TAX (CONTINUED)

(e) Auditors' remuneration

A$ '000	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Audit services				
Auditors of the Company - KPMG				
KPMG Australia				
Audit and review of financial reports	**714.8**	1,259.3	**150.0**	150.0
Audit of special purpose financial reports(i)	**446.0**	438.6	**-**	-
Other regulatory audit services	**4.0**	20.0	**-**	-
Overseas KPMG firms				
Audit and review of financial reports	**247.3**	393.0	**-**	-
Audit of special purpose financial reports(i)	**98.6**	878.7	**-**	-
Other regulatory audit services	**-**	26.2	**-**	-
Total KPMG	**1,510.7**	3,015.8	**150.0**	150.0
Total audit services	**1,510.7**	3,015.8	**150.0**	150.0
Other services				
Auditors of the Company - KPMG				
KPMG Australia				
Investigating Accountant's Report in respect of the Goodman Fielder prospectus(ii)	**3,620.0**	-	**-**	-
US GAAP assurance services(iii)	**-**	504.7	**-**	-
Taxation	**633.0**	27.5	**-**	-
Other assurance services	**40.0**	107.0	**17.5**	29.0
Overseas KPMG firms				
US GAAP assurance services(iii)	**-**	78.5	**-**	-
Other assurance services	**3.4**	36.4	**3.4**	-
Taxation	**5.3**	24.3	**-**	-
Total KPMG	**4,301.7**	778.4	**20.9**	29.0
Total other services	**4,301.7**	778.4	**20.9**	29.0

All audit and other services provided by the auditors are pre-approved by the Audit & Risk Committee. As part of this pre-approval process, the Audit & Risk Committee ensures that the services do not have an impact on the auditors' independence.

(i) Includes the audit of special purpose financial reports prepared in conjunction with the business disposals detailed in Note 6.

(ii) Represents work performed in respect of the Investigating Accountant's Report for the Goodman Fielder prospectus. These expenses were subsequently recharged by the Group to Goodman Fielder (refer Note 25(b) for further details).

(iii) The fees for US GAAP assurance services represent amounts paid in relation to the examination of US GAAP financial information for the year ended June 30, 2005.

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 3. NET FINANCING (COSTS)/INCOME				
Financial income				
Interest revenue	**75.3**	10.7	**62.1**	44.5
Net foreign currency exchange gain(iii)	**-**	32.5	**-**	15.6
Gain on derivative instruments(iv)	**9.8**	-	**-**	-
Total financial income	**85.1**	43.2	**62.1**	60.1
Financial expenses				
Interest expense				
NZ Capital Notes	**(18.7)**	(19.2)	**-**	-
Senior notes	**(3.7)**	(12.6)	**-**	-
Senior Subordinated Notes	**(23.6)**	(79.1)	**-**	-
Other parties	**(33.3)**	(42.1)	**-**	(1.7)
Amortisation of debt issue costs	**(5.3)**	(8.5)	**-**	-
Loss on derivative instruments(i)	**(22.7)**	(5.9)	**-**	-
Debt extinguishment costs(ii)	**(164.8)**	-	**-**	-
Net foreign currency exchange (loss)(iii)	**(5.2)**	-	**-**	-
Total financial expenses	**(277.3)**	(167.4)	**-**	(1.7)
Net financing (costs)/income	**(192.2)**	(124.2)	**62.1**	58.4

(i) During the current year the Group recognised a loss of A$22.7 million on the change in fair value of ineffective derivative financial instruments. This loss of A$22.7 million includes a A$16.4 million loss transferred from the hedge reserve following the repayment of the Group's US dollar denominated unsecured notes ("US Notes").

(ii) On October 15, 2005, the Group repaid prior to maturity its US Notes. The US Notes comprised the US$100 million 9.5% senior notes due 2010, the US$210 million 10.75% Senior Subordinated Notes due 2011 and the US$400 million 9.75% Senior Subordinated Notes due 2012 (refer to Note 19 for further details). The repayment, which totalled approximately US$798.2 million (approximately A$1,058.5 million), was funded through a combination of cash and drawings under a syndicated facilities agreement entered into by the Group on October 11, 2005. As the carrying value of the US Notes at the time of repayment was A$893.7 million, a loss of A$164.8 million on repayment has been recorded in the current year.

(iii) As detailed in Note 29, the Group has net foreign currency positions in various currencies. In accordance with Note 1(e), a net foreign currency exchange loss of A$5.2 million (2005 – A$32.5 million gain) has been included in net financing costs in the consolidated income statement for the current year.

(iv) The Group has entered into a series of foreign currency option derivative contracts. The mark-to-market gain on these contracts at June 30, 2006 was A$9.8 million, which has been included in net financing costs in the consolidated income statement for the current year (refer to Note 29 for further details).

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 4. INCOME TAX BENEFIT/(EXPENSE)				
(a) Recognised in the income statement				
Current tax (expense)/benefit				
Tax payable before utilisation of tax losses	(286.5)	(190.4)	(12.2)	(15.5)
Prior year (under)/over provision	-	-	2.3	-
Tax losses utilised	275.4	170.0	12.2	15.5
	(11.1)	(20.4)	2.3	-
Deferred tax benefit/(expense)				
Origination and reversal of temporary differences	53.6	(26.1)	0.9	-
Deferred tax benefit reclassified from hedge reserve	5.2	-	-	-
Tax losses utilised to reduce current tax (expense)	(275.4)	(170.0)	(12.2)	(15.5)
Benefit of tax losses and temporary differences recognised	338.1	98.9	185.6	59.5
	121.5	(97.2)	174.3	44.0
Total income tax benefit/(expense) recognised in the income statement	110.4	(117.6)	176.6	44.0
Attributable to:				
Continuing operations	134.1	55.3	176.6	44.0
Discontinued operations (refer to Note 6)	(16.8)	(22.8)	-	-
Gain on sale of discontinued operations (refer to Note 6)	(6.9)	(150.1)	-	-
	110.4	(117.6)	176.6	44.0
(b) Numerical reconciliation between income tax benefit/ (expense) and pre-tax profit				
Profit before tax-continuing operations	663.7	124.9	1,209.3	15.2
Profit before tax-discontinued operations	54.6	1,069.8	-	37.6
Total profit before tax	718.3	1,194.7	1,209.3	52.8
Income tax (expense) using the domestic corporation tax rate of 30% (2005: 30%)	(215.4)	(358.4)	(362.8)	(15.8)
(Increase)/decrease in income tax (expense) due to:				
Effect of tax losses and temporary differences recognised	338.1	98.9	185.6	59.5
Effect of tax losses and temporary differences not recognised	(9.0)	(8.9)	-	(9.7)
Adjustments due to sale of Baking, Spreads & Oils businesses				
Non-assessable gain on sale	72.6	-	-	-
Recognition of deferred tax liability in respect of shares in Goodman Fielder received as part consideration	(58.3)	-	-	-
Adjustments due to sale of Uncle Tobys business				
Tax gain assessable in current year(i)	(131.8)	-	-	-
Deferral of income tax expense relating to accounting gain(i)	124.0	-	-	-
Adjustment due to sale of Yeast & Bakery Ingredients group and Herbs and Spices business				
Non-assessable gain on sale	-	186.5	-	10.1
Differences in overseas tax rates	(7.0)	(37.0)	-	-
Non-deductible adjustment to goodwill	-	(3.8)	-	-
Non-assessable intragroup dividends	-	-	351.7	-
Prior year (under)/over provision	-	-	2.3	-
Other items	(2.8)	5.1	(0.2)	(0.1)
Income tax benefit/(expense) on pre-tax profit	110.4	(117.6)	176.6	44.0

(i) As detailed in Note 6, the sale of the Uncle Tobys business was completed on July 14, 2006 and the accounting gain before tax of approximately A$426.3 million together with the related income tax expense of approximately A$127.9 million will be included in the consolidated income statement in the year ended June 30, 2007. However, for Australian income tax purposes, the tax gain on the sale of approximately A$439.4 million is assessable in the year ended June 30, 2006 resulting in a current income tax expense of approximately A$131.8 million being recorded in the current year. The Group has recognised a deferred tax benefit of A$124.0 million due to the temporary difference arising from the recognition of the accounting and tax gain in different reporting periods.

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 4. INCOME TAX BENEFIT/(EXPENSE) (CONTINUED)				
(c) Deferred income tax (expense)/benefit recognised directly in equity				
Relating to foreign currency exchange (gains)/losses included in the foreign currency translation reserve[(i)]	**(13.6)**	0.4	**-**	-
Relating to other movements in the hedge reserve[(i)]	**(0.4)**	-	**-**	-
Total deferred income tax (expense)/benefit recognised directly in equity	**(14.0)**	0.4	**-**	-

(i) Refer to Note 1(d) and Note 22(b) for further details.

(d) Available franking credits

As of June 30, 2006, the balance of franking credits available for the franking of dividends was A$17.5 million (2005: A$23.0 million).

NOTE 5. SEGMENT REPORTING

Business and geographic segments

The Group's business segments are identified based on the nature of the products provided and services rendered. Segment result has been determined based on the information provided to the chief operating decision maker and the accounting policies applied by each segment are the same as the Group's accounting policies. Segment result is segment revenue less cost of goods sold, selling, marketing and distribution expenses, general and administration expenses and other expenses (excluding corporate revenues and expenses relating to the Group as a whole). The Directors selected these segments for internal reporting purposes and have organised the enterprises around these products and services and geographical areas. Revenues are attributed to a segment based on the products and services sold. The Group's businesses operate primarily in Australia and New Zealand.

As discussed in Note 2(a), the Group disposed of the Baking and Spreads & Oils business segments during the current year for cash proceeds and shares in Goodman Fielder, amounting to a 20% ownership interest. Through the investment in Goodman Fielder, the Group has retained an indirect interest in the financial results of these businesses. Consequently, the income from the operations up to the date of disposal as well as the gain on the disposal will continue to be reported as part of the Group's continuing operations. The earnings generated by the Group's equity investment in Goodman Fielder will also be reported as part of the Group's continuing operations, but will be included in Corporate/Unallocated.

As discussed in Note 6, the Group has entered into an agreement with Nestlé Australia Limited ("Nestlé") for the sale of its Australian snacks business, ("Uncle Tobys"). This business has been classified as a discontinued operation for the years ended June 30, 2006 and 2005.

Business segment	**Products and services**
Continuing operations	
Snacks – New Zealand	Salty and nutritious snacks
Baking	Packaged loaf bread, other baked goods and frozen meals
Spreads & Oils	Fats and oils, bulk and retail flour, margarine and spreads, cake mixes, mayonnaise, dressings, chickens and ice cream
Other	Other discontinued lines of business
Discontinued operations	
Snacks - Australia	Breakfast cereals, nutritious snacks and soups

Major customers

Two of the Group's customers, which operate in the retail grocery industry in Australia and New Zealand, represented approximately 37% and 45% of the Group's consolidated sales revenue from continuing operations in the years ended June 30, 2006 and 2005, respectively.

NOTE 5. SEGMENT REPORTING (CONTINUED)

Primary reporting by business segment

A$ million	Continuing operations Snacks – New Zealand	Baking	Spreads & Oils	Total	Discontinued operations Snacks - Australia	Consolidated total
2006						
Revenue						
External segment revenue from sale of goods(iii)	**131.5**	**431.0**	**499.1**	**1,061.6**	**278.2**	**1,339.8**
Result						
Segment EBIT(i)	**5.0**	**56.4**	**90.3**	**151.7**	**58.1**	**209.8**
Corporate/unallocated EBIT(ii)				**704.2**	**-**	**704.2**
Profit before net financing costs and tax				**855.9**	**58.1**	**914.0**
Net financing costs				**(192.2)**	**-**	**(192.2)**
Profit before tax				**663.7**	**58.1**	**721.8**
Income tax benefit/(expense)				**134.1**	**(16.8)**	**117.3**
Profit after tax				**797.8**	**41.3**	**839.1**
Loss on sale of discontinued operations, net of tax						**(10.4)**
Net profit after tax						**828.7**
Assets						
Segment assets	**152.8**	**-**	**-**	**152.8**	**498.8**	**651.6**
Corporate/unallocated assets						**2,970.8**
Consolidated total assets						**3,622.4**
Liabilities						
Segment liabilities	**17.3**	**-**	**-**	**17.3**	**39.6**	**56.9**
Corporate/unallocated liabilities						**955.8**
Consolidated total liabilities						**1,012.7**
Acquisitions of property, plant and equipment						
Business segments	**4.9**	**15.4**	**9.3**	**29.6**	**16.4**	**46.0**
Corporate						**-**
Total acquisitions of property, plant and equipment during the year						**46.0**
(i) Included in segment EBIT were:						
Business restructuring costs	**(4.8)**	**-**	**-**	**(4.8)**	**(1.5)**	**(6.3)**
Non-cash expense items						
- Net movements in provisions	**(0.3)**	**(0.9)**	**0.1**	**(1.1)**	**3.3**	**2.2**
- Depreciation and amortisation	**(7.4)**	**(9.4)**	**(12.2)**	**(29.0)**	**(15.9)**	**(44.9)**
(ii) Included in corporate/unallocated EBIT were:						
Gain on disposal of Baking, Spreads & Oils businesses				**699.2**		**699.2**
Share of net profits of associates				**23.7**		**23.7**
Non-cash expense items						
- Net movements in provisions				**4.3**		**4.3**
- Depreciation and amortisation				**(0.1)**		**(0.1)**

(iii) There were no significant inter-segment sales.

NOTE 5. SEGMENT REPORTING (CONTINUED)

Primary reporting by business segment (continued)

	Continuing operations					Discontinued operations			Consolidated
A$ million	Snacks – New Zealand	Baking	Spreads & Oils	Other	Total	Snacks - Australia	Yeast/ Bakery	Herbs & Spices	Total
2005									
Revenue									
External segment revenue from sale of goods(iii)	121.3	891.5	1,016.9	0.4	2,030.1	297.2	193.1	50.9	2,571.3
Result									
Segment result	3.9	104.0	161.4	(0.4)	268.9	60.6	38.9	5.8	374.2
Share of net profit of associates	-	-	-	-	-	-	2.9	-	2.9
Segment EBIT(i)	3.9	104.0	161.4	(0.4)	268.9	60.6	41.8	5.8	377.1
Corporate/unallocated EBIT(ii)					(19.8)	-	-	-	(19.8)
Profit before tax and financing costs					249.1	60.6	41.8	5.8	357.3
Net financing costs					(124.2)	-	(1.2)	-	(125.4)
Profit before tax					124.9	60.6	40.6	5.8	231.9
Income tax benefit/(expense)					55.3	(18.4)	(4.4)	-	32.5
Profit after tax					180.2	42.2	36.2	5.8	264.4
Gain on sale of discontinued operations, net of tax									812.7
Net profit after tax									1,077.1
Assets									
Segment assets	164.6	985.6	1,107.0	-	2,257.2	499.6	-	-	2,756.8
Corporate/unallocated assets									629.7
Consolidated total assets									3,386.5
Liabilities									
Segment liabilities	15.6	133.4	140.2	2.0	291.2	73.6	-	-	364.8
Corporate/unallocated liabilities									1,189.7
Consolidated total liabilities									1,554.5
Acquisitions of property, plant and equipment									
Business segments	3.8	18.5	13.1	-	35.4	11.7	11.6	0.2	58.9
Corporate									-
Total acquisitions of property, plant and equipment during the year									58.9
(i) Included in segment EBIT were:									
Non-cash expense items									
- Net movements in provisions	(8.2)	8.4	(0.1)	1.7	1.8	(2.1)	(0.9)	-	(1.2)
- Depreciation and amortisation	(7.4)	(20.7)	(24.5)	-	(52.6)	(20.5)	-	(2.3)	(75.4)
- Adjustment to goodwill	-	(10.4)	(2.5)	-	(12.9)	-	-	-	(12.9)
(ii) Included in corporate/unallocated EBIT were:									
Share of profits of associates					1.8				1.8
Non-cash expense items									
- Net movements in provisions					4.4				4.4
- Depreciation and amortisation					(0.1)				(0.1)

(iii) There were no significant inter-segment sales

NOTE 5. SEGMENT REPORTING (CONTINUED)

Secondary reporting by geographic segment

A$ million	Australia	New Zealand	United States	Other	Consolidated Total
2006					
Revenue					
External segment revenue from sale of goods(i)	**889.2**	**359.7**	**-**	**90.9**	**1,339.8**
Assets					
Segment assets	**498.8**	**152.8**	**-**	**-**	**651.6**
Corporate/unallocated assets					**2,970.8**
Consolidated total assets					**3,622.4**
Acquisitions of property, plant and equipment					
Geographic segments	**32.0**	**11.7**	**-**	**2.3**	**46.0**
Corporate					**-**
Total acquisitions of property, plant and equipment during the year					**46.0**
Long lived assets					
Property, plant and equipment	**115.8**	**40.4**	**-**	**-**	**156.2**
Intangible assets	**313.0**	**88.0**	**-**	**-**	**401.0**
Total long-lived assets	**428.8**	**128.4**	**-**	**-**	**557.2**
2005					
Revenue					
External segment revenue from sale of goods(i)	1,540.7	599.0	96.0	335.6	2,571.3
Assets					
Segment assets	1,776.0	787.3	-	193.5	2,756.8
Corporate/unallocated assets					629.7
Consolidated total assets					3,386.5
Acquisitions of property, plant and equipment					
Geographic segments	53.2	1.0	2.8	1.9	58.9
Corporate					-
Total acquisitions of property, plant and equipment during the year					58.9
Long lived assets					
Property, plant and equipment	342.2	172.6	-	37.5	552.3
Intangible assets	1,221.5	514.5	-	96.6	1,832.6
Total long-lived assets	1,563.7	687.1	-	134.1	2,384.9

(i) There were no significant inter-segment sales.

NOTE 6. DISCONTINUED OPERATIONS

During the years ended June 30, 2006 and 2005, the Group has sold, or entered into agreements to sell, a number of its businesses and operations, including:

- the Group's Australian snacks business ("Uncle Tobys");
- the Yeast & Bakery Ingredients group; and
- the Herbs and Spices business.

These operations are classified as discontinued operations in accordance with the policy explained in Note 1(q). Consolidated financial information for each of these discontinued operations for the years ended June 30, 2006 and 2005 is set out in the tables below.

A$ million	Uncle Tobys	Yeast & Bakery Ingredients	Herbs and Spices	Other	Total
2006					
Income statement information					
Revenue from sale of goods	**278.2**	**-**	**-**	**-**	**278.2**
Costs of goods sold	**(161.0)**	**-**	**-**	**-**	**(161.0)**
Gross profit	**117.2**	**-**	**-**	**-**	**117.2**
Selling, marketing and distribution expenses	**(45.4)**	**-**	**-**	**-**	**(45.4)**
General and administration expenses	**(12.2)**	**-**	**-**	**-**	**(12.2)**
Other income/(expense), net	**(1.5)**	**-**	**-**	**-**	**(1.5)**
Profit before net financing costs and tax	**58.1**	**-**	**-**	**-**	**58.1**
Interest expense	**-**	**-**	**-**	**-**	**-**
Interest revenue	**-**	**-**	**-**	**-**	**-**
Net financing costs	**-**	**-**	**-**	**-**	**-**
Profit before tax	**58.1**	**-**	**-**	**-**	**58.1**
Income tax (expense)	**(16.8)**	**-**	**-**	**-**	**(16.8)**
Profit after tax	**41.3**	**-**	**-**	**-**	**41.3**
Gain/(loss) on sale of discontinued operations	**-**	**(2.9)**	**2.1**	**(2.7)**	**(3.5)**
Income tax (expense)/benefit	**(7.8)**	**0.9**	**-**	**-**	**(6.9)**
Gain/(loss) on sale of discontinued operations, net of tax	**(7.8)**	**(2.0)**	**2.1**	**(2.7)**	**(10.4)**
Net profit	**33.5**	**(2.0)**	**2.1**	**(2.7)**	**30.9**
Cash flow information					
Net cash from operating activities	**70.4**	**-**	**-**	**-**	**70.4**
Net cash from investing activities	**(16.2)**	**-**	**-**	**-**	**(16.2)**
Net cash from financing activities	**-**	**-**	**-**	**-**	**-**
	54.2	**-**	**-**	**-**	**54.2**

NOTE 6. DISCONTINUED OPERATIONS (CONTINUED)

A$ million	Uncle Tobys	Yeast & Bakery Ingredients	Herbs and Spices	Total
2005				
Income statement information				
Revenue from sale of goods	297.2	193.1	50.9	541.2
Costs of goods sold	(166.5)	(106.8)	(33.2)	(306.5)
Gross profit	130.7	86.3	17.7	234.7
Selling, marketing and distribution expenses	(50.4)	(31.9)	(10.1)	(92.4)
General and administration expenses	(21.0)	(18.3)	(1.8)	(41.1)
Other income/(expense), net	1.3	2.8	-	4.1
Share of net profits of associates accounted for using the equity method	-	2.9	-	2.9
Profit before net financing costs and tax	60.6	41.8	5.8	108.2
Interest expense	-	(1.5)	-	(1.5)
Interest revenue	-	0.3	-	0.3
Net financing costs	-	(1.2)	-	(1.2)
Profit before tax	60.6	40.6	5.8	107.0
Income tax (expense)	(18.4)	(4.4)	-	(22.8)
Profit after tax	42.2	36.2	5.8	84.2
Gain on sale of discontinued operations(i)				962.8
Income tax (expense)(i)				(150.1)
Gain on sale of discontinued operations, net of tax(i)				812.7
Net profit				896.9
Cash flow information				
Net cash from operating activities	78.0	21.4	5.3	104.7
Net cash from investing activities	(11.7)	(13.3)	(0.2)	(25.2)
Net cash from financing activities	-	-	-	-
	66.3	8.1	5.1	79.5

(i) Gain on sale of discontinued operations in the year ended June 30, 2005 relates to the sale of the Yeast & Bakery Ingredients group and the Herbs and Spices business.

In addition to the consolidated financial information set out above, during the year ended June 30, 2005 the Company recognised a gain of A$37.6 million on disposal of a controlled entity that was part of the Yeast & Bakery Ingredients group. No amounts were recorded by the Company in relation to discontinued operations during the year ended June 30, 2006.

Uncle Tobys

On May 23, 2006, Burns Philp announced that it had entered into an agreement with Nestlé to sell Uncle Tobys for a total price of A$890.0 million. This business is reported as the Snacks Australia business segment in the business segment information in Note 5.

The Uncle Tobys business has been classified as a discontinued operation since then and, in accordance with Note 1(q), depreciation on non-current assets ceased at that time.

At this point, management assessed the estimated fair value less costs to sell of the Uncle Tobys business and determined that no write-down to net recoverable amount was necessary.

The Uncle Tobys business generated net profit before tax of A$58.1 million during the year ended June 30, 2006. This result included A$1.5 million of costs incurred in respect of redundancies and restructuring activities completed during the year.

NOTE 6. DISCONTINUED OPERATIONS (CONTINUED)

During the year ended June 30, 2006 the Group has recognised a capital gains income tax expense of A$131.8 million, as the disposal of Uncle Tobys is assessable for tax purposes in the year ended June 30, 2006. For accounting purposes, the gain on disposal of Uncle Tobys will be recognised on completion of the sale during the year ending June 30, 2007. The Group has also recognised a deferred income tax benefit of A$124.0 million due to the temporary difference arising from the recognition of the accounting and tax gain in different reporting periods. The net income tax expense of A$7.8 million has been included in the loss on disposal of discontinued operations in the year ended June 30, 2006.

On July 14, 2006, the Group completed the sale of the Uncle Tobys business to Nestlé for A$890.0 million. The sale proceeds are subject to completion adjustments in respect of closing asset and liability values. Subject to the finalisation of completion and other adjustments, the Group expects to record a gain on disposal, before tax, of approximately A$426.3 million in the year ended June 30, 2007.

Yeast & Bakery Ingredients Group and Herbs and Spices Business

On July 22, 2004, the Group announced it had entered into agreements to sell its Yeast & Bakery Ingredients group and its Herbs and Spices business to Associated British Foods plc ("ABF") for a total price of US$1.35 billion (approximately A$1.9 billion). These businesses are reported as the Yeast/Bakery and Herbs & Spices business segments, respectively, in the prior year business segment information in Note 5.

The sale of the Herbs and Spices business was completed on September 3, 2004 for gross proceeds of US$175.0 million. The proceeds were subsequently adjusted by US$5.2 million for amounts paid in respect of closing net asset adjustments.

The sale of the Yeast & Bakery Ingredients group was completed on September 30, 2004 for gross proceeds of US$1,175.0 million. The proceeds were subsequently adjusted by US$52.5 million for amounts received in respect of closing asset and liability adjustments.

A net profit after tax of A$812.7 million on the sale of these businesses was reflected in the consolidated financial statements for the year ended June 30, 2005, as set out below:

	A$ million
Sale proceeds	1,959.0
Costs associated with the sale	(118.4)
Carrying amount of net assets sold	(879.4)
Amounts transferred from foreign currency translation reserve	1.6
	962.8
Income tax expense	(150.1)
Gain on sale of discontinued operations, net of tax	812.7

The net gain on sale of these businesses, before tax, recorded in the year ended June 30, 2005 was A$962.8 million. This net gain was determined after allowing for costs of A$118.4 million associated with the sales. These costs comprised:

- A$47.1 million of transaction costs and claims payable;
- A$57.3 million arising from the write-off of deferred borrowing costs related to the senior term loan facilities which were required to be repaid from the net proceeds from the sales; and
- accrued costs of A$14.0 million for mark-to-market losses as of the date of disposal on certain derivative financial instruments which were no longer considered to be effective hedges (as determined under previous accounting policies – refer to Note 1(e)). These instruments previously hedged the net assets of the businesses sold, including our senior term loan facilities.

Income tax payable by the Group on the sale of the businesses was minimal.

The sales of the Yeast & Bakery Ingredients group and the Herbs and Spices business were negotiated concurrently with the same purchaser. Consequently, it is not practical to separate the gain on disposal of these businesses.

During the year ended June 30, 2006, additional costs were incurred in respect of indemnity and warranty claims under the Yeast & Bakery Ingredients group sale and purchase agreement. The Group also reduced income taxes payable on the sale by A$0.9 million. This resulted in a net reduction of A$2.0 million to the gain on disposal after tax recorded in previous years. There was also a net increase of A$2.1 million to the gain on disposal as a result of adjustments to provisions recorded in previous years relating to the Herbs and Spices business.

Other discontinued operations

During the year ended June 30, 2006, costs were incurred in respect of indemnity and warranty claims under the sale agreements of other businesses disposed in prior years. This resulted in a net reduction of A$2.7 million to the gain on disposal after tax recorded in previous years.

NOTE 7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit attributable to shareholders of the parent by the weighted average number of ordinary shares and mandatorily convertible securities, such as the Group's converting preference shares ("CP Shares"). The calculations of both basic and diluted earnings per share therefore include ordinary and CP Shares.

Diluted earnings per share reflects the potential dilution that could occur if securities to issue ordinary shares were exercised or converted into ordinary shares. For the calculation of diluted earnings per share, the basic weighted average number of shares is increased by the dilutive effect of the New Zealand Subordinated Capital Notes ("NZ Capital Notes") due to the conversion option contained within the terms and conditions of the NZ Capital Notes. Refer to Note 19(ix) for further details.

The NZ Capital Notes are dilutive for the current year, and are included in the calculation of diluted earnings per share. The NZ Capital Notes were not dilutive for the year ended June 30, 2005.

Earnings reconciliation

	Consolidated	
A$ million	**2006**	2005
Basic earnings used in earnings per share calculations comprise:		
Profit after tax from continuing operations	**797.8**	180.2
Less: minority interests	**(1.6)**	(3.0)
Basic earnings - continuing operations	**796.2**	177.2
Basic earnings - discontinued operations, net of minority interests	**30.9**	895.9
Total basic earnings	**827.1**	1,073.1
Diluted earnings used in earnings per share calculations comprise:		
Profit after tax from continuing operations	**797.8**	180.2
Less: minority interests	**(1.6)**	(3.0)
Add: NZ Capital Notes interest (net of tax)	**13.9**	-
Diluted earnings - continuing operations	**810.1**	177.2
Diluted earnings - discontinued operations, net of minority interests	**30.9**	895.9
Total diluted earnings	**841.0**	1,073.1

Weighted average number of shares used as the denominator

	Consolidated	
Shares (million)	**2006**	2005
Number of shares for basic and diluted earnings per share calculations comprise:		
Ordinary shares	**2,032.9**	2,031.8
CP Shares	**796.2**	797.3
Total number of shares for basic earnings per share calculations	**2,829.1**	2,829.1
NZ Capital Notes	**198.0**	-
Total number of shares for diluted earnings per share calculations	**3,027.1**	2,829.1

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 8. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**4.7**	23.9	**0.9**	0.8
Short term deposits	**2,401.2**	468.4	**-**	-
Total cash and cash equivalents	**2,405.9**	492.3	**0.9**	0.8

NOTE 9. RECEIVABLES

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Current				
Trade debtors	**15.4**	197.0	**-**	-
Provision for doubtful debts[(i)]	**(0.2)**	(1.9)	**-**	-
	15.2	195.1	**-**	-
Secured receivables	**-**	0.1	**-**	0.1
Other receivables	**8.9**	17.3	**0.5**	2.9
Receivables due from subsidiaries	**-**	-	**1,910.1**	573.4
Total current receivables	**24.1**	212.5	**1,910.6**	576.4
Non-current				
Other receivables	**-**	3.2	**-**	-
(i) Movements in provision for doubtful debts were:				
Balance at beginning of year	**1.9**	10.8	**-**	-
Foreign currency fluctuations	**-**	(0.3)	**-**	-
Movement due to business disposals	**(1.5)**	(10.8)	**-**	-
Additions to provision	**-**	2.9	**-**	-
Bad debts written off against provision	**(0.2)**	(0.7)	**-**	-
Balance at end of year	**0.2**	1.9	**-**	-

NOTE 10. INVENTORIES

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Current				
Raw materials and consumables[(i)]	**3.4**	59.9	**-**	-
Provision against raw materials[(ii)]	**(0.6)**	(1.2)	**-**	-
Work in progress[(i)]	**0.5**	11.2	**-**	-
Finished goods[(i)]	**6.2**	76.3	**-**	-
Provision against finished goods[(ii)]	**(0.4)**	(2.5)	**-**	-
Total inventories	**9.1**	143.7	**-**	-
(i) At cost				
(ii) Movements in provisions for inventory obsolescence were:				
Balance at beginning of year	**3.7**	7.4	**-**	-
Movement due to business disposals	**(2.1)**	(3.9)	**-**	-
Additions to provision	**0.6**	2.6	**-**	-
Inventories written off against provision	**(0.1)**	(2.4)	**-**	-
Reclassification to assets held for sale	**(1.1)**	-	**-**	-
Balance at end of year	**1.0**	3.7	**-**	-

A$ million	Consolidated 2006	Consolidated 2005	Burns Philp & Company Limited 2006	Burns Philp & Company Limited 2005
NOTE 11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE				
Assets classified as held for sale				
Disposal group held for sale(i)				
Trade and other receivables	**44.4**	-	**-**	-
Inventories	**28.0**	-	**-**	-
Property, plant and equipment	**112.0**	-	**-**	-
Goodwill and identifiable intangible assets	**313.0**	-	**-**	-
Other assets	**1.4**	-	**-**	-
	498.8	-	**-**	-
Properties held for sale(ii)	**3.1**	6.3	**-**	-
Total assets classified as held for sale	**501.9**	6.3	**-**	-
Liabilities classified as held for sale				
Disposal group held for sale(i)				
Trade and other payables	**28.4**	-	**-**	-
Employee benefits	**9.4**	-	**-**	-
Deferred tax liabilities	**1.8**	-	**-**	-
Total liabilities classified as held for sale	**39.6**	-	**-**	-

(i) On May 23, 2006, Burns Philp announced that it had entered into an agreement with Nestlé to sell Uncle Tobys for a total price of A$890.0 million (refer to Note 6 for further details).

(ii) Properties held for sale included surplus properties retained by the Group following the disposal of the Baking, Spreads & Oils businesses and the Yeast & Bakery Ingredients group.

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 12. OTHER ASSETS				
Current				
Prepayments	**0.2**	12.8	**0.1**	8.0
Deferred transaction costs related to disposal of discontinued operations	**16.8**	-	**16.8**	-
Derivative financial instruments(ii)	**9.8**	-	**-**	-
Total current other assets	**26.8**	12.8	**16.9**	8.0
Non-current				
Deferred expenditure	**-**	1.0	**-**	-
Debt establishment costs(i)	**-**	51.3	**-**	-
Pension plan assets(iii)	**-**	4.9	**-**	-
Total non-current other assets	**-**	57.2	**-**	-
(i) Cost	**-**	63.0	**-**	-
Accumulated amortisation	**-**	(11.7)	**-**	-
	-	51.3	**-**	-

Refer to Note 30(m) for details regarding a change in the accounting policy for debt establishment costs.

(ii) Refer to Note 29 for further details.

(iii) Refer to Note 20 for further details.

A$ million	Consolidated 2006	2005
NOTE 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD		
Non-current		
Associates	**349.7**	-
Jointly controlled entity	**9.3**	8.4
	359.0	8.4

Details of equity accounted investments

Name	Principal Activities	Country	Reporting Date	% Ownership Interest 2006	2005	Consolidated Carrying Value 2006	2005
						A$ million	
Goodman Fielder Limited[(i)]	Food Manufacture	Australia	June 30	**20.0**	-	**349.7**	-
Fresh Start Bakeries Australia Pty Ltd	Food Manufacture	Australia	June 30	**50.0**	50.0	**9.3**	8.4
Gelec S.A.[(ii)]	Food Manufacture	Ecuador	June 30	**-**	33.3	**-**	-
P.T. Sinar Meadow International Indonesia[(ii)]	Margarine Manufacture	Indonesia	Dec 31	**-**	50.0	**-**	-
						359.0	8.4

(i) The market value of the Group's interest in Goodman Fielder at June 30, 2006 was A$567.1 million.

The Group will hold the full beneficial and economic interest in 20% of Goodman Fielder until at least the release of Goodman Fielder's preliminary final results for the year ending June 30, 2007.

However, if before this date a full takeover bid is made for Goodman Fielder which is or will become unconditional on acceptance by Burns Philp, or a scheme of arrangement is proposed the result of which is that a third party would acquire the full economic benefit of Goodman Fielder, the Group may decide to dispose of its shares or vote in favour of the scheme of arrangement.

(ii) These investments were disposed of during the current year.

Results of equity accounted investments

A$ million	Revenues 100%	Profit after tax 100%	Burns Philp's share of: Profit before tax	Income tax (expense)	Profit after tax
2006					
Goodman Fielder Limited	**1,198.4**	**114.3**	**29.5**	**(6.7)**	**22.8**
Fresh Start Bakeries Australia Pty Ltd	**58.8**	**1.8**	**1.3**	**(0.4)**	**0.9**
	1,257.2	**116.1**	**30.8**	**(7.1)**	**23.7**
2005					
Goodman Fielder Limited	-	-	-	-	-
Fresh Start Bakeries Australia Pty Ltd	55.1	3.4	2.5	(0.7)	1.8
Gelec S.A.[(i)]	7.7	(1.0)	-	-	-
P.T. Sinar Meadow International Indonesia[(i)]	29.5	(0.5)	-	-	-
	92.3	1.9	2.5	(0.7)	1.8

(i) The consolidated entity has not recognised losses relating to Gelec S.A. and P.T. Sinar Meadow International Indonesia in the 2005 financial year. The consolidated entity has no obligation in respect of these losses.

NOTE 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Net assets of equity accounted investments

	Total assets as reported by associates and jointly controlled entities (100%)		**Total liabilities as reported by associates and jointly controlled entities (100%)[i]**		**Burns Philp's share of net assets of associates and jointly controlled entities**	
A$ million	**2006**	2005	**2006**	2005	**2006**	2005
Goodman Fielder	**3,114.0**	-	**1,351.7**	-	**349.7**	-
Fresh Start Bakeries Australia Pty Ltd	**72.8**	73.7	**44.9**	47.6	**9.3**	8.4
Gelec S.A.	**-**	8.2	**-**	5.6	**-**	-
P.T. Sinar Meadow International Indonesia	**-**	13.7	**-**	18.3	**-**	-
	3,186.8	95.6	**1,396.6**	71.5	**359.0**	8.4

(i) Total liabilities of associates includes minority interest

Share of associates' and jointly controlled entities' commitments

	Consolidated	
A$ million	**2006**	2005
Share of capital commitments contracted but not provided for or payable:		
Within one year	**1.4**	-
One year or later and no later than five years	**-**	-
Later than five years	**-**	-
	1.4	-
Share of other expenditure commitments contracted but not provided for or payable (including operating lease commitments):		
Within one year	**4.5**	-
One year or later and no later than five years	**7.1**	-
Later than five years	**3.7**	-
	15.3	-

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 14. OTHER FINANCIAL ASSETS				
Non-current				
Shares in subsidiaries				
Cost	**-**	-	**309.6**	309.6
Provision for impairment loss	**-**	-	**(53.9)**	(53.9)
Total non-current other financial assets	**-**	-	**255.7**	255.7

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 15. PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment				
Cost	**34.9**	438.3	**1.1**	1.1
Accumulated depreciation	**(10.0)**	(105.5)	**(1.0)**	(1.0)
Total plant and equipment	**24.9**	332.8	**0.1**	0.1
Freehold properties				
Cost	**22.4**	212.2	**-**	-
Accumulated depreciation	**(3.1)**	(9.6)	**-**	-
Total freehold properties	**19.3**	202.6	**-**	-
Leasehold properties				
Cost	**-**	19.3	**-**	-
Accumulated amortisation	**-**	(2.4)	**-**	-
Total leasehold properties	**-**	16.9	**-**	-
Total property, plant and equipment[(i)]	**44.2**	552.3	**0.1**	0.1

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
(i) Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Plant and equipment				
Cost at beginning of year	**438.3**	397.5	**1.1**	1.1
Accumulated depreciation at beginning of year	**(105.5)**	(40.6)	**(1.0)**	(1.0)
Carrying amount at beginning of year	**332.8**	356.9	**0.1**	0.1
Foreign currency fluctuations	**(3.6)**	(0.9)	**-**	-
Movement due to business acquisitions	**3.1**	0.3	**-**	-
Movement due to business disposals	**(230.5)**	-	**-**	-
Additions	**41.9**	46.6	**-**	0.1
Disposals	**(1.7)**	(4.5)	**-**	-
Depreciation	**(38.1)**	(64.9)	**-**	(0.1)
Recoverable amount write-down	**-**	(0.2)	**-**	-
Reclassifications	**-**	(0.5)	**-**	-
Reclassification to assets held for sale	**(79.0)**	-	**-**	
Carrying amount at end of year	**24.9**	332.8	**0.1**	0.1
Cost at end of year	**34.9**	438.3	**1.1**	1.1
Accumulated depreciation at end of year	**(10.0)**	(105.5)	**(1.0)**	(1.0)
Carrying amount at end of year	**24.9**	332.8	**0.1**	0.1
Freehold properties				
Cost at beginning of year	**212.2**	218.7	**-**	-
Accumulated depreciation at beginning of year	**(9.6)**	(2.0)	**-**	-
Carrying amount at beginning of year	**202.6**	216.7	**-**	-
Foreign currency fluctuations	**(2.3)**	(0.1)	**-**	-
Movement due to business disposals	**(143.7)**	-	**-**	-
Additions	**4.9**	0.4	**-**	-
Disposals	**(3.2)**	(2.6)	**-**	-
Depreciation	**(5.9)**	(7.8)	**-**	-
Recoverable amount write-down	**-**	(1.8)	**-**	-
Reclassification to assets held for sale	**(33.1)**	(2.2)	**-**	-
Carrying amount at end of year	**19.3**	202.6	**-**	-
Cost at end of year	**22.4**	212.2	**-**	-
Accumulated depreciation at end of year	**(3.1)**	(9.6)	**-**	-
Carrying amount at end of year	**19.3**	202.6	**-**	-
Leasehold properties				
Cost at beginning of year	**19.3**	20.6	**-**	-
Accumulated depreciation at beginning of year	**(2.4)**	(1.5)	**-**	-
Carrying amount at beginning of year	**16.9**	19.1	**-**	-
Foreign currency fluctuations	**0.1**	(0.8)	**-**	-
Movement due to business disposals	**(16.7)**	-	**-**	-
Additions	**0.1**	0.2	**-**	-
Amortisation	**(0.4)**	(0.9)	**-**	-
Reclassification to assets held for sale	**-**	(0.7)	**-**	-
Carrying amount at end of year	**-**	16.9	**-**	-
Cost at end of year	**-**	19.3	**-**	-
Accumulated depreciation at end of year	**-**	(2.4)	**-**	-
Carrying amount at end of year	**-**	16.9	**-**	-

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 16. INTANGIBLE ASSETS				
Identifiable intangible assets				
Brandnames - cost	**49.7**	628.0	**-**	-
Purchased goodwill - cost	**38.3**	1,204.6	**-**	-
Total intangible assets	**88.0**	1,832.6	**-**	-

The Group's identifiable intangible assets have been assessed as having indefinite useful lives. The following factors were significant in that assessment:

- there is no restriction over the period of control over the assets, nor legal or contractual limits on the use of the assets since the Group either owns or has a perpetual licence to operate all brandnames recognised as intangible assets; and
- there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows as there are currently no intentions to cease operating any brands and in most cases these brands are well established in their respective markets, each having built a strong image and customer loyalty over a significant period of time.

However, due to a change in market conditions since June 30, 2005, certain other intangible assets with a carrying value of A$4.0 million were re-assessed as having finite useful lives, and the Group incurred an amortisation charge of A$0.6 million during the current year in respect of those intangibles that were sold as part of the Baking, Spreads & Oils businesses.

Reconciliations of the carrying amounts of goodwill and identifiable intangible assets are set out below:

A$ million	Consolidated Goodwill	Consolidated Identifiable Intangible assets
Cost at July 1, 2004	1,217.7	627.9
Adjustment to goodwill on initial recognition of deferred tax assets on past business combinations(i)	(12.9)	-
Foreign currency fluctuations	(0.2)	0.1
Cost and carrying amount at June 30, 2005	1,204.6	628.0
Carrying amount at July 1, 2005	1,204.6	628.0
Acquisition through business combinations(ii)	10.3	1.9
Amortisation	-	(0.6)
Movement due to business disposals	(1,034.8)	(407.0)
Reclassification to assets held for sale	(143.6)	(169.4)
Foreign currency fluctuations	1.8	(3.2)
Cost and carrying amount at June 30, 2006	38.3	49.7

(i) Refer to Note 30(f) for further details.

(ii) Refer to Note 27 for further details.

NOTE 16. INTANGIBLE ASSETS (CONTINUED)

Impairment test for cash generating units containing goodwill and indefinite life intangible assets

The following units have significant carrying amounts of goodwill and indefinite life intangible assets:

	Consolidated			
	Goodwill	Identifiable intangible assets	Goodwill	Identifiable intangible assets
A$ million	2006		2005	
Australian Snacks(i)	**-**	**-**	143.6	169.4
New Zealand Snacks	**38.3**	**49.7**	42.1	53.8
Australian Baking(ii)	**-**	**-**	258.9	114.5
New Zealand Baking(ii)	**-**	**-**	115.0	101.0
Australian Spreads & Oils(ii)	**-**	**-**	406.5	128.8
New Zealand Spreads & Oils(ii)	**-**	**-**	167.5	35.0
Fiji Spreads & Oils(ii)	**-**	**-**	44.9	17.1
New Caledonia Spreads & Oils(ii)	**-**	**-**	7.3	-
PNG Spreads & Oils(ii)	**-**	**-**	18.8	8.4
	38.3	**49.7**	1,204.6	628.0

(i) Transferred to assets of disposal group held for sale. Refer to Note 6 for further details.

(ii) Cash generating unit disposed of as part of the Baking, Spreads & Oils businesses on December 21, 2005.

The New Zealand snacks operation's impairment test is based on fair value less costs to sell. In the past 3 years, competing businesses of a generally similar size and nature have been bought and sold by companies within the food products industry. Additionally, information regarding the earnings multiples and enterprise value of listed companies operating in similar industries is obtained for comparison purposes. The earnings multiples generated in these transactions (calculated as enterprise value divided by EBITDA for the most recent full financial year) have been used to derive an EBITDA multiple which has been applied to the historical earnings of the cash generating unit to determine recoverable amount. This recoverable amount exceeds the carrying amount for the unit, including goodwill, such that no impairment is considered likely without a significant reduction in the EBITDA multiple applied to this cash generating unit.

NOTE 17. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Consolidated					
	Assets		(Liabilities)		Net assets/(liabilities)	
A$ million	2006	2005	2006	2005	2006	2005
Deferred tax relating to Uncle Tobys sale(i)	**124.0**	-	**-**	-	**124.0**	-
Tax value of loss carry forwards recognised	**95.7**	48.5	**-**	-	**95.7**	48.5
Investment in Goodman Fielder	**-**	-	**(58.2)**	-	**(58.2)**	-
Unrealised foreign currency exchange losses/(gains)	**-**	1.8	**(16.6)**	-	**(16.6)**	1.8
Derivative financial instruments	**12.9**	3.3	**(3.0)**	-	**9.9**	3.3
Provisions	**3.5**	8.7	**-**	-	**3.5**	8.7
Employee benefits	**2.8**	15.2	**-**	-	**2.8**	15.2
Property, plant and equipment	**0.8**	-	**-**	(9.6)	**0.8**	(9.6)
Other items	**2.0**	3.2	**(1.6)**	(6.3)	**0.4**	(3.1)
Tax assets/(liabilities)	**241.7**	80.7	**(79.4)**	(15.9)	**162.3**	64.8
Set off of tax	**(78.3)**	(15.5)	**78.3**	15.5	**-**	-
Net tax assets/(liabilities)	**163.4**	65.2	**(1.1)**	(0.4)	**162.3**	64.8

(i) Refer to Note 4(b) for further details.

NOTE 17. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	Burns, Philp & Company Limited					
	Assets		(Liabilities)		Net Assets/(liabilities)	
A$ million	**2006**	2005	**2006**	2005	**2006**	2005
Tax value of loss carry forwards recognised	**95.2**	42.9	**-**	-	**95.2**	42.9
Employee benefits	**1.7**	0.6	**-**	-	**1.7**	0.6
Other items	**0.4**	0.5	**-**	-	**0.4**	0.5
Tax assets/(liabilities)	**97.3**	44.0	**-**	-	**97.3**	44.0
Set off of tax	**-**	-	**-**	-	**-**	-
Net tax assets/(liabilities)	**97.3**	44.0	**-**	-	**97.3**	44.0

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Burns, Philp & Company Limited	
A$ million	**2006**	2005	**2006**	2005
Tax losses				
Revenue losses	**45.5**	86.8	**45.5**	86.8
Capital losses	**-**	143.4	**-**	143.4
Temporary differences				
Investment in subsidiaries	**60.1**	209.9	**-**	-
Total unrecognised deferred tax assets	**105.6**	440.1	**45.5**	230.2

(c) Movement in deferred tax assets and liabilities during the year

	Consolidated				
A$ million	**Asset/(liability) at beginning of year**	**Recognised in income statement**	**Recognised in equity**	**Other movements[(i)]**	**Asset/(liability) at end of year**
2006					
Employee benefits	**15.2**	**2.4**	-	**(14.8)**	**2.8**
Property, plant and equipment	**(9.6)**	**4.6**	-	**5.8**	**0.8**
Provisions	**8.7**	**0.6**	-	**(5.8)**	**3.5**
Tax value of loss carry forwards recognised	**48.5**	**51.7**	**(4.5)**	-	**95.7**
Derivative financial instruments	**3.3**	**2.0**	**4.6**	-	**9.9**
Unrealised foreign currency exchange losses/(gains)	**1.8**	**(2.0)**	**(16.4)**	-	**(16.6)**
Deferred tax relating to Uncle Tobys sale	-	**124.0**	-	-	**124.0**
Investment in Goodman Fielder					
Initial acquisition of shares	-	**(58.3)**	-	-	**(58.3)**
Subsequent movements in carrying value	-	**(6.8)**	**6.9**	-	**0.1**
Other items	**(3.1)**	**3.3**	**2.5**	**(2.3)**	**0.4**
	64.8	**121.5**	**(6.9)**	**(17.1)**	**162.3**
2005					
Employee benefits	4.8	10.4	-	-	15.2
Property, plant and equipment	(8.9)	(2.6)	-	1.9	(9.6)
Provisions	11.3	(3.1)	-	0.5	8.7
Tax value of loss carry forwards recognised	151.4	(97.7)	-	(5.2)	48.5
Derivative financial instruments	-	3.3	-	-	3.3
Unrealised foreign currency exchange (gains)/losses	(0.3)	1.7	0.4	-	1.8
Other items	(0.5)	(9.2)	-	6.6	(3.1)
	157.8	(97.2)	0.4	3.8	64.8

(i) Other movements relate primarily to deferred tax assets and liabilities disposed of with businesses sold, the reclassification of deferred tax assets and liabilities of discontinued operations and foreign currency fluctuations.

NOTE 17. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	Burns, Philp & Company Limited				
A$ million	**Asset/(liability) at beginning of year**	**Recognised in income statement**	**Recognised in equity**	**Other movements(i)**	**Asset/(liability) at end of year**
2006					
Employee benefits	**0.6**	**1.1**	**-**	**-**	**1.7**
Tax value of loss carry forwards recognised	**42.9**	**173.3**	**-**	**(121.0)**	**95.2**
Other items	**0.5**	**(0.1)**	**-**	**-**	**0.4**
	44.0	**174.3**	**-**	**(121.0)**	**97.3**
2005					
Employee benefits	-	0.6	-	-	0.6
Tax value of loss carry forwards recognised	-	42.9	-	-	42.9
Other items	-	0.5	-	-	0.5
	-	44.0	-	-	44.0

(i) Other movements relate to the utilisation of tax losses to offset taxable gains within other members of the Australian tax consolidated group.

	Consolidated		Burns, Philp & Company Limited	
A$ million	**2006**	2005	**2006**	2005
NOTE 18. PAYABLES				
Current				
Creditors and accruals	**38.3**	228.4	**16.3**	3.8
Owing to controlled entities	**-**	-	**0.1**	-
Owing to associates	**0.5**	-	**-**	-
Total current payables	**38.8**	228.4	**16.4**	3.8
Non-current				
Creditors and accruals	**-**	1.1	**-**	-
Derivative financial instruments(i)	**43.0**	20.3	**-**	-
Total non-current payables	**43.0**	21.4	**-**	-

(i) Refer to Note 29 for further details.

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 19. INTEREST BEARING BORROWINGS				
Current				
Secured				
Other indebtedness	**-**	0.7	**-**	-
Unsecured				
Term loan facilities(i)	**640.4**	-	**-**	-
Other indebtedness	**-**	0.3	**-**	-
Total current interest bearing liabilities(iv)	**640.4**	1.0	**-**	-
Non-current				
Secured				
Other indebtedness	**-**	5.4	**-**	-
Unsecured				
9.5% senior notes due 2010(v)	**-**	130.8	**-**	-
10.75% Senior Subordinated Notes due 2011(iii)(v)	**-**	263.7	**-**	-
9.75% Senior Subordinated Notes due 2012(v)	**-**	523.2	**-**	-
NZ Capital Notes(ii)(ix)	**169.9**	194.9	**-**	-
Total non-current interest bearing liabilities(iv)	**169.9**	1,118.0	**-**	-
(i) Term loan facilities	**640.8**	-	**-**	-
Unamortised debt issue costs (refer to Note 30(m))	**(0.4)**	-	**-**	-
	640.4	-	**-**	-
(ii) Notes payable	**174.6**	194.9	**-**	-
Unamortised debt issue costs (refer to Note 30(m))	**(4.7)**	-	**-**	-
	169.9	194.9	**-**	-
(iii) Notes payable	**-**	274.7	**-**	-
Unamortised discount	**-**	(11.0)	**-**	-
	-	263.7	**-**	-
(iv) Interest bearing liabilities by currency:				
United States dollars	**640.4**	917.7	**-**	-
New Zealand dollars	**169.9**	194.9	**-**	-
Others	**-**	6.4	**-**	-
Total interest bearing liabilities	**810.3**	1,119.0	**-**	-

(v) On June 21, 2002, a subsidiary entity of Burns Philp issued US$400 million of Senior Subordinated Notes bearing interest at 9.75% and maturing on July 15, 2012. On February 20, 2003, a subsidiary of Burns Philp issued US$210 million of Senior Subordinated Notes bearing interest at 10.75% and maturing on February 15, 2011. On June 16, 2003, a subsidiary of Burns Philp issued US$100 million of senior notes bearing interest at 9.5% and maturing on November 15, 2010. Collectively, these are referred to as the US Notes.

On October 15, 2005, the Group repaid the US Notes in full for US$798.2 million (A$1,058.5 million) funded through a combination of cash on hand and drawings under the Syndicated Tender Offer Facilities Agreement entered into by the Group on October 11, 2005 (refer to Note 19(vi) below).

As the carrying value of the US Notes at the time of repayment was A$893.7 million, a loss of A$164.8 million resulted from this transaction.

NOTE 19. INTEREST BEARING BORROWINGS (CONTINUED)

(vi) On October 11, 2005, the Group entered into a US$510 million Syndicated Tender Offer Facilities Agreement, comprising a US$35 million Revolving Facility and a US$475 million Term Facility. The facility had an initial term of 182 days from the drawdown date, with an option to extend for an additional 182 days. Certain subsidiaries of the Group were permitted to make borrowings under the Revolving Facility and the Term Facility. Amounts borrowed under the facilities are unsecured and guaranteed by Burns Philp and certain of its subsidiaries, on a basis subordinated to all other secured liabilities of Burns Philp and its subsidiaries, including the secured loan facilities as described in Note 19(vii) below.

On October 13, 2005, US$475 million was drawn down under the Term Facility and US$15 million was drawn down under the Revolving Facility. All of the proceeds drawn down under the Term Facility and Revolving Facility were used to repay the US Notes, as described in Note 19(v) above.

On April 12, 2006, the facility was extended by a further 182 days and on May 22, 2006 the Revolving Facility (which had since been repaid) was cancelled.

As at June 30, 2006, US$475 million was drawn down under the Term Facility.

(vii) The Group's secured senior loan facilities were repaid during the year ended June 30, 2005. The securities that secured the senior secured loan facilities still remain in place and currently secure other smaller financings. The securities comprise guarantees and securities provided by Burns Philp and certain of its subsidiaries in favour of the security trustee.

(viii) There are a number of debt facilities typically involving small amounts extended to finance and operating companies in the Group. These facilities are either secured by the security arrangements referred to in Note 19(vii) above, or have the benefit of guarantees and/or indemnities at the controlled entity or parent company level, or are not guaranteed or secured.

(ix) During the year ended June 30, 2003, a subsidiary of Burns Philp issued NZ$212.5 million of New Zealand Subordinated Capital Notes ("NZ Capital Notes"). These instruments were issued by Burns Philp Finance New Zealand Limited (formerly Goodman Finance Limited) and are general unsecured obligations of this subsidiary, guaranteed by Burns Philp and certain of its subsidiaries, on a basis subordinated to all other secured and unsecured liabilities of Burns Philp and of its subsidiaries. The NZ Capital Notes were issued in two series, one series of which mature on December 15, 2008 and bear interest at 9.75% and the other series which mature on November 15, 2011 and bear interest at 9.95%.

Upon the maturity of the NZ Capital Notes, the NZ Capital Notes may continue upon new terms (if this is proposed by the issuer and if the noteholder accepts the new terms), or may be redeemed in cash equal to the face value of the NZ Capital Notes. Notwithstanding any election made by a noteholder, the issuer may, in its sole discretion, elect to redeem the NZ Capital Notes by Burns Philp issuing its ordinary shares using a formula based on (a) the principal amount of, and accrued and unpaid interest on, the NZ Capital Notes and (b) the New Zealand dollar equivalent of 95% of the weighted average sale price of a Burns Philp ordinary share sold on the Australian Stock Exchange during the 10 business days immediately prior to the election date (adjusted to eliminate the effect of any dividend entitlement or similar transaction reflected in the price to which a noteholder would not be entitled).

(x) Details of the consolidated entity's committed financing facilities as at June 30, are set out below:

	Consolidated			
	2006 A$ million	**Average Maturity**	2005 A$ million	Average Maturity
Bank overdrafts	**14.4**	**1.0 years**	14.8	1.0 years
Bank loan facilities	**640.8**	**0.3 years**	8.8	2.0 years
Senior notes	**-**	**-**	130.8	5.4 years
Senior Subordinated Notes	**-**	**-**	786.9	6.7 years
NZ Capital Notes	**174.6**	**3.0 years**	194.9	4.0 years
Total committed lines of credit	**829.8**		1,136.2	
Add cash	**2,405.9**		492.3	
Less gross interest bearing liabilities	**(815.4)**		(1,130.0)	
Undrawn lines of credit and cash	**2,420.3**		498.5	

(xi) Securitisation Program

A subsidiary had entered into a receivables purchase agreement which enabled it to securitise selected amounts of its trade debtors portfolio up to a limit of A$50.0 million (2005 – A$50.0 million). As a consequence of the Goodman Fielder initial public offering, the existing agreement was replaced with a new receivables purchase agreement, which enabled the Group to securitise selected amounts of trade debtors up to a limit of A$27.0 million. On March 31, 2006, all outstanding amounts were repaid and the receivables purchase agreement was terminated on April 12, 2006.

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 20. EMPLOYEE BENEFITS				
Current				
Retirement allowances	**0.4**	0.4	**0.4**	0.4
Salaries and wages accrued	**11.8**	5.0	**10.5**	0.7
Liability for long service leave	**-**	2.2	**-**	0.4
Liability for annual leave	**4.3**	33.6	**0.4**	0.5
Sick leave	**0.1**	1.5	**-**	-
Total current employee benefits	**16.6**	42.7	**11.3**	2.0
Non-current				
Recognised liability for defined benefit obligations(i)	**-**	-	**-**	-
Liability for long service leave	**0.5**	35.7	**0.5**	0.1
Total non-current employee benefits	**0.5**	35.7	**0.5**	0.1

(i) Assets/liabilities for defined benefit obligation

The consolidated entity makes contributions to two defined benefit superannuation funds that provide defined benefit amounts for employees upon retirement. These funds were sponsored by two wholly-owned subsidiaries of the Group. The Company sponsored one defined benefit superannuation fund.

Defined Benefit Plans

A$ million	Accrued benefits 2006	Accrued benefits 2005	Plan assets at net market value 2006	Plan assets at net market value 2005	Funded status – overfunded 2006	Funded status – overfunded 2005	Vested benefits 2006	Vested benefits 2005
Burns Philp Group Superannuation Plan(i)	**5.5**	5.5	**9.8**	9.0	**4.3**	3.5	**5.5**	5.5
Goodman Fielder Superannuation Fund(i)	-	267.2	-	269.7	-	2.5	-	267.2
Goodman Fielder (NZ) Retirement Plan(ii)	-	41.3	-	45.7	-	4.4	-	39.7
Uncle Tobys Superannuation Fund(i)	**31.3**	-	**31.7**	-	**0.4**	-	**31.3**	-

(i) Details as at June 30, in each year.
(ii) Details as at March 31, in each year.

The Burns Philp Group Superannuation Plan services the retirement benefits for a group of retired employees of the Company. This plan has been closed to new members since 1999. As advised by the plan actuary, the Company has been on a contribution holiday since 1989. This position is regularly reviewed by the Company, in consultation with the plan actuary.

The Goodman Fielder Superannuation Fund, Goodman Fielder (NZ) Retirement Plan and the Uncle Tobys Superannuation Fund are all classified as defined benefit funds as a relatively small proportion of members have an entitlement to a defined benefit guarantee, which provides that, upon retirement, the member is guaranteed to receive the greater of their accumulation benefit or what would have been their defined benefit. For the majority of members, these plans essentially operate as defined contribution funds. For the small portion of member who have an entitlement to a deferred benefit guarantee, as of June 30, 2006 and 2005, the accumulation benefit is greater than the actuarial determined defined benefit for all members.. Following the disposal of the Baking, Spreads & Oils businesses on December 21, 2005, the Group no longer sponsors or contributes to the Goodman Fielder Superannuation Fund or Goodman Fielder (NZ) Retirement Plan.

Employer contributions to defined benefit plans are based on the advice of the plans' actuaries. Employee contributions to defined contribution plans are based on various percentages of their gross salaries. After serving a qualifying period, all participating employees are entitled to benefits on retirement, disability or death.

NOTE 20. EMPLOYEE BENEFITS (CONTINUED)

The accrued benefits, plan assets at net market value and vested benefits of defined benefit plans sponsored by the consolidated entity, based on the most recent financial statements of the plans, are set out in the table above. Accrued benefits are benefits which the plans are presently obliged to pay at some future date as a result of membership of the plans. Vested benefits are benefits which are not conditional upon the continued membership of the plans or any factor, other than resignation from the plans.

The Directors, based on the advice of the trustees of the defined benefit plans, are not aware of any changes in circumstances since the date of the most recent financial statements of the plans which would have a material impact on the overall financial position of the plans.

Movements in the net asset/ liability for defined benefit obligations recognised in the balance sheet

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Net asset for defined benefit obligations at July 1	**4.9**	4.0	**-**	-
Contributions received	**12.2**	22.0	**-**	-
Expense recognised in the income statement	**(12.1)**	(21.1)	**-**	-
Disposal of businesses(i)	**(4.8)**	-	**-**	-
Net asset for defined benefit obligations at June 30	**0.2**	4.9	**-**	-
Reconciliation of funded status:				
Funded status – overfunded	**4.7**	10.4	**4.3**	3.5
Unrecognised net actuarial (gain)	**(0.2)**	(2.0)	**-**	-
Unrecognised (asset)(ii)	**(4.3)**	(3.5)	**(4.3)**	(3.5)
Unamortised prior service cost	**-**	-	**-**	-
Net amount recognised at year end	**0.2**	4.9	**-**	-
Amounts recorded in the balance sheet:				
Prepaid pension asset	**-**	4.9	**-**	-
Assets of disposal groups held for sale – other assets	**0.2**	-	**-**	-
Liability for defined benefit obligation	**-**	-	**-**	-
Net amount recognised at year end	**0.2**	4.9	**-**	-
Amounts for the current and previous period are as follows(iii):				
Defined benefit obligation	**(36.8)**	(314.0)	**(5.5)**	(5.5)
Fund assets	**41.5**	324.4	**9.8**	9.0
Surplus	**4.7**	10.4	**4.3**	3.5
Experience adjustments on fund liabilities	**-**	-	**-**	-
Experience adjustments on fund assets	**-**	-	**-**	-

(i) Represents the prepaid pension asset included in the net assets of the Baking, Spreads & Oils businesses disposed of on December 21, 2005.

(ii) Under the terms of the Trust Deed governing the Burns Philp Group Superannuation Plan, the Company is only entitled to the benefit of the plan surplus in limited circumstances. As of June 30, 2006 and 2005, the circumstances are such that the Company does not expect to benefit from the plan surplus in the foreseeable future.

(iii) The consolidated entity and the Company have used the AASB 1.20A exemption and disclosed amounts under AASB 1.20A(p) above for each annual reporting period prospectively from the transition date.

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 20. EMPLOYEE BENEFITS (CONTINUED)				
Change in benefit obligation:				
Benefit obligation at beginning of year	**314.0**	374.1	**5.5**	5.7
Service cost	**13.0**	21.9	**-**	-
Interest cost	**28.4**	35.0	**0.5**	0.3
Plan participant contributions	**4.0**	2.3	**-**	-
Actuarial (gain)/loss	**3.1**	(1.5)	**-**	-
Benefits paid	**(26.0)**	(47.9)	**(0.5)**	(0.5)
Disposal of businesses	**(298.6)**	(70.1)	**-**	-
Foreign currency translation	**(1.1)**	0.2	**-**	-
Benefit obligation at end of year	**36.8**	314.0	**5.5**	5.5
Change in plan assets:				
Fair value of plan assets at beginning of year	**324.4**	346.7	**9.0**	8.3
Actual return on plan assets	**30.8**	36.8	**1.3**	1.2
Employer contributions	**12.2**	22.0	**-**	-
Plan participant contributions	**4.0**	2.3	**-**	-
Benefits paid	**(26.0)**	(47.9)	**(0.5)**	(0.5)
Disposal of businesses	**(303.9)**	(36.1)	**-**	-
Foreign currency translation	**-**	0.2	**-**	-
Other	**-**	0.4	**-**	-
Fair value of plan assets at end of year	**41.5**	324.4	**9.8**	9.0
Components of net periodic pension costs:				
Service cost	**13.0**	21.9	**-**	-
Interest cost	**28.4**	35.0	**0.5**	0.3
Expected return on plan assets	**(29.3)**	(35.8)	**(0.5)**	(0.3)
Net periodic pension costs	**12.1**	21.1	**-**	-

The net periodic pension cost is recognised in the following line items in the income statement:

A$ millions	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Cost of goods sold	**6.5**	11.2	**-**	-
Selling, marketing and distribution expenses	**3.4**	6.5	**-**	-
General and administrative expenses	**2.2**	3.4	**-**	-
	12.1	21.1	**-**	-

As a consequence of the sale of Uncle Tobys on July 14, 2006, and the continuation of the contribution holiday in the Burns Philp Group Superannuation Plan, the consolidated entity does not expect to contribute to its defined benefit superannuation funds in the 2007 financial year.

NOTE 20. EMPLOYEE BENEFITS (CONTINUED)

Composition of plan assets

	Target	**2006**	2005
Equity securities	60.3%	**62.0%**	56.5%
Debt securities and cash	27.9%	**30.0%**	30.7%
Property	11.8%	**8.0%**	12.8%
Total	100.0%	**100.0%**	100.0%

The investment strategy adopted by the Trustees of the Group's defined benefit plans is to control the level of risk by investing in a broad range of quality investments, using a range of Australian and international investment managers who specialise in cash, fixed interest debt securities, shares and property. The Trustees regularly review the Fund's investments and adjust the investment strategy in order to maximise returns within this controlled risk profile and take advantage of perceived market efficiencies.

Investment goals are to earn the best possible returns within the appropriate strategic level of risk, and maintain the funds' financial viability by ensuring plan assets exceed benefit obligations. Derivatives are used to limit exposure to market fluctuations and are used within appropriate control environments for the respective pension plan assets.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2006	2005
Weighted average assumptions used to calculate the net periodic pension costs:		
Discount rate	**5.00%**	4.48%
Long term rate of return on plan assets	**5.00%**	4.64%
Rate of compensation increase	**4.00%**	4.13%
Weighted average assumption used to calculate the year end benefit obligations:		
Discount rate	**5.00%**	4.48%
Rate of compensation	**4.00%**	4.13%

The determination of the expected return on plan assets is made with reference to factors that include independent actuarial advice, historical rate of return, including both short term and longer term trends, and changes in the age profiles of the Group's workforce. There is some inherent uncertainty of the nature of these items, therefore a change in the expected return may be required in future periods. Although the precise impact of a potential change cannot be quantified, a sustained downward revision of the expected return on plan assets may result in the recognition of additional pension expense for those members with guaranteed defined benefits.

Defined contribution plans

Employer contributions to defined contribution plans are based on various percentages of their gross salaries. The consolidated entity contributed A$1.1 million to accumulation funds during the year (2005: A$1.1 million).

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
NOTE 21. PROVISIONS				
Current				
Business closure and rationalisation	**0.3**	10.2	**-**	-
Workers' compensation	**5.9**	5.3	**1.0**	-
Legal claims	**27.2**	30.6	**-**	-
Other	**0.6**	5.3	**-**	-
Total current provisions	**34.0**	51.4	**1.0**	-
Non-current				
Workers' compensation	**26.1**	39.6	**5.2**	-
Other	**-**	1.4	**-**	-
Total non-current provisions	**26.1**	41.0	**5.2**	-

(i) The nature of each class of provisions is outlined below:

Workers' compensation

Burns Philp is a self-insurer under the Victorian Accident Compensation Act. BPC Foods Pty Limited ("BPC Foods", formerly Goodman Fielder Limited), a subsidiary of the Group, originally obtained a licence to self-insure in Victoria on July 14, 2001. Subsequent to its takeover of BPC Foods, Burns, Philp & Company Limited obtained a licence and the BPC Foods licence was handed back. Subsequent to June 30, 2006, the Burns, Philp & Company Limited licence was handed back. However, the Group has retained the liabilities and the majority of the obligations of a self-insurer for claims incurred from September 1, 1985 to August 19, 2006.

The self-insurance licence for the Group's former New South Wales operations, which was held from April 1, 2001, was handed back on April 30, 2004. Provisions have been maintained in respect of the period of self-insurance in New South Wales from April 1, 2001 until April 30, 2004 as the Group has retained this liability.

Provisions have been made in respect of all employees in New South Wales and Victoria for all assessed workers' compensation liabilities incurred and both reported and not reported, for the relevant periods of self-insurance, based on independent actuarial assessments plus a prudential margin.

In compliance with the relevant state schemes, workers' compensation risk for all Australian employees other than for the periods of self-insurance outlined above, has been transferred via insurance to third party insurers.

Business closure and rationalisation

During the years ended June 30, 2006 and 2005, the Group announced a number of restructuring programs in respect of its continuing and discontinued operations. Provisions for these restructuring programs are recognised in accordance with Note 1(j) and relate to redundancy costs and site closure costs.

Legal claims

The consolidated entity is subject to litigation in the ordinary course of operations and has provided indemnities and warranties to purchasers in respect of the sale of discontinued operations. Provisions for legal claims are recognised when estimated costs associated with settling current legal proceedings and indemnity and warranty claims are considered probable. Provisions include estimated legal and other fees associated with settling these claims. Refer to Note 24 for further details of the Group's contingent liabilities.

Other provisions

Other provisions are primarily comprised of provisions for surplus lease space and lease remediation.

NOTE 21. PROVISIONS (CONTINUED)

(ii) Reconciliations of the carrying amount of each class of provision are set out below:

	Consolidated		Burns, Philp & Company Limited	
A$ million	**2006**	2005	**2006**	2005
Business closure and rationalisation				
Carrying amount at beginning of year	**10.2**	32.0	**-**	-
Foreign currency fluctuations	**(0.1)**	-	**-**	-
Movement due to business disposals	**(4.2)**	(0.8)	**-**	-
Provisions made during the year	**6.3**	1.4	**-**	-
Payments made during the year	**(11.9)**	(20.4)	**-**	-
Other amounts utilised during the year	**-**	(2.0)	**-**	-
Carrying amount at end of year	**0.3**	10.2	**-**	-
Workers' compensation				
Carrying amount at beginning of year	**44.9**	48.3	**-**	-
Intra-group transfers	**-**	-	**5.3**	
Provisions (reversed)/made during the year	**(8.6)**	2.1	**1.0**	-
Payments made during the year	**(4.3)**	(5.5)	**(0.1)**	-
Carrying amount at end of year	**32.0**	44.9	**6.2**	-
Legal claims				
Carrying amount at beginning of year	**30.6**	37.8	**-**	0.4
Provisions (reversed)/made during the year	**3.1**	(4.7)	**-**	-
Payments made during the year	**(6.5)**	(2.5)	**-**	(0.4)
Carrying amount at end of year	**27.2**	30.6	**-**	-
Other provisions				
Carrying amount at beginning of year	**6.7**	13.1	**-**	-
Movements due to business disposals	**(3.8)**	(0.1)	**-**	-
Provisions (reversed) during the year	**(1.0)**	(2.0)	**-**	-
Payments made during the year	**(1.3)**	(4.3)	**-**	-
Carrying amount at end of year	**0.6**	6.7	**-**	-

NOTE 22. CAPITAL AND RESERVES

(a) Share capital

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
2,033,854,190 (2005 – 2,031,840,499) ordinary shares, fully paid	**880.8**	880.2	**880.8**	880.2
795,280,505 (2005 – 797,294,196) converting preference shares, fully paid	**233.3**	233.9	**233.3**	233.9
Total issued capital	**1,114.1**	1,114.1	**1,114.1**	1,114.1

Movements since June 30, 2004 in Burns, Philp & Company Limited ordinary shares and converting preference shares ("CP Shares") have been as follows:

Ordinary Shares

	Number of shares	A$ million
Ordinary shares at June 30, 2004	2,031,834,572	880.2
Conversion of CP Shares	5,927	-
Ordinary shares at June 30, 2005	2,031,840,499	880.2
Conversion of CP Shares	2,013,691	0.6
Ordinary shares at June 30, 2006	2,033,854,190	880.8
Automatic conversion of remaining CP shares on issue August 13, 2006	795,280,505	233.3
Ordinary shares at August 15, 2006	2,829,134,695	1,114.1

Effective July 1, 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and, at members' meetings, are entitled to one vote on a show of hands and one vote per share on a poll.

In the event of winding up of the Company, ordinary shareholders rank after secured and unsecured creditors and are fully entitled to the balance of any proceeds on liquidation.

CP Shares

	Number of shares	A$ million
CP Shares at June 30, 2004	797,300,123	233.9
CP Shares converted into ordinary shares	(5,927)	-
CP Shares at June 30, 2005	797,294,196	233.9
CP Shares converted into ordinary shares	(2,013,691)	(0.6)
CP Shares at June 30, 2006	795,280,505	233.3
Automatic conversion of remaining CP Shares on issue August 13, 2006	(795,280,505)	(233.3)
CP Shares at August 15, 2006	-	-

Holders of CP Shares were entitled to receive, where there were profits available for the payment of dividends, a cumulative preferential dividend of 7.5% per annum based on the issue price of A$0.30, payable quarterly with no guarantee of franking. Each CP Share was convertible (subject to takeover laws) into one ordinary share at any time during its five year term at the option of the holder or otherwise on the fifth anniversary of its issue date of August 13, 2001 (or, in certain limited circumstances, later). No further payment was required by the holder on conversion of the CP Shares. Remaining CP Shares on issue at August 13, 2006 were automatically converted to ordinary shares at that date.

NOTE 22. CAPITAL AND RESERVES (CONTINUED)

(b) Reserves

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Foreign currency translation reserve	**(34.5)**	(15.6)	**-**	-
Hedge reserve	**0.9**	-	**-**	-
Total reserves(i)	**(33.6)**	(15.6)	**-**	-

(i) Details of the nature and purpose of reserves and of movements in reserves during the year are as follows:

Foreign currency translation reserve

The foreign currency translation reserve comprises the foreign currency differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the consolidated entity, as well as the translation of transactions that hedge the consolidated entity's net investment in foreign operations or the translation of foreign currency monetary items forming part of the net investment in self-sustaining operations, net of related income tax (expense)/benefit.

Movements in the foreign currency translation reserve are set out below:

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Balance at beginning of year	**(15.6)**	-	**-**	-
Foreign exchange translation differences	**15.3**	(14.4)	**-**	-
Related deferred income tax (expense)/benefit	**(20.9)**	0.4	**-**	-
Share of associates' foreign exchange translation differences	**(24.4)**	-	**-**	-
Related deferred income tax benefit	**7.3**	-	**-**	-
Amounts reclassified to net profit on disposal of business	**3.8**	(1.6)	**-**	-
Total current period movements	**(18.9)**	(15.6)	**-**	-
Balance at end of year	**(34.5)**	(15.6)	**-**	-

Hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. Amounts are reclassified from the hedge reserve to net profit when the hedged transaction occurs or when the hedged transaction is no longer expected to take place.

Movements in the hedge reserve are set out below:

A$ million	Consolidated 2006	Consolidated 2005	Burns, Philp & Company Limited 2006	Burns, Philp & Company Limited 2005
Balance at beginning of year	**-**	-	**-**	-
Effect of change in accounting policy (refer to Note 30(m))	**(12.2)**	-	**-**	-
Balance at beginning of year – restated	**(12.2)**	-	**-**	-
Amounts reclassified to net profit	**1.0**	-	**-**	-
Related deferred income tax (expense) reclassified to net profit	**(0.3)**	-	**-**	-
Amount reclassified to net profit upon debt extinguishment	**16.4**	-	**-**	-
Related deferred income tax (expense) reclassified to net profit	**(4.9)**	-	**-**	-
Share of associates' hedge reserve movements	**1.3**	-	**-**	-
Related deferred income tax (expense)	**(0.4)**	-	**-**	-
Total current year movements	**13.1**	-	**-**	-
Balance at end of year	**0.9**	-	**-**	-

NOTE 22. CAPITAL AND RESERVES (CONTINUED)

(c) Dividends

Ordinary shares

No dividends were declared or paid on ordinary shares during the years ended June 30, 2006 and 2005.

Converting preference shares

Details of dividends paid on CP Shares are:

	Consolidated		Burns, Philp & Company Limited	
A$ million	**2006**	2005	**2006**	2005
2006				
Paid September 30, 2005 0.56710 cents per share (fully franked)	**(4.5)**	-	**(4.5)**	-
Paid January 3, 2006 0.58560 cents per share (fully franked)	**(4.7)**	-	**(4.7)**	-
Paid March 31, 2006 0.53630 cents per share (fully franked)	**(4.2)**	-	**(4.2)**	-
Paid June 30, 2006 0.56100 cents per share (fully franked)	**(4.5)**	-	**(4.5)**	-
2005				
Paid September 30, 2004 0.56710 cents per share (unfranked)	**-**	(4.5)	**-**	(4.5)
Paid December 31, 2004 0.56710 cents per share (unfranked)	**-**	(4.5)	**-**	(4.5)
Paid March 31, 2005 0.55480 cents per share (unfranked)	**-**	(4.4)	**-**	(4.4)
Paid June 30, 2005 0.56100 cents per share (unfranked)	**-**	(4.5)	**-**	(4.5)
	(17.9)	(17.9)	**(17.9)**	(17.9)

(d) Minority interests

Other movements in minority interests as presented in the statements of changes in equity arise upon the disposal of the Yeast & Bakery Ingredients group and the Herbs and Spices business in the year ended June 30, 2005 and upon the disposal of the Baking, Spreads & Oils businesses in the year ended June 30, 2006.

	Consolidated		Burns, Philp & Company Limited	
A$ million	**2006**	2005	**2006**	2005
NOTE 23. COMMITMENTS				
Capital expenditure commitments				
Capital expenditure contracted for at balance date but not provided for:				
Payable within 1 year	**1.0**	8.7	**-**	-
Operating lease commitments(i)				
Aggregate amount contracted for at balance date but not provided for:				
Payable within 1 year	**1.6**	26.7	**0.6**	0.4
Payable between 1 and 2 years	**1.1**	19.7	**0.6**	-
Payable between 2 and 3 years	**0.9**	15.0	**0.5**	-
Payable between 3 and 4 years	**0.2**	7.0	**-**	-
Payable between 4 and 5 years	**-**	2.4	**-**	-
Payable after 5 years	**-**	3.4	**-**	-
Total operating lease commitments	**3.8**	74.2	**1.7**	0.4

(i) The consolidated entity leases property and motor vehicles under non-cancellable operating leases expiring within 1 to 5 years. Property leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Property lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based either on movements in consumer price indices or operating criteria.

NOTE 24. CONTINGENT LIABILITIES

(a) Litigation and legal proceedings

The consolidated entity is subject to litigation in the ordinary course of operations, for which a provision of A$27.2 million has been recognised in the consolidated financial statements as of June 30, 2006 (refer to Note 21). The consolidated entity does not believe that it is engaged in any other legal proceedings for which provision has not been made which would be likely to have a material affect on its business, financial position or results of operations.

(b) Indemnities and warranties in respect of discontinued operations and business disposals

(i) As part of the agreements for the sale of the Yeast & Bakery Ingredients group and Herbs and Spices business, the Group has provided certain warranties and indemnities to the purchaser, Associated British Foods plc, as set out in the respective sale agreements. These warranties and indemnities are subject to various terms and conditions affecting the duration and total amount of the indemnities.

As of June 30, 2006, the Group is not aware of any material claims under these agreements that would give rise to any present or contingent liabilities that are not currently provided for.

(ii) As part of the agreement to dispose of its Baking, Spreads & Oils businesses to Goodman Fielder, the Company provided certain indemnities to Goodman Fielder. These warranties and indemnities are subject to various terms and conditions affecting the duration and total amount of the indemnities.

As of June 30, 2006, the Group is not aware of any material claims under these agreements that would give rise to any present or contingent liabilities that are not currently provided for.

(c) Security and guarantee arrangements

(i) Burns Philp and certain of its subsidiaries have entered into guarantee and security arrangements in respect of certain of the Group's indebtedness as described in Note 19.

(ii) Burns Philp and certain of its wholly owned subsidiaries identified in Note 26 have entered into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that Burns Philp guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Australian Corporations Act 2001. If winding up occurs under other provisions of the Corporations Law, Burns Philp will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that Burns Philp is wound up.

Consolidated condensed income statements for the years ended June 30, 2006 and 2005 and consolidated condensed balance sheets as at June 30, 2006 and 2005, comprising Burns Philp and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed, are set out below:

A$ million	Consolidated 2006	2005
NOTE 24. CONTINGENT LIABILITIES (CONTINUED)		
Income statements		
Profit before tax	**608.6**	859.0
Income tax benefit	**126.2**	53.5
Net profit after tax	**734.8**	912.5
Balance sheets		
Cash and cash equivalents	**2,399.0**	260.1
Receivables	**17.5**	723.1
Inventories	**-**	81.5
Assets held for sale	**501.9**	6.3
Other assets	**26.7**	11.3
Total current assets	**2,945.1**	1,082.3
Receivables	**-**	2.9
Investments accounted for using the equity method	**359.0**	8.4
Other financial assets	**476.0**	818.7
Property, plant and equipment	**3.8**	342.2
Intangible assets	**-**	1,221.1
Deferred tax assets	**160.9**	45.7
Other assets	**-**	41.3
Total non-current assets	**999.7**	2,480.3
Total assets	**3,944.8**	3,562.6
Payables	**534.9**	788.2
Current tax liabilities	**2.6**	-
Interest bearing borrowings	**640.4**	-
Employee benefits	**13.8**	31.6
Provisions	**33.1**	64.2
Liabilities held for sale	**39.6**	-
Total current liabilities	**1,264.4**	884.0
Payables	**43.0**	21.4
Interest bearing borrowings	**-**	786.9
Deferred tax liabilities	**1.1**	-
Employee benefits	**0.5**	29.9
Provisions	**26.1**	16.9
Total non-current liabilities	**70.7**	855.1
Total liabilities	**1,335.1**	1,739.1
Net assets	**2,609.7**	1,823.5
Issued capital	**1,114.1**	1,114.1
Reserves and retained profits	**1,495.6**	709.4
Total equity	**2,609.7**	1,823.5

NOTE 25. RELATED PARTIES

(a) Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated, were key management personnel for the entire period:

Non-executive directors
G R Hart (Chairman)
M D Burrows
B M Murray
F W Smith

Executive directors
T J Degnan (Chief Executive Officer)

Current executives
H D Golding (Group Legal Counsel and Company Secretary)
A P Hugli (Chief Financial Officer)
A McIver (Managing Director, Uncle Tobys Foods)

Former executives
G Erby (Managing Director, Meadow Lea Foods)
G Hardie (Managing Director, Baking Australia)
P Hitchock (Managing Director, Commercial)
A Taylor (Managing Director, Baking New Zealand)
R Vela (Managing Director, Baking & Commercial Australasia)

The key management personnel compensation included in net profit after tax is set out below:

	Consolidated		**Burns, Philp & Company Limited**	
A$ million	**2006**	2005	**2006**	2005
Short-term employee benefits	**6.3**	9.8	**4.3**	4.0
Post-employment benefits	**0.1**	0.4	**-**	0.1
Termination benefits	**3.0**	0.5	**-**	0.5
Other compensation benefits	**6.5**	6.6	**4.2**	6.3
	15.9	17.3	**8.5**	10.9

Individual directors and executives compensation disclosures

Information regarding individual Directors and executives compensation is provided in the Remuneration Report section of the Directors' Report on pages 19 to 26.

Apart from details disclosed in this note, no Director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and, except as disclosed in this note, there were no material contracts involving Directors' interests existing at June 30, 2006.

Equity instruments

Equity Holdings and Transactions

The movement during the current year in the number of ordinary and cumulative preference shares in Burns, Philp & Company Limited and NZ Capital Notes issued by Burns Philp Finance New Zealand Limited (formerly Goodman Finance Limited) held directly, indirectly or beneficially by each key management personnel, including their personally related entities, is as follows:

NOTE 25. RELATED PARTIES (CONTINUED)

Ordinary shares

	Held at July 1, 2004	Purchases	Conversion of CP Shares	Sales	Other[(iii)]	Held at June 30, 2005
Directors						
G R Hart[(i)(iv)]	1,092,239,312	-	-	-	-	1,092,239,312
M D Burrows[(iv)]	5,843	-	-	-	-	5,843
B M Murray[(ii)(iv)]	10,956	-	-	-	-	10,956
F W Smith[(iv)]	13,723	-	-	-	-	13,723
T J Degnan (CEO)[(iv)]	3,391,050	-	-	-	-	3,391,050
A G McGregor[(iii)(iv)]	114,608	-	-	-	(114,608)	-
Executives						
G Erby[(ii)(v)]	500,000	-	-	-	-	500,000
H D Golding[(ii)(iv)]	214,323	-	-	-	-	214,323
G Hardie[(v)]	-	-	-	-	-	-
P Hitchcock[(v)]	16,400	-	-	-	-	16,400
A P Hugli[(iv)]	210,571	-	-	-	-	210,571
A McIver[(v)]	-	-	-	-	-	-
A Taylor[(v)]	-	-	-	-	-	-
R Vela[(v)]	50,000	-	-	-	-	50,000

(i) Includes 568,211 ordinary shares held indirectly at June 30, 2005 by personally related entities i.e. relatives.

(ii) All held indirectly by personally related entities.

(iii) This column represents the removal of this disclosure as a result of ceasing to be a Director. Mr McGregor resigned as Director on August 11, 2004.

(iv) Represents Company and consolidated entity key management personnel disclosures.

(v) Represents consolidated entity only key management personnel disclosures.

	Held at June 30, 2005	Purchases	Conversion of CP Shares	Sales	Other[(iii)]	Held at June 30, 2006
Directors						
G R Hart[(i)(iv)]	1,092,239,312	-	-	-	-	1,092,239,312
M D Burrows[(iv)]	5,843	-	-	-	-	5,843
B M Murray[(ii)(iv)]	10,956	-	-	-	-	10,956
F W Smith[(iv)]	13,723	-	-	-	-	13,723
T J Degnan (CEO)[(iv)]	3,391,050	-	-	-	-	3,391,050
Executives						
G Erby[(ii)(v)]	500,000	-	-	-	(500,000)	-
H D Golding[(ii)(iv)]	214,323	-	-	-	-	214,323
G Hardie[(v)]	-	-	-	-	-	-
P Hitchcock[(v)]	16,400	-	-	-	(16,400)	-
A P Hugli[(iv)]	210,571	-	-	-	-	210,571
A McIver[(v)]	-	-	-	-	-	-
A Taylor[(v)]	-	-	-	-	-	-
R Vela[(v)]	50,000	-	-	-	(50,000)	-

(i) Includes 568,211 ordinary shares held indirectly at June 30, 2005 by personally related entities i.e. relatives.

(ii) All held indirectly by personally related entities.

(iii) This column represents the removal of this disclosure as a result of ceasing to be employed by the Company during the financial year.

(iv) Represents Company and consolidated entity key management personnel disclosures.

(v) Represents consolidated entity only key management personnel disclosures.

NOTE 25. RELATED PARTIES (CONTINUED)

Converting preference shares (CP Shares)

	Held at July 1, 2004	Purchases	Conversion of CP Shares	Sales	Other movements[iii]	Held at June 30, 2005
Directors						
G R Hart[i][iv]	537,809,274	-	-	-	-	537,809,274
M D Burrows[iv]	-	-	-	-	-	-
B M Murray[ii][iv]	4,612	-	-	-	-	4,612
F W Smith[iv]	5,779	-	-	-	-	5,779
T J Degnan (CEO)[iv]	619,122	-	-	-	-	619,122
A G McGregor[iii][iv]	244,226	-	-	-	(244,226)	-
Executives						
G Erby[ii][v]	3,511	-	-	-	-	3,511
H D Golding[ii][iv]	56,370	-	-	-	-	56,370
G Hardie[v]	-	-	-	-	-	-
P Hitchcock[v]	-	-	-	-	-	-
A P Hugli[iv]	100,000	-	-	-	-	100,000
A McIver[v]	-	-	-	-	-	-
A Taylor[v]	-	-	-	-	-	-
R Vela[v]	-	-	-	-	-	-

(i) Includes 165,063 CP Shares held indirectly by personally related entities i.e. relatives.
(ii) All held indirectly by personally related entities.
(iii) This column represents the removal of this disclosure as a result of ceasing to be a Director or executive. Mr McGregor resigned as Director on August 11, 2004.
(iv) Represents Company and consolidated entity key management personnel disclosures.
(v) Represents consolidated entity only key management personnel disclosure.

	Held at June 30, 2005	Purchases	Conversion of CP Shares	Sales	Other movements[iii]	Held at June 30, 2006
Directors						
G R Hart[i][iv]	537,809,274	-	-	-	-	537,809,274
M D Burrows[iv]	-	-	-	-	-	-
B M Murray[ii][iv]	4,612	-	-	-	-	4,612
F W Smith[iv]	5,779	-	-	-	-	5,779
T J Degnan (CEO)[iv]	619,122	-	-	-	-	619,122
Executives						
G Erby[ii][v]	3,511	-	-	-	(3,511)	-
H D Golding[iii][iv]	56,370	-	-	-	-	56,370
G Hardie[v]	-	-	-	-	-	-
P Hitchcock[v]	-	-	-	-	-	-
A P Hugli[iv]	100,000	-	-	-	-	100,000
A McIver[v]	-	-	-	-	-	-
A Taylor[v]						
R Vela[v]	-	-	-	-	-	-

(i) Includes 165,063 CP Shares held indirectly by personally related entities i.e. relatives.
(ii) All held indirectly by personally related entities.
(iii) This column represents the removal of this disclosure as a result of them ceasing to be employed by the Company during the financial year.
(iv) Represents Company and consolidated entity key management personnel disclosures.
(v) Represents consolidated entity only key management personnel disclosures.

NZ Capital Notes

No specified Director or executive held NZ Capital Notes at July 1, 2004 or at any time during the period to June 30, 2006, other than Mr Hugli who held 20,000 NZ Capital Notes at July 1, 2004 and continued to hold them at June 30, 2006.

NOTE 25. RELATED PARTIES (CONTINUED)

Loans with key management personnel

There were no outstanding loans to key manangement personnel at June 30, 2006, June 30, 2005 or at any time during the years ended on these dates.

Other transactions with key management personnel and the Group

Rank Group Limited

Mr Hart is the Managing Director and substantial shareholder of Rank Group Limited ("Rank") and Mr Murray is a senior executive of Rank. During the current year, Burns Philp paid Rank A$0.4 million (2005 - A$0.9 million) in reimbursements, at cost, for salaries and expenses of employees paid by Rank on behalf of Burns Philp.

Carter Holt Harvey Limited

Rank obtained control of Carter Holt Harvery Limtied ("Carter Holt Harvey") on September 21, 2005. Since September 21, 2005, Mr Hart, Mr Murray, Mr Degnan and Mr Burrows have been directors of Carter Holt Harvey, a New Zealand based forestry and paper packaging company. Prior to their disposal on December 21, 2005, certain subsidiaries of Burns Philp operating in the Baking, Spreads & Oils businesses, purchased packaging materials from Carter Holt Harvey for a total of A$48,000. For the period from September 21, 2005 to June 30, 2006, the Group's Snacks operations purchased approximately A$73,000 of packaging materials from Carter Holt Harvey. The terms of these arrangements were negotiated on an arm's lengh basis.

New Zealand Dairy Foods Limited

Prior to December 22, 2005, Mr Hart and Mr Murray were directors of, and through Rank, Mr Hart owned 100% of, New Zealand Dairy Foods Holdings Limited and New Zealand Dairy Foods Limited ("NZDF"), a consumer foods group supplying a range of dairy products.

On September 29, 2005, Goodman Fielder, while still a subsidiary of the Company, entered into a binding offer to purchase NZDF from Rank. A Share Sale Agreement, conditional (amongst other things) on completion of the initial public offering of shares in Goodman Fielder, was entered into on November 22, 2005. The Board of the Company (other than those directors not entitled to because of their association with Rank), engaged an independent expert who concluded that the acquisition of NZDF was fair and reasonable to the Company's shareholders, other than Rank, and was on arm's length terms. The boards of both the Company and Goodman Fielder (comprising those directors other than those directors not entitled to vote because of their association with Rank) approved the entering into of the binding offer and the Share Purchase Agreement. The sale was completed on December 22, 2005 for NZ$746.2 million, subject to an earn-out agreement.

Certain New Zealand based subsidiaries of Burns Philp purchased goods from NZDF. The terms of these arrangements were negotiated on an arm's length basis. The value of these transactions during the year ended June 30, 2006 was approximately NZ$0.2 million (2005 – NZ$4.9 million).

In addition, for the period from November 1, 2005 to December 21, 2005, NZDF acted as the agent for the sale and distribution of certain grocery products manufactured by the Baking, Spreads & Oils businesses in New Zealand. No agency fees were charged by NZDF for performing this service, and all profits arising from the sale and distribution of these products were reimbursed to the Group.

Other transactions

During the year ended June 30, 2005, the Group acquired the net assets of Nature's Oven Limited, a producer of wrapped snacks in New Zealand. The business was acquired from a party related to Mr Hart. The purchase price was approximately NZ$0.7 million. The acquisition was subject to restrictions under Australian corporations law. An independent expert was engaged by the Board of the Company to advise on the proposed acquisition. In summary, the expert advised the Board prior to completion of the transaction that the proposed acquisition was on an arm's length basis. Mr Hart was not present at any meetings when the Board was considering the matter.

NOTE 25. RELATED PARTIES (CONTINUED)

(b) Other related party disclosures

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates and key management personnel.

Parent entity

The ultimate parent entity of Burns Philp is Rank Group Limited, which is wholly owned by Mr Hart. Rank owns approximately 57.6% of the issued capital of the Company on a fully diluted basis.

Details of transactions with Mr Hart and Rank are set out above.

Subsidiaries
Information relating to subsidiaries is set out in Note 26.

Amounts receivable by the Company from subsidiaries bear interest at commercial rates (2006: 8.26%, 2005: 8.10%) and are repayable on demand.

Details of transactions between Burns Philp and its subsidiaries are set out below.

	Consolidated		Burns, Philp & Company Limited	
A$ million	**2006**	2005	**2006**	2005
Amounts receivable from wholly owned subsidiaries				
Current	**-**	-	**1,910.1**	573.4
Amounts payable to wholly owned subsidiaries				
Current	**-**	-	**0.1**	-
Transactions with wholly owned subsidiaries				
Dividends received	**-**	-	**1,172.4**	-
Interest received	**-**	-	**62.1**	44.2
Management fees received	**-**	-	**0.3**	3.8
Management fees paid	**-**	-	**-**	-

Associates

On December 21, 2005, the Group disposed of its Baking, Spreads & Oils businesses to Goodman Fielder in exchange for cash and an equity interest of 20% in Goodman Fielder. Refer to Note 2 for further details.

Since this time, the Group has transacted with Goodman Fielder in respect of a number of goods and services, including;

- Purchase of raw materials and finished goods from Goodman Fielder;
- Sale of finished goods to Goodman Fielder; and
- Recharge of shared services to and from Goodman Fielder, including information technology (“IT”) systems and services, field operations, commodity purchasing, warehousing, workers’ compensation claims management, occupational health and safety services, and operation of call centres. Goodman Fielder provides IT services and certain other services to the Group. Goodman Fielder receives field operations and certain other services from the Group.

In respect of the purchase and sale of goods, the terms of these arrangements are based on fully absorbed cost plus an agreed margin. In respect of recharges for shared services, the charges for each service are specified in agreements between the Group and Goodman Fielder, and are generally based on a full cost recovery principle.

In addition to these transactions, the Group also incurred costs in association with the initial public offering of shares in Goodman Fielder. These costs have been fully reimbursed by Goodman Fielder to the Group.

Details of transactions between the Group and its associates, other than investments and dividends, are set out below.

Information relating to investments in associates is set out in Note 13.

A$ million	Consolidated 2006	2005	Burns, Philp & Company Limited 2006	2005
NOTE 25. RELATED PARTIES (CONTINUED)				
Amounts receivable from associates				
Current(i)	**2.5**	-	**-**	-
Amounts payable to associates				
Current(i)	**1.9**	-	**-**	-
Transactions with associates				-
Purchase of goods from Goodman Fielder	**11.7**	-	**-**	-
Sale of goods to Goodman Fielder	**6.8**	-	**-**	-
Recharge of services to Goodman Fielder	**4.2**	-	**1.9**	-
Recharge of services from Goodman Fielder	**5.3**	-	**0.9**	-
Reimbursement of costs in respect of initial public offering of shares in Goodman Fielder	**15.8**	-	**15.8**	-

(i) These balances include A$2.5 million in receivables and A$1.4 million in payables which are included within assets and liabilities classified as held for sale at June 30, 2006.

NOTE 26. SUBSIDIARIES

Except where otherwise noted, the consolidated entity's interest in ordinary shares of subsidiaries is 100% and controlled entities carry on business in the country of incorporation.

Subsidiaries at June 30, 2006 and June 30, 2005	Country of Incorporation
BPC Australia Pty Ltd(a)(f)(t)	Australia
BPC Baking Holding Company Pty Ltd(a)(f)(h)(t)	Australia
BPC Commercial Australia Pty Ltd(a)(f)(h)(t)	Australia
BPC Commercial Holding Company Pty Ltd(a)(f)(t)	Australia
BPC Field Operations Pty Ltd(a)(f)(t)	Australia
BPC Finance International Pty Ltd(a)(f)(t)	Australia
BPC Finance Pty Ltd(a)(f)(t)	Australia
BPC Foods International Pty Ltd(a)(f)(g)(t)	Australia
BPC Foods Nominees Pty Ltd(t)	Australia
BPC Foods Pty Ltd(a)(f)(t)	Australia
BPC Group Services Pty Ltd(a)(f)(t)	Australia
BPC Ingredients Pty Ltd(a)(f)(t)	Australia
BPC Trade Finance Pty Ltd(a)(f)(t)	Australia
BPC1 Pty Ltd(a)(f)	Australia
Burns Philp Australia Pty Ltd(a)(f)(h)	Australia
Burns Philp Capital Pty Ltd(a)(f)(h)	Australia
Burns Philp Custodians Pty Ltd(a)	Australia
Burns Philp Food Holdings Pty Ltd(a)(f)	Australia
Burns Philp Food Overseas Investments Pty Ltd(a)(f)	Australia
Burns Philp Food Services Pty Ltd(a)(f)	Australia
Burns Philp Overseas Holdings Ltd(a)(f)	Australia
Burns Philp Shipping Holdings Pty Ltd	Australia
Burns Philp Treasury (Australia) Ltd(a)(f)(h)	Australia
Gillespie Bros Holdings Pty Ltd(a)(f)	Australia
LQ16 (BEV) Pty Ltd	Australia
LQ24 (GFDA) Pty Ltd	Australia
Mowbray Industries Pty Ltd(a)(f)	Australia
QB1 Ltd(a)	Australia
QB2 Ltd(a)	Australia
QB3 Pty Ltd(a)	Australia
QB4 Pty Ltd(a)	Australia
QB5 Pty Ltd(b)(t)	Australia
QB6 Ltd(a)(f)	Australia
The Uncle Tobys Company Pty Ltd(a)(f)(g)(h)(i)	Australia
Uncle Tobys Properties Pty Ltd(a)(f)(h)(i)	Australia
Burns Philp A & B Ltd(j)	Bangladesh
Burns Philp Canada Group Ltd	Canada
Burns Philp Alimentos S de RL de CV	Mexico
Burns Philp Mexico, SA de CV	Mexico
Burns Philp Treasury (Europe) BV	The Netherlands
Bluebird Foods Ltd(f)(g)(h)	New Zealand
BPC Finance (NZ) Ltd(f)(t)	New Zealand
BPC Intertrade Ltd(f)(t)	New Zealand
Burns Philp Finance New Zealand Ltd(f)(h)(t)	New Zealand
Burns Philp (New Zealand) Ltd(f)	New Zealand
NZ Margarine Holdings Ltd	New Zealand
BPC Insurance & Risk Management Services Pte Ltd(t)	Singapore
BPC International (Singapore) Pte Ltd(t)	Singapore
BPC (QB Asia) Pte Ltd(t)	Singapore
Goodman Fielder International (SI) Ltd(q)	Solomon Islands
Burns Philp Pension Plan Ltd	UK
BPC United States Inc(f)	USA
GF Ingredients USA Inc	USA

Subsidiaries in voluntary liquidation at June 30, 2006	Country of Incorporation
LQ3 (CBH) Pty Ltd	Australia
LQ4 (CBMC) Pty Ltd	Australia
LQ5 (DFC) Pty Ltd	Australia
LQ6 (DFE) Pty Ltd	Australia
LQ7 (DFIT) Pty Ltd	Australia
LQ8 (DFI) Pty Ltd	Australia
LQ11 (MBTE) Pty Ltd	Australia
LQ13 (SIRB) Pty Ltd	Australia
LQ14 (SIRBI) Pty Ltd	Australia
LQ15 (SBB) Pty Ltd	Australia
LQ17 (BPII) Pty Ltd	Australia
LQ20 (EAA) Pty Ltd	Australia
LQ21 (EF) Pty Ltd	Australia
LQ22 (FGDSP) Pty Ltd	Australia
LQ23 (FGDF) Pty Ltd	Australia
LQ25 (GWOOD) Pty Ltd	Australia
LQ29 (NAM) Pty Ltd	Australia
LQ30 (ROCH) Pty Ltd	Australia
LQ31 (MBTFS) Pty Ltd	Australia
LQ32 (MLWA) Pty Ltd	Australia
LQ33 (WBB) Pty Ltd	Australia
LQ34 (WILJ) Pty Ltd	Australia
Fitamar S.A.	Uruguay
Subsidiaries at June 30, 2005 dissolved during the year(u)	
LQ1 (BPTSP) Pty Ltd	Australia
LQ2 (BPHH) Pty Ltd	Australia
LQ9 (ELB) Pty Ltd	Australia
LQ10 (MGR) Pty Ltd	Australia
LQ12 (NANG) Pty Ltd	Australia
LQ18 (BPINV) Pty Ltd	Australia
LQ19 (BPMIC) Pty Ltd	Australia
LQ26 (II) Pty Ltd	Australia
LQ27 (III) Pty Ltd	Australia
LQ28 (MII) Pty Ltd	Australia
BPCUS1 Inc	USA
Burns Philp Capital (US) Inc	USA
Burns Philp Inc	USA
Subsidiaries acquired during the year	
La Famiglia Fine Foods Pty Ltd(v)	Australia
Subsidiaries incorporated during the year	
BP Fresh Pty Ltd(a)(d)(s)	Australia
Burns Philp GF Investments Pty Ltd(a)(e)(h)(s)	Australia
GF Brand Holding Company Pty Ltd(v)	Australia
GF Services Company Pty Ltd(v)	Australia
Goodman Fielder Custodians Pty Ltd(v)	Australia
Goodman Fielder Ltd(v)	Australia
Goodman Fielder Treasury Pty Ltd(v)	Australia
Burns Philp Treasury (New Zealand) Ltd(s)	New Zealand
Goodman Fielder Dairy New Zealand Ltd(v)	New Zealand
Burns Philp Treasury (United States) Inc(s)	USA

NOTE 26. SUBSIDIARIES (CONTINUED)

Subsidiaries sold during the year(v)	Incorporated
BCW Hotplate Bakery Pty Ltd(b)(c)(o)	Australia
Cobbity Farm Bakeries Pty Ltd(b)(c)(o)	Australia
Country Bake Bakeries Pty Ltd(b)(c)(o)	Australia
Country Bake Cairns Pty Ltd(b)(c)(o)	Australia
Country Bake Tasmania Pty Ltd(c)(o)	Australia
Darwin Bakery Pty Ltd(b)(c)(o)	Australia
Defiance Mills Pty Ltd(b)(c)(o)	Australia
G F Defiance Pty Ltd(b)(c)(o)	Australia
GF Brand Holding Company Pty Ltd	Australia
GF Services Company Pty Ltd	Australia
Goodman Fielder Consumer Foods Pty Ltd(b)(c)(o)	Australia
Goodman Fielder Custodians Pty Ltd	Australia
Goodman Fielder Food Services Pty Ltd(b)(c)(o)	Australia
Goodman Fielder Ltd	Australia
Goodman Fielder Superannuation Fund Pty Ltd(o)	Australia
Goodman Fielder Treasury Pty Ltd	Australia
La Famiglia Fine Foods Pty Ltd(c)	Australia
Quality Bakers Australia Pty Ltd(b)(c)(o)	Australia
Regal Bakeries Pty Ltd(b)(c)(o)	Australia
Stuart Bakery Pty Ltd(b)(c)(o)	Australia
Sunicrust Bakeries Pty Ltd(b)(c)(o)	Australia
Evercrisp Snack Products (South Seas) Ltd(k)	Fiji
Goodman Fielder (Fiji) Ltd(k)	Fiji
Goodman Fielder International (Fiji) Ltd(k)	Fiji

Subsidiaries sold during the year(v)	Incorporated
Tucker Group (Fiji) Ltd(k)	Fiji
Tuckers Ice Cream Company (Fiji) Ltd(k)	Fiji
Goodman Fielder International (China) Ltd(o)	Hong Kong
Goodman Fielder International (Hong Kong) Ltd(o)	Hong Kong
Sinar Meadow International Ltd(r)	Hong Kong
Goodman Fielder International Sdn Bhd(o)	Malaysia
Goodman Fielder Nouvelle Caledonie SAS(o)	New Caledonia
Moulins Du Pacifique Sud SA(l)	New Caledonia
Societe Industrielle Commerciale et Agro-Alimentaire Neo-Caledonienne SA(m)	New Caledonia
GF Retirement Nominees Ltd(o)	New Zealand
Goodman Fielder Commercial New Zealand Ltd(o)	New Zealand
Goodman Fielder Dairy New Zealand Ltd	New Zealand
Goodman Fielder New Zealand Ltd(o)	New Zealand
Goodman Fielder Treasury New Zealand Ltd(o)(t)	New Zealand
Associated Mills Ltd(n)	PNG
Binnen Bakery Ltd(m)	PNG
Evercrisp Snacks (PNG) Ltd(o)	PNG
Golden Crust Bakery Ltd(o)	PNG
Goodman Fielder International (PNG) Ltd(o)	PNG
Mount Hagen Bakery Ltd(o)	PNG
RBPM Ltd(p)	PNG
Goodman Fielder International (Philippines) Inc(o)	Philippines

(a) A party to a Deed of Cross Guarantee with Burns, Philp & Company Limited dated May 13, 1992 (as amended), granting relief from specified accounting requirements in accordance with ASIC Class Order 98/1418. Burns Philp Custodians Pty Limited is the Trustee appointed under this Deed of Cross Guarantee but is not granted relief from specified accounting requirements in accordance with ASIC Class Order 98/1418.

(b) Entered into a Deed of Revocation with Burns, Philp & Company Limited and Burns Philp Custodians Pty Limited dated October 10, 2005 whereby the Deed of Cross Guarantee ceased to apply to such company effective April 11, 2006.

(c) A Notice of Disposal dated December 21, 2005 notified of the disposal of this company and thereby ceased to be a party to the Deed of Cross Guarantee effective December 21, 2005.

(d) Entered into a Deed of Assumption with Burns, Philp & Company Limited and Burns Philp Custodians Pty Limited dated March 24, 2006 whereby such company was joined as a party to the Deed of Cross Guarantee.

(e) Entered into a Deed of Assumption with Burns, Philp & Company Limited and Burns Philp Custodians Pty Limited dated May 23, 2006 whereby such company was joined as a party to the Deed of Cross Guarantee.

(f) As part of the security arrangements entered into in favour of certain of the Group's financiers (refer to Note 19 for further details), such subsidiaries entered into or acceded to a Deed of Guarantee and Indemnity whereby such entities guaranteed payment of amounts owing under certain financing documents, and in addition most of these entities have executed certain securities to secure amounts owing under those financing documents. There is also an indemnity in support of this guarantee.

(g) As part of the issue of the NZ Capital Notes (refer to Note 19 for further details) such subsidiaries entered into Deeds of Guarantee whereby such entities unconditionally and irrevocably guaranteed amounts owing by Burns Philp Finance New Zealand Limited (formerly Goodman Finance Limited) in respect of the NZ Capital Notes.

(h) As part of the entry into the Syndicated Tender Offer Facilities Agreement (refer to Note 19 for further details) such subsidiaries executed (or acceded to) the Syndicated Tender Offer Facilities Agreement in the capacity of guarantor, whereby such entities unconditionally and irrevocably guaranteed amounts owing by the borrowers under that agreement to the financiers. There is also an indemnity in support of this guarantee.

(i) These entities were sold on July 14, 2006, on which date they ceased to be a party to the Deed of Cross Guarantee and were removed from all Group security arrangements.

NOTE 26. SUBSIDIARIES (CONTINUED)

Consolidated entity's interest in ordinary shares:

	2006 %	2005 %
(j)	**51**	51
(k)	**-**	90
(l)	**-**	99
(m)	**-**	98
(n)	**-**	74
(o)	**-**	100
(p)	**-**	75
(q)	**97**	97
(r)	**-**	59
(s)	**100**	-

(t) Name changes during the year:

Current Name	**Former Name**
BPC Australia Pty Ltd	G F Australia Pty Ltd
BPC Baking Holding Company Pty Ltd	Goodman Fielder Baking Holding Company Pty Ltd
BPC Commercial Australia Pty Ltd	Goodman Fielder Commercial Australia Pty Ltd
BPC Commercial Holding Company Pty Ltd	Goodman Fielder Commercial Holding Company Pty Ltd
BPC Field Operations Pty Ltd	Goodman Fielder Field Operations Pty Ltd
BPC Finance International Pty Ltd	GF Finance International Pty Ltd
BPC Finance Pty Ltd	GF Finance Pty Ltd
BPC Foods International Pty Ltd	Goodman Fielder International Pty Ltd
BPC Foods Nominees Pty Ltd	Goodman Fielder Nominees Pty Ltd
BPC Foods Pty Ltd	Goodman Fielder Pty Ltd, followed by GF Foods Pty Ltd
BPC Group Services Pty Ltd	GF Group Services Pty Ltd
BPC Ingredients Pty Ltd	Goodman Fielder Ingredients Pty Ltd
BPC Trade Finance Pty Ltd	GF Trade Finance Pty Ltd
QB5 Pty Ltd	QB5 Pty Ltd, followed by Goodman Fielder Treasury Pty Ltd
BPC Finance (NZ) Ltd	GF Finance (NZ) Ltd
BPC Intertrade Ltd	GF Intertrade Ltd
Burns Philp Finance New Zealand Ltd	Goodman Finance Ltd
Goodman Fielder Treasury New Zealand Ltd	QBNZ1 Ltd
BPC Insurance & Risk Management Services Pte Ltd	GF Insurance & Risk Management Services Pte Ltd
BPC International (Singapore) Pte Ltd	Goodman Fielder International (Singapore) Pte Ltd
BPC (QB Asia) Pte Ltd	Quality Bakers (Asia) Pte Ltd

(u) Voluntarily liquidated during the year. There was no profit or loss on the voluntary liquidation of these entities.

(v) These subsidiaries comprised the Baking, Spreads & Oils businesses. These businesses were sold to Goodman Fielder during the year. An ownership interest of 20% in Goodman Fielder was retained (refer to Notes 2(a) and 13 for further details).

NOTE 27. ACQUISITION OF BUSINESSES AND SUBSIDIARIES

Acquisition of La Famiglia Foods

On September 30, 2005, the Group acquired all the shares of La Famiglia Fine Foods Pty Limited ("La Famiglia Foods"), a manufacturer and distributor of chilled and frozen garlic bread and related products in Australia, for a total cash consideration of A$16.3 million. Upon acquisition, the operations of La Famiglia Foods were integrated into the Baking Australia business. Baking Australia, including La Famiglia Foods, was subsequently disposed of on December 21, 2005 as part of the Goodman Fielder initial public offering.

Prior to this transaction, La Famiglia Foods contributed revenue and net profit of A$4.7 million and A$0.8 million, respectively, to the consolidated entity's net profit for the year. If the acquisition had occurred on July 1, 2005, La Famiglia Foods would have contributed revenues of A$10.3 million and net profit of A$1.5 million prior to the disposal on December 21, 2005.

The acquisition had the following effect on the consolidated entity's assets and liabilities at the acquisition date:

A$ million	Carrying amounts	Fair value adjustments	Recognised values
Trade debtors	3.9	-	3.9
Inventories	1.1	-	1.1
Other current assets	0.2	-	0.2
Property, plant and equipment	2.3	-	2.3
Trade creditors	(1.5)	-	(1.5)
Provisions	(0.2)	-	(0.2)
Net identifiable assets and liabilities	5.8	-	5.8
Goodwill on acquisition			9.6
Net assets acquired			15.4
Consideration paid in cash			16.3
Net cash (acquired)			(0.9)
Net cash outflow			15.4

The initial acquisition accounting for La Famiglia Foods was determined on a provisional basis. No adjustments were made to the provisional acquisition accounting prior to the disposal on December 21, 2005.

Acquisition of Hansells salty snack business

On November 1, 2005, the Group acquired the assets of the Hansells salty snacks business including the *Krispa* and *Aztec* brandnames. Total consideration of A$4.1 million was paid in cash. Upon completion of the acquisition, this business was integrated into the Bluebird Foods snacks business in New Zealand. This business contributed revenue and net profit of A$8.0 million and A$1.4 million, respectively, to the consolidated entity's net profit for the year. If the acquisition had occurred on July 1, 2005 this business would have contributed revenues of A$12.1 million and net profit of A$2.1 million to the consolidated entity's net profit for the year.

The acquisition had the following effect on the consolidated entity's assets and liabilities at the acquisition date:

A$ million	Carrying amounts	Fair value adjustments	Recognised values
Inventories	0.7	-	0.7
Property, plant and equipment	0.8	-	0.8
Identifiable intangible assets	-	1.9	1.9
Net identifiable assets and liabilities	1.5	1.9	3.4
Goodwill on acquisition			0.7
Net assets acquired			4.1
Consideration paid in cash			4.1
Net cash (acquired)			-
Net cash outflow			4.1

NOTE 28. EVENTS SUBSEQUENT TO BALANCE DATE

Sale of Uncle Tobys

As discussed in Note 6, the Group completed the disposal of its Uncle Tobys business to Nestlé on July 14, 2006 for proceeds of A$890.0 million. The Group expects to record a gain on disposal, before tax, of approximately A$420.0 million in the year ending June 30, 2007.

As part of the agreement for the sale of the Uncle Tobys business, certain members of the Group have provided certain warranties and indemnities to the purchaser, Nestlé. These warranties and indemnities are subject to various terms and conditions affecting the duration and total amount of the indemnities as set out in the sale agreement.

Conversion of CP Shares

As discussed in Note 22, the Group's CP Shares were automatically converted to ordinary shares on August 13, 2006. A final fully franked dividend of 0.2774 cents per share was paid to each holder of CP Shares on August 13, 2006.

Proposed acquisition offer by Rank Group Limited

On August 22, 2006, Rank Group Limited ("Rank") announced its intentions to acquire the ordinary shares of the Company that it does not already own. Rank's offer is A$1.10 per ordinary share and is subject to two conditions:

- 90% minimum acceptance; and
- Rank receiving approval from the Foreign Investments Review Board in Australia and the Overseas Investment Office in New Zealand.

The Directors of the Company, other than Mr Hart and Mr Murray (who are both associated with Rank), are considering this offer.

No other events have occurred subsequent to balance date that would have a material effect on the financial statements at June 30, 2006.

NOTE 29. FINANCIAL INSTRUMENTS

The Company and the Group is exposed to market risks including changes in interest rates, changes in foreign currency exchange rates, changes in commodity prices and credit risk. To manage the volatility relating to these risks, the Group takes advantage of natural offsets to the extent possible. For example, where possible and as appropriate, the Group borrows in the same countries and currencies in which the Group's assets are located and cash flows are generated. In appropriate circumstances and where the Group is unable to naturally offset its exposure to these risks, the Group enters into derivative transactions to synthetically reduce the exposures. The purpose of these derivative instruments is to create a corresponding, but opposite movement to the movement in the underlying value of the asset, liability or cash flow being hedged. The Group enters into these transactions only in accordance with internal policies approved by the Board.

Interest rate risk

The Group's policy is to manage interest rate risk through the use of both fixed and floating rate debt as well as the use of derivatives in the form of interest rate swaps. The Group's primary exposure is to interest rates in the United States, Australia and New Zealand.

Following the repayment of the Group's US$ senior notes and Senior Subordinated Notes during the year ended June 30, 2006, the Group's debt is primarily comprised of the following debt facilities:

- US$475 million floating rate term loan facility due October 2006; and
- NZ$212.5 million NZ Capital Notes, of which one series matures in 2008 and bears interest at 9.75%, and the second series matures in 2011 and bears interest at 9.95%.

The Group has not entered into interest rate swaps to hedge the exposure to movements in interest rates on the floating rate term loan facility as the Group holds cash on deposit at floating rates which provides a natural hedge to the interest rate risk on the majority of this facility.

In addition to the Group's debt facilities, the Group currently holds a significant amount of cash on deposit which earns interest at floating rates. Interest rates earned on these cash deposits are subject to changes in interest rates in the United States, Australia, Europe, Canada and New Zealand, reflecting the currency of these cash deposits. The Group does not currently intend to hedge its exposure to movements in interest rates earned on cash on deposit.

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk exposure

The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of interest-earning financial assets and interest-bearing liabilities at June 30, is set out below.

A$ million	Effective interest rate	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
2006							
Financial assets							
Cash and cash equivalents	**5.13%**	**2,405.9**	**-**	**-**	**-**	**-**	**2,405.9**
		2,405.9	**-**	**-**	**-**	**-**	**2,405.9**
Financial liabilities							
Term loan facilities	**5.71%**	**640.4**	**-**	**-**	**-**	**-**	**640.4**
NZ Capital Notes(i)	**10.90%**	**-**	**-**	**-**	**139.1**	**30.8**	**169.9**
		640.4	**-**	**-**	**139.1**	**30.8**	**810.3**
2005							
Financial assets							
Cash and cash equivalents	4.00%	492.3	-	-	-	-	492.3
		492.3	-	-	-	-	492.3
Financial liabilities							
Senior notes(i)	10.28%	-	-	-	-	130.8	130.8
Senior Subordinated Notes(i)	11.33%	-	-	-	-	786.9	786.9
NZ Capital Notes(i)	10.90%	-	-	-	159.3	35.6	194.9
Bank overdrafts and other indebtedness	5.36%	1.0	-	5.4	-	-	6.4
		1.0	-	5.4	159.3	953.3	1,119.0

(i) These liabilities bear interest at a fixed rate.

The Company’s exposure to interest rate risk and the effective weighted average interest rate for classes of interest-earning financial assets and interest-bearing liabilities at June 30, is set out below:

A$ million	Effective interest rate	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total
2006							
Financial assets							
Cash and cash equivalents	**4.90%**	**0.9**	**-**	**-**	**-**	**-**	**0.9**
Receivables from subsidiaries	**8.26%**	**1,910.1**	**-**	**-**	**-**	**-**	**1,910.1**
		1,911.0	**-**	**-**	**-**	**-**	**1,911.0**
2005							
Financial assets							
Cash assets	4.00%	0.8	-	-	-	-	0.8
Receivables from subsidiaries	8.10%	573.4	-	-	-	-	573.4
		574.2	-	-	-	-	574.2

There were no interest bearing financial liabilities in the Company at June 30, 2006 and 2005.

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange risk

The Group reports in Australian dollars. Movements in foreign currency exchange rates will affect the Group's reported financial results, financial position and cash flows. The Group is exposed to the following risks arising from movements in foreign currency exchange rates:

- Balance sheet – a significant portion of the Group's assets and liabilities are denominated in currencies other than Australian dollars. The translated value of these assets and liabilities will change as a result of movements in foreign currency exchange rates. The Group is also exposed to the change in the fair value of foreign currency derivative financial instruments which are recorded on the balance sheet;
- Revenues, expenditures and cashflows – a significant portion of the Group's revenues, expenditures and cashflows are generated in New Zealand. Additionally, a significant portion of the Group's interest income and expense are denominated in currencies other than Australian dollars. Movements in foreign currency exchange rates will affect the translated value of these items which will affect the Group's reported financial result; and
- Anticipated purchase and sale commitments – the Group's operations are exposed to movements in foreign currency exchange rates as a result of the purchase or sale of goods denominated in foreign currencies other than their functional currency. This may result in a change in value of the goods being purchased or sold, which will affect their reported financial results.

Where practicable, the Group attempts to reduce these risks by matching revenues and expenditures, as well as assets with liabilities, by country and currency. Additionally, where practicable, the Group enters into derivative financial instruments to hedge its foreign currency exposures.

Balance sheet exposure

Significant US dollar denominated borrowings were drawn down during the year ended June 30, 2003. Since then, the Group has held a significant unhedged US dollar position which has varied over time as a consequence of repayment of US dollar denominated debt and receipt of US dollar cash proceeds on disposal of businesses. Additionally, during the year ended and as of June 30, 2006 the Group has held cash on deposit in US dollars, Euros, Canadian dollars and New Zealand dollars which has given rise to additional unhedged foreign currency exposures. The Group is also exposed to foreign currency exchange movements on its derivative financial instruments which are recognised at fair value on the consolidated balance sheet.

In accordance with Note 1 (o), any foreign currency exchange gains or losses arising on these unhedged positions are recorded in net financing costs. During the year ended June 30, 2006, the Group recorded a net foreign currency exchange loss of A$5.2 million in consolidated net profit after tax (2005: A$32.5 million gain).

The table below sets out a summary of the Group's significant foreign currency balance sheet exposures, expressed in Australian dollars, at June 30, 2006 and 2005:

A$ million	USD	EUR	CAD	NZD
2006				
Cash	**641.7**	**362.0**	**39.4**	**6.1**
Interest bearing borrowings	**(640.4)**	**-**	**-**	**(169.9)**
Net operating assets, excluding cash and debt	**(1.3)**	**-**	**(0.1)**	**136.2**
Net physical position	**-**	**362.0**	**39.3**	**(27.6)**
Derivative financial instruments:				
Cross currency swap receivables/(payables)	**389.9**	**(96.1)**	**(39.4)**	**-**
Net unhedged position	**389.9**	**265.9**	**(0.1)**	**(27.6)**
2005				
Cash	333.0	-	-	65.4
Interest bearing borrowings	(917.7)	-	-	(194.9)
Net operating assets, excluding cash and debt	(1.2)	-	(0.1)	715.1
Net physical position	(585.9)	-	(0.1)	585.6
Derivative financial instruments:				
Cross currency swap receivables/(payables)	378.0	(88.6)	(34.5)	-
Net unhedged position	(207.9)	(88.6)	(34.6)	585.6

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

Except for New Zealand dollar denominated net assets, all foreign currency exchange gains and losses arising on the translation of these exposures are recorded in the income statement. Foreign currency exchange gains and losses on the Group's New Zealand dollar denominated net assets, which include the New Zealand dollar interest bearing borrowings, are recognised directly in the foreign currency translation reserve in accordance with Note 1(d).

In addition to these balance sheet exposures, the Group has entered into a series of foreign currency option contracts. Refer below for further details.

Cross-currency swaps

The table below presents the principal amounts and weighted average interest rates that the Group has agreed to pay or receive under cross currency swaps that are outstanding at June 30, 2006 and 2005, together with the weighted average contracted exchange rates. The instruments' actual cash flows are denominated in US dollars, Australian dollars, Canadian dollars and Euros as indicated.

	Weighted average exchange rate		**Weighted average interest rate**				**Principal amount(i) A$ million**	
			Receive	**Pay**	**Receive**	**Pay**		
	2006	2005	**2006**		2005		**2006**	2005
Receive USD, pay AUD	**0.7537**	0.7537	**4.19%**	**6.46%**	4.19%	6.46%	**265.4**	265.4
Receive USD, pay EUR	**1.1614**	1.1614	**4.27%**	**4.52%**	4.27%	4.52%	**96.1**	88.6
Receive USD, pay CAD	**0.7708**	0.7708	**4.36%**	**5.12%**	4.36%	5.12%	**39.4**	34.5

(i) Amount represents Australian dollar equivalent of principal payable under the swap contract as at reporting date.

During the year ended June 30, 2004, the Group entered into certain cross-currency swaps. Following the sale of the Yeast & Bakery Ingredients group and Herbs and Spices business in September 2004, certain cross-currency swaps were no longer considered to be effective hedges of net investments in foreign operations. The Group recorded an A$4.1 million mark-to-market loss on these contracts, as part of the net gain before tax on disposal of the businesses, when the hedges were no longer considered effective (refer to Note 6). Movements in the mark-to-market loss since then have been recorded as part of net financing costs in the consolidated income statement. The Group recognised a mark-to-market loss of A$5.9 million during the year ended June 30, 2005. A further mark-to-market loss of A$6.3 million was recorded during the year ended June 30, 2006.

Upon initial adoption of AASB 132 and AASB 139 on July 1, 2005, the Group recorded an additional mark-to-market loss on the remaining cross-currency swap contracts that were considered effective under previous GAAP. In accordance with the transitional requirements of AASB 139, the Group recognised a net A$16.4 million adjustment, before tax, to the hedge reserve on July 1, 2005. Following the repayment of the US Notes in October 2005, the Group transferred the AASB 139 initial adoption adjustment of A$16.4 million, before tax, from the hedge reserve to net financing costs in the income statement. As the cross-currency swaps are considered ineffective under AASB 139, the Group recognises the movement in the mark-to-market loss on these contracts in the derivative gain/loss account in net financing costs

The net accumulated mark-to-market loss on these contracts at June 30, 2006 was A$43.0 million (June 30, 2005: A$20.3 million loss), which has been recorded in non-current payables on the consolidated balance sheet (refer to Note 18).

Foreign currency option contracts

During the year ended June 30, 2006, the Group entered into a series of foreign currency option contracts. These contracts are not considered effective hedges. Consequently, the mark-to-market gain or loss on these contracts is recorded in the derivative gain or loss account in net financing costs. Movements in foreign currency exchange rates will affect consolidated net income to the extent that it affects the mark-to-market valuation of the option contracts. If the options are exercised at expiry, the Group will be exposed to movements in foreign currency exchange rates to the extent that it affects the Australian dollar equivalent of the US dollar cash received under each option contract.

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

Each contract is a knock-out foreign exchange option with a one-touch binary option attached. Set out below is a summary of each option:

	Option value A$ million	Strike price (USD/AUD)	Knock-out/ barrier price (USD/AUD)	Premium payable A$ million	Expiry date
Right to sell AUD, buy USD	166.67	0.7520	0.7700	6.15	Aug 26, 2006
Right to sell AUD, buy USD	166.67	0.7520	0.7825	6.15	Aug 26, 2006
Right to sell AUD, buy USD	166.67	0.7520	0.7900	6.15	Aug 26, 2006
Right to sell AUD, buy USD	166.67	0.7488	0.7650	7.15	Sept 1, 2006
Right to sell AUD, buy USD	166.67	0.7488	0.7725	7.15	Sept 1, 2006
Right to sell AUD, buy USD	166.67	0.7488	0.7800	7.15	Sept 1, 2006

If, at any time during the life of the option, the USD/AUD exchange rate touches the knock-out/barrier price, a premium is payable by the Group. No premiums are payable by the Group in respect of these options at June 30, 2006. At June 30, 2006, the mark-to-market gain on these contracts was A$9.8 million, which has been recorded in net financing costs and on the balance sheet (refer to Notes 3 and 12).

Anticipated purchase and sale commitments

The Group enters into forward foreign exchange contracts to manage the foreign exchange risk associated with anticipated purchase and sale commitments denominated in foreign currencies. The gross value to be received under foreign currency contracts and the weighted average contracted exchange rates of outstanding contracts for the Group at June 30, are set out below.

	Consolidated			
	2006	2005	**2006**	2005
	Weighted average exchange rate		**A$ million**	
Sell NZD, buy USD	**-**	0.6978	**-**	27.6
Sell AUD, buy NZD	**1.2171**	-	**2.4**	-
Sell AUD, buy USD	**-**	0.7634	**-**	53.8
Sell NZD, buy AUD	**1.2199**	1.0922	**5.7**	3.4
Sell USD, buy EUR	**-**	1.2076	**-**	3.6
Sell USD, buy GBP	**-**	1.8270	**-**	1.7
Sell USD, buy CHF	**-**	1.2493	**-**	0.2
Sell HKD, buy USD	**-**	7.7711	**-**	1.0

Any unrealised mark-to-market gain or loss on these contracts is included in general and administrative expenses in profit from continuing operations. At June 30, 2006 there was no unrealised mark-to-market gain or loss (2005: A$1.0 million loss).

All outstanding contracts at June 30, 2006 matured by the end of July 2006 (2005 – by the end of August 2005).

Commodity price risk

Prior to the disposal of the Baking, Spreads & Oils businesses, the Group was a purchaser of certain commodities such as wheat and soybean oil. The Group generally purchased these commodities based upon market prices that were established with the vendor as part of the purchase process. As appropriate, the Group entered into derivative contracts for the purchase of raw materials to reduce the effect of price fluctuations on future manufacturing requirements.

The contracts were entered into to cover the requirements of commodities needed by certain businesses. The procurement/pricing process had the objective of reducing the volatility of pricing of key commodity inputs. The Group generally covered 3 to 12 months forward requirements of these commodities, depending upon market view.

No commodity contracts were outstanding at June 30, 2006. At June 30, 2005, outstanding contracts had a face value of A$1.0 million, with various maturities between August and September 2005. The net deferred gain on commodity contracts at June 30, 2005 was nil.

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The consolidated entity does not require collateral in respect of financial assets.

Transactions involving derivative financial instruments are with counterparties with sound credit ratings and with whom the consolidated entity has a signed netting agreement. Given their high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk other than the foreign exchange options which are held with only one counterparty. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

At June 30, 2006, the Group's cash on deposit is held with ten counterparties, which are all large Australian or multi-national banks with short-term credit ratings of A-1 or better. While aiming to maximise the returns on these deposits, the Group did not have more than 16% held with any individual counterparty at June 30, 2006. Following receipt of the cash proceeds on disposal of Uncle Tobys in July 2006, no more than 12% of the Group's cash on deposit is currently held with any individual counterparty.

Fair values of financial assets and liabilities

The carrying amounts and fair values of financial assets and liabilities as at June 30, are as follows:

	Consolidated			
	Carrying amount		**Fair value**	
A$ million	**2006**	2005	**2006**	2005
Financial assets				
Cash assets	**2,405.9**	492.3	**2,405.9**	492.3
Receivables	**24.1**	215.7	**24.1**	215.7
Financial liabilities				
Bank loan facilities	**(640.4)**	-	**(640.8)**	-
Senior notes	**-**	(130.8)	**-**	(142.6)
Senior Subordinated Notes	**-**	(786.9)	**-**	(872.1)
NZ Capital Notes	**(169.9)**	(194.9)	**(182.2)**	(205.1)
Bank overdrafts and other indebtedness	**-**	(6.4)	**-**	(6.4)
Payables	**(38.8)**	(228.4)	**(38.8)**	(228.4)
Derivative financial instruments				
Foreign exchange forward contracts	**-**	-	**-**	(0.2)
Cross-currency swaps	**(43.0)**	(20.3)	**(43.0)**	(36.5)
Foreign currency options	**9.8**	-	**9.8**	-
	1,547.7	(659.7)	**1,535.0**	(783.3)
Net unrecognised (losses)			**(12.7)**	(123.6)

Estimated of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives

Forward exchange contacts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate. For cross-currency swaps and foreign currency options, broker quotes are used. Those quotes are back tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the balance sheet date. Where other pricing models are used, inputs are based on market related data at the balance sheet date.

NOTE 29. FINANCIAL INSTRUMENTS (CONTINUED)

The Group used the following interest rates to determine the fair value of derivative financial instruments at June 30:

	2006	2005
Cross-currency swap - yield curves		
- USD receivables	6.134%	4.436%
- AUD payables	6.456%	5.661%
- EUR payables	4.012%	2.618%
- CAD payables	4.849%	3.333%
Foreign currency options – risk free rates		
- USD	4.87%	-
- AUD	5.77%	-

Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

NZ Capital Notes and Senior and Senior Subordinated Notes

Fair value is based on the most recent quoted market prices.

Trade and other receivables or (payables)

For receivables or (payables) with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables or (payables) are discounted to determine the fair value.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS

As stated in Note 1(a), this is the Company's and consolidated entity's first financial report prepared in accordance with Australian Accounting Standards ("AIFRS").

The accounting policies in Note 1 have been applied in preparing the Company's and consolidated financial statements for the year ended June 30, 2006, the Company's and consolidated financial statements for the year ended June 30, 2005 and the preparation of an opening AIFRS balance sheet at July 1, 2004 (the Company's and consolidated entity's date of transition).

In preparing the opening AIFRS balance sheet and the financial statements for the year ended June 30, 2005, the Company and consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting ("previous GAAP").

An explanation of how the transition from previous GAAP to AIFRS has affected the Company's and consolidated entity's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

There was no impact on cash flows from the adoption of AIFRS.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Reconciliation of equity

Consolidated opening AIFRS Balance Sheet as of July 1, 2004			**AIFRS adjustment**		
A$ million	**Note**	**Previous GAAP**	**Discontinued operations[(i)]**	**Other adjustments**	**AIFRS**
Current assets					
Cash and cash equivalents		178.5	(97.1)	-	81.4
Receivables		332.5	(148.7)	-	183.8
Inventories		277.4	(109.1)	-	168.3
Other assets		35.4	(16.0)	-	19.4
Assets of discontinued operations held for sale	30(k)	-	1,284.7	(174.2)	1,110.5
Total current assets		823.8	913.8	(174.2)	1,563.4
Non-current assets					
Receivables		6.0	-	-	6.0
Investments accounted for using the equity method		57.3	(50.6)	-	6.7
Other financial assets		5.3	(1.3)	-	4.0
Property, plant and equipment	30(i)	1,026.5	(434.2)	0.4	592.7
Intangible assets		2,250.0	(397.2)	-	1,852.8
Deferred tax assets	30(f)	69.9	(6.5)	105.2	168.6
Other assets	30(g)	162.0	(24.0)	4.0	142.0
Total non-current assets		3,577.0	(913.8)	109.6	2,772.8
Total assets		4,400.8	-	(64.6)	4,336.2
Current liabilities					
Payables		404.4	(117.2)	-	287.2
Interest bearing borrowings		171.4	(1.6)	-	169.8
Current tax liabilities		10.1	(10.1)	-	-
Provisions	30(i)	149.5	(16.7)	(2.5)	130.3
Liabilities classified as held for sale	30(k)	-	188.4	23.2	211.6
Total current liabilities		735.4	42.8	20.7	798.9
Non-current liabilities					
Payables		4.7	(1.9)	-	2.8
Interest bearing borrowings		2,641.9	-	-	2,641.9
Deferred tax liabilities	30(f)	26.5	(16.7)	1.0	10.8
Provisions	30(g),(i)	102.5	(24.2)	(6.7)	71.6
Total non-current liabilities		2,775.6	(42.8)	(5.7)	2,727.1
Total liabilities		3,511.0	-	15.0	3,526.0
Net assets		889.8	-	(79.6)	810.2
Equity					
Issued capital		1,114.1	-	-	1,114.1
Reserves	30(b),(h)	(247.8)	-	247.8	-
Accumulated losses		(3.8)	-	(326.4)	(330.2)
Parent interests		862.5	-	(78.6)	783.9
Minority interests		27.3	(19.2)	-	8.1
Minority interests directly associated with discontinued operations held for sale	30(k)	-	19.2	(1.0)	18.2
Total equity		889.8	-	(79.6)	810.2

Adjustments made to derive an opening balance sheet position under AIFRS were recognised directly in accumulated losses at the date of transition in accordance with AASB 1.

(i) Refer to Note 30(a) for discussion of reclassifications made relating to discontinued operations.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Reconciliation of equity (continued)

Burns Philp & Company Limited opening AIFRS Balance Sheet as of July 1, 2004			AIFRS adjustments		
A$ million	**Note**	**Previous GAAP**	**Discontinued operations[(i)]**	**Other adjustments**	**AIFRS**
Current assets					
Cash and cash equivalents		32.1	-	-	32.1
Receivables		597.4	-	-	597.4
Other assets		6.5	-	-	6.5
Total current assets		636.0	-	-	636.0
Non-current assets					
Other financial assets		280.4	-	-	280.4
Property, plant and equipment		0.1	-	-	0.1
Deferred tax assets	30(f)	4.8	-	(4.8)	-
Total non-current assets		285.3	-	(4.8)	280.5
Total assets		921.3	-	(4.8)	916.5
Current liabilities					
Payables		113.5	-	-	113.5
Provisions		2.2	-	-	2.2
Total current liabilities		115.7	-	-	115.7
Non-current liabilities					
Payables		-	-	-	-
Deferred tax liabilities	30(f)	4.8	-	(4.8)	-
Provisions		0.6	-	-	0.6
Total non-current liabilities		5.4	-	(4.8)	0.6
Total liabilities		121.1	-	(4.8)	116.3
Net assets		800.2	-	-	800.2
Equity					
Issued capital		1,114.1	-	-	1,114.1
Reserves	30(b)	18.2	-	(18.2)	-
Accumulated losses		(332.1)	-	18.2	(313.9)
Total equity		800.2	-	-	800.2

Adjustments made to derive an opening balance sheet position under AIFRS have been recognised directly in accumulated losses at the date of transition in accordance with AASB 1.

(i) Refer to Note 30(a) for discussion of reclassifications made relating to discontinued operations.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Reconciliation of equity (continued)

Consolidated Balance Sheet as of June 30, 2005 & July 1, 2005 A$ million	**Note**	**Previous GAAP**	**AIFRS adjustments**	**AIFRS at June 30, 2005**	**Change in accounting policy (Note 30(m))**	**AIFRS at July 1, 2005 restated**
Current assets						
Cash and cash equivalents		492.3	-	492.3	-	492.3
Receivables		212.5	-	212.5	-	212.5
Inventories		143.7	-	143.7	-	143.7
Assets classified as held for sale	30(a)	-	6.3	6.3	-	6.3
Other assets	30(a)	19.1	(6.3)	12.8	(1.0)	11.8
Total current assets		867.6	-	867.6	(1.0)	866.6
Non-current assets						
Receivables		3.2	-	3.2	-	3.2
Investments accounted for using the equity method		8.4	-	8.4	-	8.4
Property, plant and equipment	30(i)	552.0	0.3	552.3	-	552.3
Intangible assets	30(d),(f)	1,764.3	68.3	1,832.6	-	1,832.6
Deferred tax assets	30(f)	19.5	45.7	65.2	7.3	72.5
Other assets	30(g)	52.3	4.9	57.2	(51.3)	5.9
Total non-current assets		2,399.7	119.2	2,518.9	(44.0)	2,474.9
Total assets		3,267.3	119.2	3,386.5	(45.0)	3,341.5
Current liabilities						
Payables	30(l)	237.9	(9.5)	228.4	-	228.4
Interest bearing borrowings		1.0	-	1.0	-	1.0
Current tax liabilities		14.5	-	14.5	-	14.5
Provisions	30(i),(l)	84.7	9.4	94.1	-	94.1
Total current liabilities		338.1	(0.1)	338.0	-	338.0
Non-current liabilities						
Payables		21.4	-	21.4	16.4	37.8
Interest bearing borrowings		1,118.0	-	1,118.0	(44.2)	1,073.8
Deferred tax liabilities	30(f)	6.0	(5.6)	0.4	-	0.4
Provisions	30(g),(i)	84.1	(7.4)	76.7	-	76.7
Total non-current liabilities		1,229.5	(13.0)	1,216.5	(27.8)	1,188.7
Total liabilities		1,567.6	(13.1)	1,554.5	(27.8)	1,526.7
Net assets		1,699.7	132.3	1,832.0	(17.2)	1,814.8
Equity						
Issued capital		1,114.1	-	1,114.1	-	1,114.1
Reserves	30(d),(f),(h)	(18.4)	2.8	(15.6)	(12.2)	(27.8)
Retained earnings		595.5	129.5	725.0	(5.0)	720.0
Parent interests		1,691.2	132.3	1,823.5	(17.2)	1,806.3
Minority interests		8.5	-	8.5	-	8.5
Total equity		1,699.7	132.3	1,832.0	(17.2)	1,814.8

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Reconciliation of equity (continued)

Burns, Philp & Company Limited Balance Sheet as of June 30, 2005 and July 1, 2005 A$ million	Note	Previous GAAP	AIFRS adjustments	AIFRS at June 30, 2005	Change in accounting policy (Note 30(m))	AIFRS at July 1, 2005 restated
Current assets						
Cash and cash equivalents		0.8	-	0.8	-	0.8
Receivables		576.4	-	576.4	-	576.4
Other assets		8.0	-	8.0	-	8.0
Total current assets		585.2	-	585.2	-	585.2
Non-current assets						
Other financial assets		255.7	-	255.7	-	255.7
Property, plant and equipment		0.1	-	0.1	-	0.1
Deferred tax assets	30(f)	-	44.0	44.0	-	44.0
Total non-current assets		255.8	44.0	299.8	-	299.8
Total assets		841.0	44.0	885.0	-	885.0
Current liabilities						
Payables		3.8	-	3.8	-	3.8
Provisions		2.0	-	2.0	-	2.0
Total current liabilities		5.8	-	5.8	-	5.8
Non-current liabilities						
Provisions		0.1	-	0.1	-	0.1
Total non-current liabilities		0.1	-	0.1	-	0.1
Total liabilities		5.9	-	5.9	-	5.9
Net assets		835.1	44.0	879.1	-	879.1
Equity						
Issued capital		1,114.1	-	1,114.1	-	1,114.1
Accumulated losses		(279.0)	44.0	(235.0)	-	(235.0)
Total equity		835.1	44.0	879.1	-	879.1

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Reconciliation of net profit

Consolidated Income Statement for the year ended June 30, 2005			**AIFRS adjustments**		
A$ million	**Note**	**Previous GAAP**	**Discontinued operations**[i]	**Other adjustments**	**AIFRS**
Continuing operations					
Revenue from sale of goods		2,571.3	(244.0)	-	2,327.3
Cost of goods sold		(1,555.1)	148.6	-	(1,406.5)
Gross profit		1,016.2	(95.4)	-	920.8
Other income	30(b),(d),(l)	6.3	(1.7)	7.2	11.8
Other income – individually significant items	30(b),(h)	1,998.8	(1,959.0)	(39.8)	-
Selling, marketing and distribution expenses		(497.4)	42.6	-	(454.8)
General and administration expenses	30(b),(d),(g),(i)	(263.9)	24.0	83.0	(156.9)
Other expenses – individually significant items	30(b),(f),(d),(l)	(1,174.0)	1,176.4	(15.3)	(12.9)
Share of net profits of associates accounted for using the equity method		4.2	(2.4)	-	1.8
Profit from continuing operations before tax and financing costs		1,090.2	(815.5)	35.1	309.8
Finance expenses		(169.0)	1.5	-	(167.5)
Finance income	30(h)	11.0	(0.3)	32.5	43.2
Net financing costs		(158.0)	1.2	32.5	(124.3)
Profit before tax from continuing operations		932.2	(814.3)	67.6	185.5
Income tax (expense)/benefit	30(f)	(66.5)	48.5	54.9	36.9
Profit after tax from continuing operations		865.7	(765.8)	122.5	222.4
Discontinued operations					
Profit after tax from discontinued operations and gain after tax on sale of discontinued operations	30(k)	-	765.8	88.9	854.7
Net profit after tax		865.7	-	211.4	1,077.1
Attributable to:					
Equity holders of the parent		861.9	-	211.2	1,073.1
Minority interests	30(k)	3.8	-	0.2	4.0
		865.7	-	211.4	1,077.1

(i) Refer to Note 30(a) for discussion of reclassifications made relating to discontinued operations.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Reconciliation of net profit (continued)

Burns, Philp & Company Limited
Income Statement for the year ended June 30, 2005

A$ million	Note	Previous GAAP	AIFRS adjustments: Discontinued operations[i]	AIFRS adjustments: Other adjustments	AIFRS
Continuing operations					
Revenue from sale of goods		-	-	-	-
Cost of goods sold		-	-	-	-
Gross profit		-	-	-	-
Other income	30(h)	19.5	-	(15.6)	3.9
Other income – individually significant items		37.6	(37.6)	-	-
Selling, marketing and distribution expenses		-	-	-	-
General and administration expenses		(22.4)	-	-	(22.4)
Other expenses – individually significant items		(24.7)	-	-	(24.7)
Profit/(loss) from continuing operations before tax and financing costs		10.0	(37.6)	(15.6)	(43.2)
Finance expenses		(1.7)	-	-	(1.7)
Finance income	30(h)	44.5	-	15.6	60.1
Net financing income		42.8	-	15.6	58.4
Income tax benefit	30(f)	-	-	44.0	44.0
Profit after income tax from continuing operations		52.8	(37.6)	44.0	59.2
Discontinued operations					
Gain after tax on sale of discontinued operations		-	37.6	-	37.6
Net profit after tax		52.8	-	44.0	96.8

(i) Refer to Note 30(a) for discussion of reclassifications made relating to discontinued operations.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

(a) Reclassifications of assets and liabilities of discontinued operations and those held for sale

Under previous GAAP, non-current assets held for sale and assets and liabilities of discontinued operations were included in individual categories on the face of the balance sheet. Revenues and expenses of discontinued operations were not separately disclosed on the face of the income statement. The balance sheet and income statement effects of non-current assets held for sale and discontinued operations were disclosed separately in the notes to the financial statements.

Under AIFRS, non-current assets classified as held for sale and the assets and liabilities of a disposal group classified as held for sale are presented separately on the balance sheet. A non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, the asset or disposal group is available for immediate sale in its current condition, and its sale is highly probable.

As of June 30, 2005, assets held for sale by the Group of A$6.3 million, have been reclassified from property, plant and equipment to other current assets.

The assets and liabilities of the Yeast & Bakery Ingredients group and Herbs and Spices business as of July 1, 2004 have been reclassified and presented separately.

For the year ended June 30, 2005, the Group has also reclassified and presented separately, as profit from discontinued operations, the operating results attributable to these businesses from July 1, 2004 up to the dates of disposal and the net gain on disposal.

(b) Property, plant and equipment

Under AASB 1, an election could be made to apply either the depreciated cost method or the fair value method of accounting for property, plant and equipment. The Group elected to apply the depreciated cost method. Under AASB 1, an election was also made at transition date to recognise certain items of property, plant and equipment at deemed cost, which is the revalued amount prior to AIFRS transition date that approximates the assets' respective fair values.

Under the cost method, property, plant and equipment is no longer revalued, but carried at depreciated cost and subject to impairment testing if indicators of impairment exist. Consequently, the asset revaluation reserves and other reserves relating to these assets were adjusted against retained earnings at the transition date.

For the Group, A$115.2 million and A$18.1 million were reclassified from capital and general reserves, respectively, to accumulated losses at July 1, 2004. No reclassification was required at June 30, 2005 since these reserves largely represented revaluations of assets that were disposed of on or before September 30, 2004. The carrying amounts, depreciation rates and economic useful lives of the remaining property, plant and equipment did not change, so there was no effect on the income statement for the year ended June 30, 2005.

In addition, under AIFRS the gain or loss on the disposal of non-current assets is recognised on a net basis as a gain or loss rather than separately recognising the consideration received as revenue and the cost of the assets disposed of as expense. For the year ended June 30, 2005, revenue of A$7.3 million in respect of the disposal of the Group's investment in Nutrition 21, Inc, was reclassified from other income – individually significant items to other income and the A$4.0 million cost of the asset disposed of was reclassified from other expenses – individually significant items to other income. In addition, A$2.5 million revenue from the disposal of property, plant & equipment was reclassified from other income to general expenses. There was no impact on the net profit for the year ended June 30, 2005.

(c) Business combinations

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date were not restated in preparing the opening AIFRS balance sheet.

(d) Intangible assets

Goodwill

For acquisitions prior to transition date, goodwill has been included on the basis of its deemed cost, which represents the amount recorded under previous GAAP, adjusted for reclassifications of other intangible assets not meeting the AIFRS recognition criteria. No reclassifications have been made.

Goodwill is no longer amortised, and is now stated at cost less any accumulated impairment losses. Goodwill has been allocated to cash-generating units and will be tested regularly, at least annually, for impairment (refer to Note 30(e) for further details on impairment).

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

(d) Intangible assets (continued)

Other intangible assets

Under AASB 138 *Intangible Assets*, companies had to elect whether other intangible assets were to be carried at cost or fair value. Other intangible assets were reviewed at transition date to ensure they were capable of recognition under AASB 138 *Intangible Assets*. No adjustments were required in respect of the other intangible assets of the continuing operations. An adjustment was required on transition to reverse the effects of revaluations of intangible assets recognised by the discontinued operations in prior periods, as these prior revaluations did not comply with the deemed cost alternatives permitted by AASB 1. Refer to note 30(k) for further details.

Other intangible assets acquired are now stated at cost less accumulated amortisation and impairment losses. Amortisation is required to be recognised on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. The Group reviewed the useful lives of the other intangible assets as of July 1, 2004 and determined that the lives were indefinite and the assets would be tested for impairment at least annually (refer to Note 30(e) for further details on impairment).

Amortisation

Changes in amortisation periods on transition to AIFRS have been accounted for prospectively, for continuing operations. The amortisation periods beginning July 1, 2004 have been determined as follows:

	AIFRS	**Previous GAAP**
Other intangible assets	Indefinite	Period of expected benefit, not exceeding 40 years
Goodwill	Indefinite	Period of expected benefit, not exceeding 20 years

For the year ended June 30, 2005, the Group has reversed A$65.2 million and A$16.1 million of goodwill amortisation expense and other intangible assets amortisation expense, respectively.

(e) Impairment of non-current assets

Under previous GAAP the carrying amounts of non-current assets valued on a cost basis were reviewed at the end of each reporting period to determine whether they were in excess of their recoverable amount. If the carrying amount of a non-current asset exceeded its recoverable amount the asset was considered to be impaired and written down to its recoverable amount, with the write-down recognised in the income statement in the period in which it occurred. Where a group of assets working together supported the generation of cash inflows, recoverable amount was assessed in relation to that group of assets. In assessing recoverable amounts, the relevant cash flows were not discounted to their present value.

Under AIFRS, the carrying amount of the consolidated entity’s non-current assets, excluding investment property, assets arising from employee benefits, deferred tax assets, goodwill and other intangibles with indefinites lives, are reviewed at each reporting date to determine whether there is any indication of impairment. If any impairment indication exists, the asset is tested for impairment by comparing the recoverable amount to its carrying amount. Recoverable amounts are estimated for individual assets. If this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows largely independently of cash inflows of other assets or groups of assets. Each cash-generating unit is no larger than a reporting segment. The recoverable amount of an asset is generally defined as the greater of the fair value less costs to sell and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the risks specific to the asset or group of assets or cash generating unit.

Goodwill and other intangible assets with indefinite useful lives are not amortised. Instead they are reviewed for impairment at least annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the business combination’s synergies. Other intangibles, such as trademarks and brandnames, are initially recorded at cost.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of assets to which the intangible asset relates. Where the recoverable amount of the intangible asset or cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where the intangible asset (including goodwill) forms part of a cash-generating unit and part of the operation within that unit is disposed of, the asset associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. As part of the AIFRS transition project, impairment testing was completed on non-current assets at the transition date of July 1, 2004 and at June 30, 2005. There was no impairment identified at either of these dates that required adjustments to intangible assets of the Group.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

(f) Income tax

On transition to AIFRS the balance sheet method of tax effect accounting was adopted, rather than the income statement liability method that applied under previous GAAP.

Under the balance sheet approach, income tax on the profit and loss for the year comprises current and deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recorded using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. As permitted by AASB 112 *Income Taxes*, the following temporary differences are not provided for:

- The initial recognition of goodwill;
- the initial recognition of assets and liabilities that affect neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised. The tests for the recognition of tax losses carried forward are less stringent under AIFRS compared to those under previous GAAP. Under previous GAAP, tax losses carried forward were recognised only to the extent that their recovery was virtually certain. Under AIFRS, tax losses carried forward are recognised when recovery is considered probable.

The impact of the change in tax accounting basis and the tax effecting of certain AIFRS transitional adjustments at July 1, 2004 was an increase in deferred tax assets of A$105.2 million, an increase in deferred tax liabilities of A$1.0 million and an increase in retained earnings of A$104.2 million. This adjustment primarily resulted from the recognition of United States deferred tax assets attributable to certain tax losses carried forward, which were previously not recognised under previous GAAP.

The impact on the Group’s balance sheet at June 30, 2005 of the change in tax accounting basis and the tax effecting of certain AIFRS transitional adjustments was an increase in deferred tax assets of A$45.7 million, a decrease in deferred tax liabilities of A$5.6 million, a decrease in foreign currency translation reserve of A$3.7 million and an increase in retained earnings of A$55.0 million. The impact on the income statement for the year ended June 30, 2005 was an A$54.9 million decrease in tax expense relating to continuing operations due to the recognition of Australian deferred tax assets not previously recognised, and an A$104.1 million increase in tax expense on the gain on sale of discontinued operations.

Under AIFRS the initial recognition of deferred tax assets not previously recognised on business combinations is applied first to reduce goodwill. As a consequence of the recognition of Australian deferred tax assets at June 30, 2005, goodwill has been reduced by approximately A$12.9 million. This has been recorded in other expense – individually significant items in the income statement for the year ended June 30, 2005.

The impact on the Company at July 1, 2004 was to decrease deferred tax assets and liabilities by A$4.8 million, resulting in no change to shareholders’ equity. The impact on the Company for the year ended June 30, 2005 was an increase in income tax benefit of A$44.0 million reflecting the recognition of deferred tax assets of A$44.0 million not previously recognised. At June 30, 2005, the impact on the Company was an increase in deferred tax assets of A$44.0 million.

(g) Employee benefits

Defined benefit plans
Under AIFRS, the Group’s obligations in respect of defined benefit superannuation plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That obligation is discounted to determine its present value, and the fair value of the plan assets is deducted.

The discount rate is the rate attaching to AA credit rated bonds that have maturity dates which most closely match the terms of maturity of the related liabilities. Where AA credit rated bonds are not available, and specifically for all Australian and New Zealand defined benefit obligations, the discount rate will be the rate attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

(g) Employee benefits (continued)

When the obligations under the plan increase, the proportion of the increased obligation relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the employee's benefits become vested. To the extent that the employee's benefits vest immediately, the expense is recognised immediately in the income statement.

Where the calculation results in a net benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Group elected to early adopt the revised AASB 119 *Employee Benefits* as issued in December 2004, which allowed the Group to apply the "corridor approach" to the recognition of actuarial gains and losses. Under this approach, the Group only recognises actuarial gains and losses in net income if they exceed 10% of the present value of plan assets or defined benefit obligations, whichever is greater.

In addition the Group elected to recognise the cumulative unrecognised actuarial gains and losses at July 1, 2004. As the Group had previously recognised assets or liabilities for defined benefit plans under previous GAAP, based on valuations which were consistent with AIFRS methodologies, this election resulted in a net increase in pension plan assets of A$12.2 million for the Group at July 1, 2004. This also resulted in a net increase in pension plan assets of A$11.8 million as of June 30, 2005, and an increase in pension plan expenses of A$0.4 million for the year ended June 30, 2005.

(h) Foreign currency

Financial statements of foreign operations

Under previous GAAP, the assets and liabilities of self-sustaining foreign operations, including goodwill and fair value adjustments arising on consolidation, were translated at the rates of exchange ruling at reporting date. Income statements were translated at a weighted average rate for the year. Exchange differences arising on translation were recognised directly in the foreign currency translation reserve until disposal of the operation, when the related reserve balance was transferred directly to retained earnings.

The assets and liabilities of operations that were integrated were translated using the temporal method. Monetary assets and liabilities were translated at rates of exchange at reporting date, while non-monetary items and revenue and expense items were translated at exchange rates current when the transactions occurred. Exchange differences arising on translation were recognised in the income statement.

Under AIFRS each entity in the Group determines its functional currency, which is the currency of the primary economic environment in which the entity operates. The entity maintains its books and records in its functional currency.

Under AIFRS the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated from the entity's functional currency to the Group's reporting currency of Australian dollars at foreign exchange rates ruling at reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at the exchange rates approximating the exchange rates ruling at the date of the transactions. Foreign exchange differences arising on translation are recognised directly in the foreign currency translation reserve.

Under AIFRS, on disposal of a foreign operation, the amount recognised in the foreign currency translation reserve attributable to the foreign operation is included in the calculation of gain or loss on disposal recorded in the current year income statement.

Under AASB 1, an election was available to reset the foreign currency translation reserve balance to zero. This election was adopted by the Group, resulting in the Group transferring A$381.1 million from the foreign currency translation reserve to retained earnings at July 1, 2004. The cumulative effect of this election on the Group at June 30, 2005 was an adjustment to reduce the foreign currency translation reserve by A$2.8 million.

Unrealised foreign currency exchange gain

Under AIFRS, the unrealised foreign currency exchange gain of A$32.5 million recognised in the consolidated income statement for the year ended June 30, 2005 in respect of unhedged foreign currency borrowings has been reclassified from other income – individually significant items to net financing costs. In addition, an A$15.6 million unrealised foreign currency exchange gain included in other income in the Company's income statement for the year ended June 30, 2005 has been reclassified to net financing costs.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

(i) Lease provisions

The adjustments required to lease costs and provisions to conform with AIFRS are comprised of surplus lease costs, estimated make-good or remediation costs on conclusion of a lease term and lease cost indexation to account for fixed price increases over the term of the lease. The nature and amounts of these individual adjustments are discussed in detail below.

Surplus lease costs

Under previous GAAP, provisions for surplus lease space were determined after allowing for probable sub-lease income streams. Where no sub-lease income stream exists, the provision was determined with reference to the present value of the future surplus lease commitments.

Under AIFRS, provisions for surplus lease space are recorded after allowing for an assumed sub-lease income stream.

At July 1, 2004, an adjustment of A$2.2 million was recognised under AIFRS to reduce the value of surplus lease space provisions recorded to reflect an assumed sub-lease income stream; a reduction of A$2.6 million being recognised in current provisions and an increase of A$0.4 million being recognised in non-current provisions. During the year ended June 30, 2005, the Group renegotiated the lease terms in respect of the surplus lease space, resulting in a reduction in the value of the provision recorded under previous GAAP. Under AIFRS, the adjustment of A$2.2 million to the surplus lease space provision was reversed to general and administration expenses, to partially offset the movement recorded under previous GAAP. As a result there was no net impact of this adjustment on the balance sheet at June 30, 2005.

Lease remediation costs

Under AIFRS, provisions for remediation costs for lease property are to be estimated based on contractual obligations under the respective lease agreement and the likelihood of the Group having to remediate property at the conclusion of the lease term. These provisions are required to be determined with reference to the present value of the future make-good lease costs, assuming that the property will be vacated at the end of the lease term.

Under previous GAAP, provisions for remediation costs are not specifically required for leased property and remediation costs are expensed as incurred.

The impact of the change in accounting for lease remediation costs at July 1, 2004 was to increase current provisions by A$0.1 million and increase non-current provisions by A$0.8 million. An increase of A$0.4 million was also recorded to property, plant and equipment in conjunction with the lease remediation provision. This is depreciated over the life of the leases, or the leased assets, whichever is shorter.

The impact on the balance sheet at June 30, 2005 was an increase in non-current lease remediation provisions of A$0.1 million and a net increase recorded to property, plant and equipment of A$0.3 million. The net impact on the income statement for the year ended June 30, 2005 was an A$0.7 million decrease in general and administration expenses, including a A$0.1 million depreciation expense on the lease remediation asset.

Lease cost indexation

Under AIFRS, lease expense is required to be accounted for rateably or on a straight-line basis over the lease term taking into account fixed and other predetermined price increases over that time. Under previous GAAP, the lease expense recorded reflected the prevailing lease costs with price increases being expensed in the year in which they occurred.

The impact of accounting for lease expense on a straight-line basis at July 1, 2004 was to increase non-current provisions by A$0.3 million.

The impact on the balance sheet at June 30, 2005 was a A$0.1 million decrease in current provisions and a A$0.6 million decrease in non-current provisions. A decrease in lease indexation costs of A$1.0 million was recorded in general and administrative expenses for the year ended June 30, 2005.

(j) Earnings per share

Under AIFRS basic earnings per share is calculated based on the weighted average number of ordinary shares and mandatorily convertible securities, such as the Group's converting preference shares. Under previous GAAP, basic earnings per share only included the weighted average number of ordinary shares. The effects of the converting preference shares were included in the calculation of diluted earnings per share.

The AIFRS earnings per share for the year ended June 30, 2005 recalculated on the AIFRS adjusted results are as follows:

Basic EPS from continuing operations: 6.3 cents (previously 3.9 cents)

Diluted EPS from continuing operations: 6.3 cents (previously 3.5 cents)

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

(k) Disposal of the Yeast & Bakery Ingredients group and Herbs and Spices business

Adjustments at July 1, 2004 transition date

During the year ended June 30, 2005, the Group sold its Yeast & Bakery Ingredients group and its Herbs and Spices business.

As discussed in Note 30(a) above, AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* requires non-current assets and disposal groups classified as 'held for sale' to be presented separately from other assets and liabilities on the face of the balance sheet. The Group reclassified the previous GAAP assets and liabilities of discontinued operations to reflect this presentation under AIFRS as at July 1, 2004.

At July 1, 2004 the following adjustments were made to the assets and liabilities of discontinued operations to comply with the requirements under AIFRS. These adjustments are discussed further below.

AIFRS adjustment	A$ million
Other intangible assets	(168.9)
Investments accounted for using the equity method	(9.2)
Pension plan assets	(1.7)
Deferred tax assets	5.6
Decrease in assets of discontinued operations held for sale	(174.2)
Pension plan liabilities	12.4
Deferred tax liabilities	10.8
Increase in liabilities directly associated with discontinued operations held for sale	23.2
Decrease in minority interests associated with discontinued operations held for sale	(1.0)

Other intangible assets

As discussed in Note 30(d) above, the Group elected to record other intangible assets at cost under AIFRS. The adjustment required to other intangible assets is primarily due to the reversal of previous revaluations of acquired and internally generated intangible assets that are not permitted under AIFRS.

Under AASB 138 *Intangible Assets* revaluations of intangible assets are permitted only if the fair value of the asset can be determined with reference to an active market. Due to prior revaluations not complying with the requirements of AIFRS, the cumulative effect of these revaluations was reversed on transition.

For the Group there was a net reduction of A$168.9 million in other intangible assets attributable to discontinued operations at July 1, 2004. As a result of this reduction, there was an increase in the net gain on sale recorded under AIFRS in the year ended June 30, 2005, as detailed below.

Investments accounted for using the equity method

The adjustment made to investments in associates primarily arose due to the reversal of previous revaluations of certain internally generated intangible assets owned by associates. As discussed above, under AASB 138 *Intangible Assets* the recognition of internally generated intangible assets is generally not allowable.

For the Group the reversal of these prior revaluations reduced investments in associates of discontinued operations by A$9.2 million.

Deferred tax assets

As mentioned in Note 30(f) above, the tests for recognition of temporary differences, and in particular, tax losses carried forward, are different under AASB 112 *Income Taxes* compared to those under previous GAAP.

The application of the recognition tests under AIFRS to the discontinued operations resulted in an increase in deferred tax assets of A$5.6 million. This adjustment arose from the recognition of certain revenue tax losses incurred by certain Yeast & Bakery Ingredients operations not previously recognised under previous GAAP.

Pension plan assets and liabilities

As discussed in Note 30(g) above, the Group elected to early adopt revised AASB 119 *Employee Benefits* as issued in December 2004. The Group also elected to recognise all cumulative actuarial gains and losses at July 1, 2004.

For the discontinued operations, there was a decrease in pension plan assets of A$1.7 million and an increase of A$12.4 million in pension plan liabilities at July 1, 2004.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Deferred tax liabilities

Under AASB 112 *Income Taxes*, additional deferred tax liabilities may arise due to differences between the fair value and tax value of certain assets, mainly intangible assets, on acquisition. These differences were not recognised under previous GAAP.

For the discontinued operations, the AIFRS impact was an increase of A$10.8 million in deferred tax liabilities, primarily due to differences between the fair value and tax value of certain intangible assets on acquisition.

Minority interests

An adjustment of A$1.0 million was made to minority interests as a result of the adjustments discussed above.

Adjustments to results for the year ended June 30, 2005

In September 2004, the sale of the discontinued operations was completed. In calculating the operating profit of the discontinued operations up to the date of disposal, certain adjustments were required under AIFRS in the year ended June 30, 2005.

The following adjustments were made to the operating profit after tax of the discontinued operations under AIFRS for the period from July 1, 2004 to the date of disposal:

AIFRS adjustments	A$ million
Amortisation of goodwill	1.8
Amortisation of other intangibles	2.0
Depreciation of non-current assets	8.5
Investments in associates accounted for using the equity method	0.5
Increase in operating profit after tax from discontinued operations	12.8
Minority interests	(0.2)

The following adjustments were made to the gain on sale of the discontinued operations under AIFRS recorded in the year ended June 30, 2005:

AIFRS adjustments	A$ million
Reduction in net book value of net assets sold	178.6
Amounts reclassified from reserves upon disposal	1.6
Income tax expense	(104.1)
Increase in gain on sale after tax of discontinued operations	76.1

Operating result for the period from July 1, 2004 to the date of disposal

Under AASB 3 *Business Combinations*, goodwill is no longer amortised but instead subject to impairment testing at least annually. For the discontinued operations this resulted in a reversal of amortisation expense of A$1.8 million for goodwill, as recorded under previous GAAP up to the date of disposal.

Under AASB 138 *Intangible Assets*, intangible assets with indefinite useful lives are not amortised, but instead are subject to impairment testing at least annually. As discussed in Note 30(d) above, the Group has determined that the intangible assets have indefinite useful lives. For the discontinued operations this resulted in a reversal of amortisation expense of A$2.0 million for other intangible assets, as recorded under previous GAAP up to the date of disposal.

Under AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations* an entity shall not depreciate or amortise a non-current asset while it is classified as 'held for sale' or while it forms part of a disposal group classified as 'held for sale'. For the discontinued operations this resulted in the reversal of depreciation expense of A$8.5 million after tax for non-current assets, as recorded under previous GAAP up to the date of disposal.

Similar to the adjustments made to the operating profit of the Group's discontinued operations up to the date of disposal, an adjustment to investments accounted for using the equity method arose from the impact on the Group's share of income from these investments. For the discontinued operations this resulted in the reversal of the Group's share of the investee's depreciation and amortisation expenses totalling A$0.5 million after tax.

An adjustment to minority interests of A$0.2 million was also made as a result of the minority interests' share of the adjustments discussed above.

NOTE 30. EXPLANATION OF TRANSITION TO AIFRS (CONTINUED)

Gain on sale of Yeast & Bakery Ingredients group and Herbs and Spices business

Under previous GAAP, the net gain on sale of these businesses before tax was A$782.6 million in the year ended June 30, 2005. There was tax expense of A$46.0 million in the year ended June 30, 2005, primarily related to the utilisation of previously recognised deferred tax assets to offset the taxable profit on sale of these businesses. Under previous GAAP, the total net gain on sale after tax was A$736.6 million in the year ended June 30, 2005.

The net gain on sale after tax of the Yeast & Bakery Ingredients group and Herbs and Spices business under AIFRS was A$812.7 million in the year ended June 30, 2005. The difference in the net gain, as determined in accordance with AIFRS, is primarily due to differences of A$178.6 million in the net book values of the underlying net assets sold and the recognition of additional deferred tax expense of A$104.1 million.

Under AIFRS, the carrying value of the underlying net assets sold was lower than amounts recorded under previous GAAP, primarily due to the differences in the measurement of assets and liabilities on transition as discussed above, as well as the impact of differences in the operating result on the assets and liabilities at the date of disposal.

Under AIFRS, the income tax expense on the gain on sale was increased by A$104.1 million. This adjustment reflects the utilisation of the additional deferred tax assets recognised on transition to AIFRS (refer to the accounting for income tax under AIFRS in Note 30(f) above).

(l) Other reclassifications

In addition to the items described above, certain items have been reclassified in the income statement and balance sheet to conform with presentation and disclosure requirements under AIFRS.

In the consolidated income statement for the year ended June 30, 2005, net income of A$6.4 million relating to adjustments to provisions have been reclassified from other expenses – individually significant items to other income to more appropriately reflect the nature of these items.

In the consolidated balance sheet for June 30, 2005, A$3.9 million in respect of accrued salaries and wages and certain other employee related expenses was reclassified from payables to employee benefit provisions. A$5.6 million was also reclassified from payables to legal provisions to more appropriately reflect the nature of these items.

No adjustments were considered necessary for the Company.

(m) Change in accounting policy – financial instruments

As allowed under AASB 1, the Group elected not to restate comparative financial information for AASB 132 *Financial Instruments*: *Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement.* Instead, the effect of AASB 132 and AASB 139 has been applied from July 1, 2005.

As of July 1, 2005, the following adjustments were made to the consolidated financial statements:

- Under previous GAAP not all derivatives were recognised on the balance sheet. On adoption of AASB 139 all derivatives were recognised at fair value on the balance sheet. The effect on the Group was to reduce other current assets by A$1.0 million and record additional liabilities of A$16.4 million for the fair value of derivatives not previously recognised together with a related deferred tax asset of A$5.2 million. As these derivative instruments qualified for hedge accounting under previous GAAP, the Group has applied the transition adjustments set out in AASB 1 and recorded a net amount of A$12.2 million in the hedge reserve on July 1, 2005 in relation to cash-flow hedges. Amounts recorded in the hedge reserve were subsequently transferred to the income statement on completion of the transaction being hedged and when the forecast transaction being hedged was no longer considered probable of occurring.
- Debt establishment costs capitalised and amortised over the term of the borrowing under previous GAAP were recalculated based on the effective interest rate method and recognised as an offset to the liability rather than as a separate asset. This resulted in a decrease of other non-current assets of A$51.3 million, a decrease in interest bearing borrowings of A$44.2 million, an increase in deferred tax assets of A$2.1 million and a A$5.0 million decrease in retained earnings.

There was no impact on the Company from this change in accounting policy.

Directors' declaration

1 In the opinion of the directors of Burns, Philp & Company Limited ("the Company"):

(a) the financial statements and notes set out on page 34 to 116 and the remuneration disclosures that are contained in the Remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and consolidated entity as at June 30, 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

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

(b) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures;* and

(c) 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 There are reasonable grounds to believe that the Company and the controlled entities identified in note 26 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended June 30, 2006.

Signed in accordance with a resolution of the directors:

Thomas J. Degnan

Thomas J Degnan
Managing Director

August 25, 2006

Independent audit report to members of Burns, Philp & Company Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statement of cash flows, accompanying Notes 1 to 30 to the financial statements, and the directors' declaration for both Burns Philp & Company Limited (the "Company") and Burns, Philp & Company Limited and its Controlled Entities (the "Consolidated Entity"), for the year ended June 30, 2006. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in the directors' report and not in the financial report.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report 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. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit 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 and that the remuneration disclosures comply with AASB 124. 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*, Australian Accounting Standards 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 and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

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.

Audit opinion

In our opinion:

(1) the financial report of Burns, Philp & Company Limited is in accordance with:

a) the *Corporations Act 2001*, including:

i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at June 30, 2006 and of their performance for the financial year ended on that date; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia; and

(2) the remuneration disclosures that are contained in the remuneration report in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures.*

KPMG

KPMG

Alan Walsh
Partner

Sydney, August 25, 2006