



**BURNS PHILP FINANCE  
NEW ZEALAND LIMITED**

640 GREAT SOUTH ROAD  
MANUKAU CITY  
AUCKLAND  
PRIVATE BAG 92-106  
AUCKLAND  
NEW ZEALAND  
TEL: +64 9 261 1849  
FAX: +64 9 262 6155

27 September 2007

Market Information Services Section  
New Zealand Exchange Limited  
Level 2, NZX Centre  
1 Cable Street  
WELLINGTON, NEW ZEALAND

**Burns Philp Finance New Zealand Limited: 2007 Annual Report**

Pursuant to Listing Rule 10.8.2, please find attached a letter dated 27 September 2007 addressed to the holders of the Capital Notes issued by Burns Philp Finance New Zealand Limited ("the Company") which was sent to holders today with a copy of the 2007 Annual Report of the Company and the 2007 Annual Report of Burns, Philp & Company Pty Limited ("Burns Philp").

It is noted that a copy of the printed version of the Company's 2007 Annual Report was provided to the NZX on 18 August 2007. Attached is a copy of Burns Philp's 2007 Annual Report.

Yours faithfully

A handwritten signature in black ink, appearing to be "Helen Golding", written over a large, faint circular stamp or watermark.

**Helen Golding**  
Company Secretary  
Burns, Philp & Company Pty Limited

Encls



**BURNS PHILP FINANCE  
NEW ZEALAND LIMITED**

640 GREAT SOUTH ROAD  
MANUKAU CITY  
AUCKLAND  
PRIVATE BAG 92-106  
AUCKLAND  
NEW ZEALAND  
TEL: +64 9 261 1849  
FAX: +64 9 262 6155

27 September 2007

Dear Noteholder

**Burns Philp Finance New Zealand Limited Capital Notes**

Pursuant to Listing Rule 10.5.1 and clause 5.5(d) of the Restated Trust Deed dated 30 April 2003 for the Capital Notes, please find enclosed the 2007 Annual Report of Burns Philp Finance New Zealand Limited and the 2007 Annual Report of Burns, Philp & Company Pty Limited.

Should you have any enquiries in relation to your holding of Burns Philp Finance New Zealand Limited Capital Notes, please contact the Capital Notes Registrar:

Computershare Investor Services Limited  
Level 2  
159 Hurstmere Road  
Takapuna, Auckland  
(Private Bag 92119, Auckland 1142)  
Telephone: +64 9 488 8777  
Facsimile: +64 9 488 8787  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)  
Website: [www.computershare.co.nz](http://www.computershare.co.nz)

Yours faithfully

**Helen Golding**  
Company Secretary  
Burns, Philp & Company Pty Limited

Encls

***Burns  
Philp***

**2007** | Annual Report

BURNS, PHILP & COMPANY PTY LIMITED

# Directory

## **Burns, Philp & Company Pty Limited**

ACN 000 000 359

### **Registered Office**

Level 23

56 Pitt Street

Sydney NSW 2000

Australia

(GPO Box 543, Sydney NSW 2001)

Telephone: +61 2 9259 1111

Facsimile: +61 2 9247 3272

### **Managing Director & Chief Executive Officer**

Thomas J Degnan

### **Company Secretary**

Helen Golding

### **Auditor**

KPMG

# Contents

Directors' Report	2
Lead Auditor's Independence Declaration	5
Financial Report and Independent Audit Report	6

# Directors' Report

The Directors present their report together with the financial report of Burns, Philp & Company Pty Limited (formerly Burns, Philp & Company Limited) ("Burns Philp" or "the Company") and the consolidated financial report of the consolidated entity, being the Company, its subsidiaries and interests in associates and jointly controlled entities ("the Group") for the financial year ended June 30, 2007 and the auditor's report thereon.

## 1. Directors

The Directors of the Company as at June 30, 2007 and during the financial year are:

Graeme Hart  
Thomas Degnan  
Bryce Murray  
Fred Smith, resigned December 31, 2006  
Helen Golding, appointed June 29, 2007  
Mark Burrows, resigned July 1, 2007

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

## 2. Principal activities

Based in Australia, the Group primarily invests in businesses that manufacture, market and distribute food ingredients and consumer branded food and related products.

There were no significant changes in the nature of the activities of the Company during the year, other than as set out in the operating and financial review section of this report.

## 3. State of affairs

Changes in the state of affairs of the Group during the financial year under review are included in the operating and financial review section below.

## 4. Consolidated result

The net consolidated result attributable to members of the Company for the financial year was a profit of A\$317.5 million (2006: profit of A\$827.1 million).

## 5. Operating and financial review

During the period under review, the Group continued with initiatives to achieve its goal of maximising shareholder return. In the prior period, 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 Goodman Fielder.

On January 12, 2006, the Group announced that it had appointed a financial advisor to advise on its strategic options with respect to its snacks businesses, including Uncle Tobys in Australia and Bluebird Foods in New Zealand.

On July 14, 2006, the Group completed the sale of the Uncle Tobys business to Nestlé for A\$890.0 million. The sale proceeds were subject to completion adjustments in respect of closing asset and liability values and a further A\$3.5 million has since been received. In addition, the Group received a payment of A\$13.1 million for the reimbursement of provisions for self-insured workers' compensation. The Group has recorded a before tax gain on disposal of this business of A\$425.0 million in the current year. An income tax expense of A\$127.9 million has also been recorded in respect of the sale, primarily representing the utilisation of deferred tax benefits recorded in the year ended June 30, 2006. No income tax is expected to be paid on the sale of the business.

On December 7, 2006, Burns Philp announced that it had entered into an agreement with PepsiCo New Zealand Holdings to sell Bluebird Foods and on January 4, 2007, the Group completed the sale of this business for proceeds of NZ\$245.8 million (A\$219.1 million). The sale proceeds were subject to completion adjustments in respect of closing asset and liability values and a further NZ\$3.4 million (A\$3.0 million) has since been received. The Group has recorded a gain on disposal, before tax, of A\$68.4 million in the current year. No income tax is expected to be paid on the sale of the business.

Following the disposal of these businesses, the Group's remaining assets are the 20% investment in Goodman Fielder, a 50% stake in Fresh Start Bakeries Australia Pty Ltd ("Fresh Start Bakeries") (a manufacturer of hamburger buns), cash and related party receivables.

On September 7, 2006 a subsidiary of Rank Group Limited ("Rank Group"), the ultimate holding company of Burns Philp, made an off market takeover offer for all the outstanding shares in Burns Philp not already held by Rank Group

subsidiaries. Following completion of the takeover, Burns Philp became a wholly owned subsidiary of Rank Group on December 19, 2006. On December 20, 2006, Burns Philp was delisted from the Australian Stock Exchange and the New Zealand Stock Exchange. On December 22, 2006, the Company approved in general meeting the giving of financial assistance to Rank Group in connection with Rank Group's acquisition of shares in the Company.

On January 5, 2007, as contemplated by the resolutions adopted in general meeting, the Company loaned an amount of A\$1,362.7 million to a Rank Group subsidiary.

On February 15, 2007 the Directors of the Company approved a selective capital reduction whereby 1,199,819,383 ordinary shares held by Rank Group Australia Pty Limited ("Rank Group Australia") were to be cancelled for consideration of approximately A\$1,319.8 million. This selective capital reduction was approved by shareholders on February 16, 2007, and was implemented on March 6, 2007. Consideration for the cancellation was deducted from monies loaned to Rank Group Australia in January 2007.

On March 21, 2007 the Company approved in general meeting the giving of further financial assistance (including loan forgiveness) to any one or more members of the Parent Group (being all entities controlled by Mr Graeme Hart) (the "Parent Group").

On March 31, 2007 the Company loaned A\$400.6 million to Rank Group Australia and on April 2, 2007 a Burns Philp subsidiary loaned A\$646.6 million to Rank Group Australia.

## 6. Environmental regulation

Following the disposal of Uncle Tobys and Bluebird Foods, the Group is not subject to any significant environmental regulations, except to the extent arising from its investments in Goodman Fielder and Fresh Start Bakeries.

Prior to the disposal of Uncle Tobys and Bluebird Foods, the Group had corporate and locally based procedures in place to monitor potential or actual environmental risks and to manage compliance with existing and new environmental regulations as they came into force. The Directors are not aware of any significant environmental liabilities having been incurred during the financial year.

## 7. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount \$'000	Franked/unfranked	Date of payment
<b>Declared and paid during the year 2007</b>				
Final 2007 preference share dividend	0.2774	2,208	Fully Franked	August 13, 2006
Total amount		<u>2,208</u>		

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

### Declared after end of year

There have been no dividends paid, declared or recommended after the balance sheet date.

## 8. Options over unissued shares or interests

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

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

## 9. Events subsequent to reporting date

No events have occurred subsequent to balance date that would have a material effect on the financial statements at June 30, 2007.

## 10. Likely developments

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

### 11. Indemnification and insurance of officers and auditors

#### Indemnification of officers

The Company has agreed to indemnify the current Directors, Company Secretary and Chief Financial Officer of the Company, and former Directors (Mr A McGregor, who is now deceased, Mr F Smith and Mr M Burrows) and a former Company Secretary (Mr P 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 losses, costs and expenses (including legal expenses).

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 losses, costs and expenses (including legal expenses).

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.

Each of the indemnities referred to above provide that the Company 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' liability (and legal expenses) 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

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.

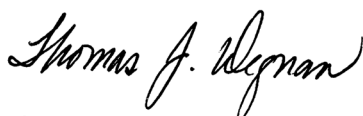
### 12. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the financial year ended June 30, 2007.

### 13. Rounding off

The Company is of a 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 Directors' Report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

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



**Thomas J Degnan**  
Managing Director

September 18, 2007

# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of Burns, Philp & Company Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended June 30, 2007 there have 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**



**Duncan McLennan**  
Partner

Sydney, Australia  
September 18, 2007

# Financial Report and Independent Audit Report

## CONTENTS

Income statements	7
Balance sheets	8
Statements of changes in equity	9
Statements of cash flows	11
Notes to the financial statements	14
Note 1: Significant accounting policies	14
Note 2: Profit from continuing operations before net financing (expense) and tax	23
Note 3: Net financing (expense)/income	25
Note 4: Income tax (expense)/benefit	26
Note 5: Segment reporting	28
Note 6: Discontinued operations	32
Note 7: Cash and cash equivalents	35
Note 8: Receivables	35
Note 9: Inventories	36
Note 10: Assets and liabilities classified as held for sale	36
Note 11: Other assets	37
Note 12: Investments accounted for using the equity method	37
Note 13: Other financial assets	38
Note 14: Property, plant and equipment	39
Note 15: Intangible assets	40
Note 16: Deferred tax assets and liabilities	41
Note 17: Payables	43
Note 18: Interest bearing loans and borrowings	44
Note 19: Employee benefits	45
Note 20: Provisions	49
Note 21: Capital and reserves	51
Note 22: Commitments	54
Note 23: Contingent liabilities	54
Note 24: Related parties	56
Note 25: Subsidiaries	62
Note 26: Acquisition of businesses and subsidiaries	64
Note 27: Financial instruments	65
Note 28: Events subsequent to balance date	70
Directors' declaration	71
Independent audit report	72

# Income Statements

FOR THE YEAR ENDED JUNE 30

A\$ million	Note	Consolidated		Burns, Philp & Company Pty Limited	
		2007	2006	2007	2006
<b>Continuing operations</b>					
Revenue from sale of goods		-	930.1	-	-
Cost of goods sold		-	(560.5)	-	-
<b>Gross profit</b>		-	369.6	-	-
Gain on disposal of Baking, Spreads & Oils businesses	2(a)	-	699.2	-	-
Dividends received from subsidiaries		-	-	<b>363.3</b>	1,172.4
Other income	2(b)	<b>4.8</b>	13.6	<b>0.3</b>	0.4
Selling, marketing and distribution expenses		-	(184.8)	-	-
General and administration expenses		<b>(12.9)</b>	(70.4)	<b>(19.5)</b>	(25.6)
Share of profits of associates and jointly controlled entities	12	<b>49.3</b>	23.7	-	-
<b>Profit from continuing operations before net financing (expense)/income and tax</b>	2	<b>41.2</b>	850.9	<b>344.1</b>	1,147.2
Financial income	3	<b>114.5</b>	85.1	<b>119.7</b>	62.1
Financial expenses	3	<b>(181.6)</b>	(277.3)	-	-
<b>Net financing (expense)/income</b>	3	<b>(67.1)</b>	(192.2)	<b>119.7</b>	62.1
<b>(Loss)/profit before tax from continuing operations</b>		<b>(25.9)</b>	658.7	<b>463.8</b>	1,209.3
Income tax (expense) / benefit	4	<b>(30.5)</b>	135.6	<b>(52.7)</b>	176.6
<b>(Loss)/profit after tax from continuing operations</b>		<b>(56.4)</b>	794.3	<b>411.1</b>	1,385.9
<b>Discontinued operations</b>					
Profit after tax from discontinued operations and gains and losses after tax on sale of discontinued operations	6	<b>373.9</b>	34.4	<b>1.5</b>	-
<b>Net profit after tax</b>	5	<b>317.5</b>	828.7	<b>412.6</b>	1,385.9
<b>Attributable to:</b>					
Equity holders of the parent		<b>317.5</b>	827.1	<b>412.6</b>	1,385.9
Minority interests		-	1.6	-	-
		<b>317.5</b>	828.7	<b>412.6</b>	1,385.9

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 14 to 70.

# Balance Sheets

AS OF JUNE 30

A\$ million	Note	Consolidated		Burns, Philp & Company Pty Limited	
		2007	2006	2007	2006
<b>Current assets</b>					
Cash and cash equivalents	7	367.5	2,405.9	0.7	0.9
Receivables	8	0.3	24.1	704.8	1,910.6
Inventories	9	-	9.1	-	-
Assets classified as held for sale	10	0.4	501.9	-	-
Other assets	11	1.5	26.8	1.3	16.9
<b>Total current assets</b>		<b>369.7</b>	<b>2,967.8</b>	<b>706.8</b>	<b>1,928.4</b>
<b>Non-current assets</b>					
Receivables	8	1,497.9	-	407.2	-
Investments accounted for using the equity method	12	389.4	359.0	-	-
Other financial assets	13	-	-	251.9	255.7
Property, plant and equipment	14	1.1	44.2	0.2	0.1
Intangible assets	15	-	88.0	-	-
Deferred tax assets	16	103.4	163.4	0.9	97.3
<b>Total non-current assets</b>		<b>1,991.8</b>	<b>654.6</b>	<b>660.2</b>	<b>353.1</b>
<b>Total assets</b>		<b>2,361.5</b>	<b>3,622.4</b>	<b>1,367.0</b>	<b>2,281.5</b>
<b>Current liabilities</b>					
Payables	17	115.0	38.8	88.9	16.4
Interest bearing loans and borrowings	18	11.5	640.4	-	-
Current tax liabilities		2.5	2.7	-	-
Employee benefits	19	3.5	16.6	1.2	11.3
Provisions	20	15.5	34.0	1.1	1.0
Liabilities classified as held for sale	10	-	39.6	-	-
<b>Total current liabilities</b>		<b>148.0</b>	<b>772.1</b>	<b>91.2</b>	<b>28.7</b>
<b>Non-current liabilities</b>					
Payables	17	700.0	43.0	-	-
Interest bearing loans and borrowings	18	189.1	169.9	-	-
Deferred tax liabilities	16	1.1	1.1	-	-
Employee benefits	19	0.6	0.5	0.6	0.5
Provisions	20	16.3	26.1	4.4	5.2
<b>Total non-current liabilities</b>		<b>907.1</b>	<b>240.6</b>	<b>5.0</b>	<b>5.7</b>
<b>Total liabilities</b>		<b>1,055.1</b>	<b>1,012.7</b>	<b>96.2</b>	<b>34.4</b>
<b>Net assets</b>		<b>1,306.4</b>	<b>2,609.7</b>	<b>1,270.8</b>	<b>2,247.1</b>
<b>Equity</b>					
Issued capital	21	470.3	1,114.1	470.3	1,114.1
Reserves	21	(18.1)	(33.6)	-	-
Retained earnings		854.2	1,529.2	800.5	1,133.0
<b>Total equity</b>		<b>1,306.4</b>	<b>2,609.7</b>	<b>1,270.8</b>	<b>2,247.1</b>

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 14 to 70.

# 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, 2005		1,114.1	(15.6)	-	725.0	1,823.5	8.5	1,832.0
Effect of change in accounting policy	1(v)	-	-	(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	21(b)	-	(18.9)	-	-	(18.9)	0.3	(18.6)
Other movements in hedge reserve	21(b)	-	-	0.9	-	0.9	-	0.9
Amounts reclassified to net profit from hedge reserve, net of tax	21(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	21(d)	-	-	-	-	-	(7.4)	(7.4)
Dividends paid to shareholders	21(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
Balance at July 1, 2006		1,114.1	(34.5)	0.9	1,529.2	2,609.7	-	2,609.7
Share of associates' hedge reserve movement, net of tax		-	-	2.1	-	2.1	-	2.1
Total non-profit items recognised directly in equity		-	-	2.1	-	2.1	-	2.1
Net profit after tax		-	-	-	317.5	317.5	-	317.5
Total recognised income and expense		-	-	2.1	317.5	319.6	-	319.6
Reduction in capital	21(a)	(643.8)	-	-	(676.0)	(1,319.8)	-	(1,319.8)
Dividends paid to shareholders	21(c)	-	-	-	(2.2)	(2.2)	-	(2.2)
Related party debt forgiveness	1(t),24	-	-	-	(66.9)	(66.9)	-	(66.9)
Loss on amalgamation of subsidiary	1(t),24	-	13.4	-	(247.4)	(234.0)	-	(234.0)
Balance at June 30, 2007		470.3	(21.1)	3.0	854.2	1,306.4	-	1,306.4

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 70.

## Statements of Changes in Equity (continued)

### Burns, Philp & Company Pty Limited

A\$ million	Note	Share capital	Foreign currency translation reserve	Hedge reserve	Retained earnings	Total equity
Balance at July 1, 2005		1,114.1	-	-	(235.0)	879.1
Effect of change in accounting policy	1(v)	-	-	-	-	-
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	21(c)	-	-	-	(17.9)	(17.9)
Balance at June 30, 2006		1,114.1	-	-	1,133.0	2,247.1
Balance at July 1, 2006		1,114.1	-	-	1,133.0	2,247.1
Total non-profit items recognised directly in equity		-	-	-	-	-
Net profit after tax		-	-	-	412.6	412.6
Total recognised income and expense		-	-	-	412.6	412.6
Reduction in capital	21(a)	(643.8)	-	-	(676.0)	(1,319.8)
Dividends paid to shareholders	21(c)	-	-	-	(2.2)	(2.2)
Related party debt forgiveness	1(t),24	-	-	-	(66.9)	(66.9)
Balance at June 30, 2007		470.3	-	-	800.5	1,270.8

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 14 to 70.

# Statements of Cash Flows

FOR THE YEAR ENDED JUNE 30

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>Cash flows from operating activities</b>				
Cash receipts from customers	84.8	1,349.2	2.4	0.4
Cash paid to suppliers and employees	(130.8)	(1,190.7)	(31.0)	(12.5)
Cash generated from operations	(46.0)	158.5	(28.6)	(12.1)
Dividends received from associates and jointly controlled entities	30.9	-	-	-
Interest received	105.7	67.3	113.2	62.1
Financing costs paid				
Interest	(36.0)	(110.6)	-	-
Foreign currency option premiums	(13.3)	-	-	-
Cross currency swap close-out costs	(7.7)	-	-	-
Income taxes paid	(1.5)	(18.2)	-	-
<b>Net cash from operating activities<sup>(a)</sup></b>	<b>32.1</b>	<b>97.0</b>	<b>84.6</b>	<b>50.0</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(1.3)	(46.0)	(0.1)	-
Acquisition of businesses, net of cash acquired <sup>(b)</sup>	-	(19.5)	-	-
Disposal of businesses, net of costs and cash disposed of <sup>(b)</sup>	1,110.5	2,301.6	-	-
Proceeds from sale of property, plant and equipment	8.4	15.3	-	-
Proceeds from sale of other financial assets	-	0.7	-	-
<b>Net cash from investing activities<sup>(c)</sup></b>	<b>1,117.6</b>	<b>2,252.1</b>	<b>(0.1)</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Loans from/(to) subsidiaries	-	-	1,304.3	(32.0)
Loans to other related parties	(2,431.7)	-	(1,386.8)	-
Repayment of borrowings – other parties	(630.4)	(1,092.2)	-	-
Drawdown of borrowings – other parties	-	662.1	-	-
Dividends paid – converting preference shares	(2.2)	(17.9)	(2.2)	(17.9)
Dividends paid – outside equity interests	-	(2.5)	-	-
<b>Net cash from financing activities<sup>(c)</sup></b>	<b>(3,064.3)</b>	<b>(450.5)</b>	<b>(84.7)</b>	<b>(49.9)</b>
<b>Net (decrease)/increase in cash held</b>	<b>(1,914.6)</b>	<b>1,898.6</b>	<b>(0.2)</b>	<b>0.1</b>
Cash and cash equivalents at beginning of year	2,405.9	492.3	0.9	0.8
Effects of exchange rate changes on cash (including cash at beginning of the year and cash transactions during the year)	(123.8)	15.0	-	-
<b>Cash and cash equivalents at end of year</b> (refer to Note 7)	<b>367.5</b>	<b>2,405.9</b>	<b>0.7</b>	<b>0.9</b>

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 14 to 70.

## Statements of Cash Flows (continued)

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>(a) Reconciliation of net cash from operating activities to net profit after tax</b>				
Net profit after tax	<b>317.5</b>	828.7	<b>412.6</b>	1,385.9
Add/(less):				
Non-cash items				
Depreciation and amortisation	<b>1.8</b>	45.0	-	-
Share of profits of associates and jointly controlled entities, net of dividends received	<b>(18.4)</b>	(23.7)	-	-
Dividends received from subsidiaries	-	-	<b>(363.3)</b>	(1,172.4)
Profit before tax on disposal of non-current assets and businesses	<b>(496.2)</b>	(701.0)	-	-
Amortisation of debt issue costs	<b>2.1</b>	5.3	-	-
Items not classified as operating activities				
Net foreign currency exchange losses	<b>105.0</b>	5.2	-	-
Debt extinguishment costs	-	164.8	-	-
Changes in assets and liabilities net of effects of acquisitions and disposals of businesses				
Trade debtors	<b>0.8</b>	(76.3)	-	-
Inventories	<b>0.5</b>	(9.2)	-	-
Trade creditors	<b>(8.4)</b>	16.5	-	-
Related party receivable	<b>(17.0)</b>	-	<b>(6.5)</b>	-
Other creditors – accrued interest payable	<b>(3.1)</b>	(31.3)	-	-
Provisions	<b>(25.2)</b>	(19.6)	<b>(0.7)</b>	0.9
Employee benefits	<b>(8.5)</b>	0.8	<b>(10.0)</b>	2.2
Derivative financial instruments	<b>21.2</b>	12.9	-	-
Current tax liabilities	<b>155.3</b>	(7.1)	<b>27.1</b>	-
Deferred tax assets and liabilities	<b>5.2</b>	(121.5)	<b>26.3</b>	(174.3)
Other assets and liabilities, net	<b>(0.5)</b>	7.5	<b>(0.9)</b>	7.7
<b>Net cash from operating activities</b>	<b>32.1</b>	97.0	<b>84.6</b>	50.0

**(b) Acquisitions and disposals of businesses****(i) Inflow/(outflow) of cash:**

A\$ million	Consolidated			
	2007		2006	
	Acquisitions	Disposals	Acquisitions	Disposals
Cash proceeds/(payments)	-	<b>1,115.6</b>	(20.4)	2,316.0
Transaction and other costs paid	-	<b>(16.3)</b>	-	(17.9)
Cash received for retention of workers' compensation liabilities	-	<b>13.1</b>	-	26.9
Net cash (disposed of)/acquired	-	<b>(1.9)</b>	0.9	(23.4)
	-	<b>1,110.5</b>	(19.5)	2,301.6

In addition to the A\$16.3 million of transaction and other costs paid during the current year, A\$2.6 million was paid in the year ended June 30, 2006 and deferred in the consolidated balance sheet at June 30, 2006. The A\$17.9 million of transaction and other costs paid during the year ended June 30, 2006, included 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 had been fully provided for at June 30, 2005.

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

A\$ million	Consolidated			
	2007		2006	
	Acquisitions	Disposals	Acquisitions	Disposals
Property, plant and equipment	-	<b>155.2</b>	(3.1)	390.9
Goodwill	-	<b>184.4</b>	(10.3)	1,034.8
Identifiable intangible assets	-	<b>223.4</b>	(1.9)	407.0
Deferred tax assets	-	<b>0.9</b>	-	14.9
Trade debtors	-	<b>61.7</b>	(3.9)	211.8
Inventories	-	<b>37.5</b>	(1.8)	119.8
Cash	-	<b>1.9</b>	(0.9)	23.4
Other current and non-current assets	-	<b>3.4</b>	(0.2)	27.2
Trade creditors	-	<b>(34.0)</b>	1.5	(135.3)
Other payables	-	<b>(3.9)</b>	-	(67.2)
Interest bearing borrowings	-	-	-	(6.7)
Current and deferred tax liabilities	-	-	-	(6.4)
Employee benefits	-	<b>(12.0)</b>	-	-
Provisions	-	<b>(0.8)</b>	0.2	(61.1)
	-	<b>617.7</b>	(20.4)	1,953.1
Minority interests	-	-	-	(7.4)
Net assets disposed of/(acquired)	-	<b>617.7</b>	(20.4)	1,945.7

Refer to Note 6 for details regarding business disposals in the current year and to Note 2(a) for details regarding business disposals in the year ended June 30, 2006.

**(c) Non-cash financing and investing activities**

In March 2007, 1,199,819,383 of the Company's ordinary shares held by Rank Group Australia Pty Limited ("RGA") were cancelled for consideration of A\$1,319.8 million. Consideration for the cancellation was deducted from monies previously loaned to RGA in January 2007 (refer to Note 21(a) for further details).

During the year ended June 30, 2006, 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.

# Notes to the Financial Statements

## NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Burns, Philp & Company Pty Limited ("Burns Philp" or "the Company"), domiciled in Australia, was previously a public company, but effective February 9, 2007, it changed to a proprietary company. Accordingly it changed its name from Burns, Philp & Company Limited to Burns, Philp & Company Pty Limited. The consolidated financial report of the Company as of and for the year ended June 30, 2007 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.

Following the completion of a takeover offer by certain subsidiaries of Rank Group Limited ("Rank Group"), Burns Philp was de-listed from the Australian Stock Exchange on December 20, 2006.

The financial report was authorised for issue by the Directors on September 18, 2007.

### (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 and the Corporations Act 2001.

The consolidated financial report of the Group and the financial report of the Company also comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

### (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.

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 report and have been applied consistently by all entities in the consolidated entity.

The following standards and amendments have been adopted by the consolidated entity effective from July 1, 2006:

- *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. The Company and the Group have applied AASB 2005-9 Amendments to Australian Standards – Financial Guarantee contracts (AASB 2005-9) for the first time from 1 July 2006. Under AASB 2005-9, liabilities arising from financial guarantee contracts, including company guarantees of subsidiaries through deeds of cross guarantee, are initially recognised at fair value and subsequently at the higher of the amount determined in accordance with the measurement requirements of a provision (see Note 1(j)) and the amount initially recognised less accumulative amortisation. Previously such contracts were recognised as a provision only if settlement was considered probable.*

The initial application of AASB 2005-9 did not have an impact on the financial results of the Company or the Group as of July 1, 2006 or during the year ended June 30, 2007.

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

- *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 Group plans to adopt AASB 2005-10 in the 2008 financial year.

- *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, and will require additional disclosures with respect to the Group's financial instruments.*

The Group plans to adopt AASB 7 in the 2008 financial year.

- *AASB 8 Operating Segments: replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting: Disclosure and Presentation. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009.*

AASB 8 is not expected to have an impact on the financial results of the Company or the Group as the standard is only concerned with disclosures.

- *The AASB released Accounting Standard AASB 2007-4 Amendments to Australian Standards to introduce various accounting policy options, delete various disclosures presently required, and to make a number of editorial amendments. AASB 2007-4 is applicable to annual reporting periods beginning on or after July 1, 2007 and must therefore be applied by the Group in its financial statements for the year ending on June 30, 2008.*

The Group does not intend to change any of its current accounting policies on adoption of AASB 2007-4, accordingly, there will be no financial impact to these financial statements. However in the Group's financial statements for the year ended June 30, 2008 certain information may no longer be disclosed, or may be disclosed in an alternative manner, due to amendments made by AASB 2007-4 to the disclosure requirements of various Accounting Standards.

### **(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.

## Notes to the Financial Statements (continued)

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Basis of consolidation (continued)

##### *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, including 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, except where the disposal is a transaction with shareholders, when it is transferred to retained earnings.

In respect of all foreign operations, any exchange differences that arose before July 1, 2004, the date of transition to IFRS, have been transferred to retained earnings.

#### (e) Derivative financial instruments and hedging

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.

#### (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**

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 not amortised, instead it is allocated to cash-generating units and 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.

### **(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.

#### **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.

## Notes to the Financial Statements (continued)

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Impairment (continued)

##### **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 was a self-insurer under the Victorian Accident Compensation Act for the period to August 18, 2006 and was a self-insurer under the New South Wales Workers' Compensation Act for the period April 1, 2001 to April 30, 2004. 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.

#### (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 loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest bearing loans and 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 loans and borrowings on an effective interest rate 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 investments in subsidiaries. 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.

### ***Defined benefit plans***

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.

In respect of actuarial gains and losses that arise, 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 (expense)/income**

Net financing (expense)/income comprises 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 (expense)/income. Borrowing costs are expensed as incurred and included in net financing (expense)/income.

## Notes to the Financial Statements (continued)

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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.

#### ***Tax consolidation***

Up until December 18, 2006, Burns Philp was the head entity in a tax-consolidated group comprising Burns Philp and its wholly-owned Australian resident entities.

On December 19, 2006, Burns Philp and its wholly-owned Australian resident entities became part of the Rank Group Australia Pty Limited ("RGA") tax-consolidated group, RGA being the head entity. As a consequence of this change in arrangements, deferred tax assets amounting to A\$70.1 million arising from unused tax losses, previously recognised by Burns Philp, were transferred to RGA on that date.

#### ***Nature of funding arrangements and tax sharing agreements***

The members of the RGA 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. 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 IFRS. 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.

**(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 statements of cash flows.

**(s) Related party loans**

Loans receivable from or payable to related parties, including loans between the Company and its subsidiaries, are generally non-interest bearing and repayable on demand. These are measured at their fair value. Where loan receivables are not expected to be called within the next twelve months these loans are classified as non-current. Where loan agreements allow for interest to be received or paid, interest is calculated and accrued using the effective interest method.

Where loan agreements specify repayment periods greater than twelve months, loans receivable and payable are classified as non-current and carried at amortised cost based on the effective interest method.

**(t) Transactions with related parties as owners**

Transactions with related parties by Group companies are classified as transactions with owners when the transactions are completed on a non-arms length basis. Any gains or losses arising on consummation of the related party transactions are taken directly to equity.

Related party transactions that may result in gains or losses being taken directly to equity include, but are not limited to:

- Debt forgiveness transactions;
- Contribution of assets for greater than or less than fair value; and
- Acquisition or disposal, including merger or amalgamation, of subsidiaries for no consideration or consideration which is greater than or less than fair value.

**(u) 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.

## Notes to the Financial Statements (continued)

### NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (u) Accounting estimates and judgements (continued)

##### *Realisation of deferred income tax assets*

As Burns Philp and its wholly-owned Australian subsidiaries are now part of the RGA tax-consolidated group (refer Note 1(p) above for further details), estimates of the Group's Australian deferred tax balances and current tax liability are now considered in the light of the overall RGA tax profile. 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 in the year ended June 30, 2006, 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.

#### (v) 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.

## NOTE 2. PROFIT FROM CONTINUING OPERATIONS BEFORE NET FINANCING (EXPENSE) AND TAX

Profit from continuing operations before net financing (expense) and tax includes the following items:

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

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
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\$2,846.0 million, of which A\$530.0 million was paid in shares of Goodman Fielder and A\$2,316.0 million was paid in cash. Cash proceeds included A\$1,100.0 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 were incurred, which were primarily associated with the corporate restructuring of these businesses and operations prior to disposal. As the Group 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 was recorded in the year ended June 30, 2006. The gain on disposal of the Baking, Spreads & Oils businesses was recorded in continuing operations in the year ended June 30, 2006 (refer to Note 1(q)).

### (b) Other income

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
Gain on disposal of properties held for sale <sup>(i)</sup>	2.8	6.6	-	-
Gain on disposal of investments and other financial assets <sup>(i)</sup>	-	0.7	-	-
Release of unused provisions <sup>(ii)</sup>	1.6	5.2	-	-
Management and guarantee fees received from subsidiaries	-	-	0.1	0.3
Other miscellaneous income items	0.4	1.1	0.2	0.1
	4.8	13.6	0.3	0.4

(i) During the current year the Group disposed of several properties classified as held for sale resulting in gains on disposal of \$2.8 million (2006 - \$6.6 million). In the year ended June 30, 2006, the Group also sold an equity investment recognising a gain on disposal of A\$0.7 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 \$5.2 million during the year ended June 30, 2006. Additionally, during the current year, \$1.6 million was released from provisions upon finalisation of certain matters for which these liabilities had been recognised.

## Notes to the Financial Statements (continued)

### NOTE 2. PROFIT FROM CONTINUING OPERATIONS BEFORE NET FINANCING (EXPENSE) AND TAX (CONTINUED)

#### (c) Other expense items requiring separate disclosure

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
Personnel expenses	<b>(12.5)</b>	(189.0)	<b>(4.9)</b>	(5.6)
Net loss on disposal of property, plant and equipment	-	(1.4)	-	-
Operating lease rental expense	<b>(0.6)</b>	(9.1)	<b>(0.6)</b>	(0.4)
Research and development costs expensed	-	(2.4)	-	-
Depreciation and amortisation:				
Plant and equipment	<b>(0.1)</b>	(17.7)	<b>(0.1)</b>	-
Freehold properties	-	(3.0)	-	-
Leasehold properties	-	(0.4)	-	-
Identifiable intangible assets	-	(0.6)	-	-
Total depreciation and amortisation	<b>(0.1)</b>	(21.7)	<b>(0.1)</b>	-

#### (d) Auditors' remuneration

A\$ '000	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>Audit services</b>				
Auditors of the Company - KPMG				
KPMG Australia				
Audit and review of financial reports	<b>299.0</b>	714.8	<b>299.0</b>	150.0
Audit of special purpose financial reports <sup>(i)</sup>	<b>95.0</b>	446.0	<b>95.0</b>	-
Other regulatory audit services	<b>33.0</b>	4.0	<b>33.0</b>	-
Overseas KPMG firms				
Audit and review of financial reports	<b>56.8</b>	247.3	-	-
Audit of special purpose financial reports <sup>(i)</sup>	<b>56.7</b>	98.6	-	-
Total KPMG	<b>540.5</b>	1,510.7	<b>427.0</b>	150.0
Total audit services	<b>540.5</b>	1,510.7	<b>427.0</b>	150.0
<b>Other services</b>				
Auditors of the Company - KPMG				
KPMG Australia				
Investigating Accountant's Report in respect of the Goodman Fielder prospectus <sup>(ii)</sup>	-	3,620.0	-	-
Taxation	<b>227.5</b>	633.0	<b>227.5</b>	-
Other assurance services	<b>27.0</b>	40.0	<b>27.0</b>	17.5
Overseas KPMG firms				
Other assurance services	<b>14.5</b>	3.4	-	3.4
Taxation	-	5.3	-	-
Total KPMG	<b>269.0</b>	4,301.7	<b>254.5</b>	20.9
Total other services	<b>269.0</b>	4,301.7	<b>254.5</b>	20.9

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.

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 3. NET FINANCING (EXPENSE)/INCOME</b>				
<b>Financial income</b>				
Interest revenue				
Subsidiaries	-	-	112.6	62.0
Other related parties	17.0	-	6.5	-
Other parties	97.5	75.3	0.6	0.1
Gain on derivative instruments <sup>(iv)</sup>	-	9.8	-	-
<b>Total financial income</b>	<b>114.5</b>	85.1	<b>119.7</b>	62.1
<b>Financial expenses</b>				
Interest expense				
NZ Capital Notes	(18.2)	(18.7)	-	-
Senior notes	-	(3.7)	-	-
Senior Subordinated Notes	-	(23.6)	-	-
Other parties	(14.7)	(33.3)	-	-
Amortisation of debt issue costs	(2.1)	(5.3)	-	-
Loss on derivative instruments <sup>(i)</sup>	(41.6)	(22.7)	-	-
Debt extinguishment costs <sup>(ii)</sup>	-	(164.8)	-	-
Net foreign currency exchange loss <sup>(iii)</sup>	(105.0)	(5.2)	-	-
<b>Total financial expenses</b>	<b>(181.6)</b>	(277.3)	-	-
<b>Net financing (expense)/income</b>	<b>(67.1)</b>	(192.2)	<b>119.7</b>	62.1

- (i) Represents a loss of A\$18.5 million on the change in fair value of ineffective hedge derivative financial instruments and a loss of A\$23.1 million incurred during the current year in respect of foreign currency option derivative contracts (refer to (iv) below for further details in relation to these foreign currency option derivative contracts). The loss of A\$22.7 million in the year ended June 30, 2006, represented a loss on the change in fair value of ineffective hedge derivative financial instruments and included 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 18 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 was recorded in the year ended June 30, 2006.
- (iii) As detailed in Note 27, the Group has net foreign currency positions in various currencies. In accordance with Note 1(d), a net foreign currency exchange loss of A\$105.0 million (2006 – A\$5.2 million loss) has been included in net financing (expense).
- (iv) At June 30, 2006, the Group had entered into a series of foreign currency option derivative contracts. The A\$9.8 million mark-to-market gain on these contracts at June 30, 2006 was included in net financing (expense) in the consolidated income statement for the year ended June 30, 2006. In the current year a loss of A\$23.1 million has been incurred on these contracts up until their exercise/expiry dates and included in net financing (expense) (refer (i) above and also Note 27).

## Notes to the Financial Statements (continued)

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 4. INCOME TAX (EXPENSE)/BENEFIT</b>				
<b>(a) Recognised in the income statement</b>				
<b>Current tax (expense)/benefit</b>				
Tax payable in Australia <sup>(i)</sup>				
Burns Philp tax-consolidated group				
Burns Philp	(22.1)	(12.2)	(22.1)	(12.2)
Subsidiaries	22.1	(270.3)	-	-
Rank Group Australia tax-consolidated group				
Burns Philp	(8.7)	-	(8.7)	-
Subsidiaries	(148.1)	-	-	-
Tax losses utilised in Australia	-	275.4	-	12.2
Tax payable overseas	-	(4.0)	-	-
Prior year over provision	-	-	3.7	2.3
	<b>(156.8)</b>	<b>(11.1)</b>	<b>(27.1)</b>	<b>2.3</b>
<b>Deferred tax (expense)/benefit</b>				
Origination and reversal of tax losses and temporary differences	64.1	53.6	(1.2)	0.9
Deferred tax benefit reclassified from hedge reserve	-	5.2	-	-
Deferred tax (expense) reclassified from foreign currency translation reserve (refer to Note 21(b))	(17.4)	-	-	-
Tax losses utilised to reduce current tax (expense)	-	(275.4)	-	(12.2)
Benefit of tax losses and temporary differences recognised	-	338.1	-	185.6
Tax losses and temporary differences arising during the year not recognised	(26.8)	-	-	-
Reversal of tax losses previously recognised	(25.1)	-	(25.1)	-
	<b>(5.2)</b>	<b>121.5</b>	<b>(26.3)</b>	<b>174.3</b>
<b>Total income tax (expense)/benefit recognised in the income statement</b>	<b>(162.0)</b>	<b>110.4</b>	<b>(53.4)</b>	<b>176.6</b>
<b>Attributable to:</b>				
Continuing operations	(30.5)	135.6	(52.7)	176.6
Discontinued operations (refer to Note 6)	(3.6)	(18.3)	-	-
Gain on sale of discontinued operations (refer to Note 6)	(127.9)	(6.9)	(0.7)	-
	<b>(162.0)</b>	<b>110.4</b>	<b>(53.4)</b>	<b>176.6</b>

- (i) Up until December 18, 2006, Burns Philp and its Australian subsidiaries comprised the Burns Philp tax-consolidated group. On December 19, 2006, these companies became part of the RGA tax-consolidated group. The current tax liability of A\$156.8 million incurred by Burns Philp and its Australian subsidiaries since becoming part of the RGA tax-consolidated group has been transferred to RGA under tax funding arrangements (refer to Note 1(p) for further details).

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>(b) Numerical reconciliation between income tax (expense)/benefit and pre-tax (loss)/profit</b>				
(Loss)/profit before tax-continuing operations	<b>(25.9)</b>	658.7	<b>463.8</b>	1,209.3
Profit before tax-discontinued operations	<b>505.4</b>	59.6	<b>2.2</b>	-
Total profit before tax	<b>479.5</b>	718.3	<b>466.0</b>	1,209.3
Income tax (expense) using the domestic corporation tax rate of 30% (2006: 30%)	<b>(143.8)</b>	(215.4)	<b>(139.8)</b>	(362.8)
(Increase)/decrease in income tax (expense) due to:				
Effect of tax losses and temporary differences recognised	-	338.1	-	185.6
Effect of reversal of tax losses previously recognised	<b>(25.1)</b>	-	<b>(25.1)</b>	-
Effect of tax losses and temporary differences arising during the year not recognised	<b>(26.8)</b>	(9.0)	-	-
Adjustment due to transfer of investment in Goodman Fielder to a New Zealand subsidiary <sup>(i)</sup>	<b>11.3</b>	-	-	-
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 year ended June 30, 2006 <sup>(ii)</sup>	-	(131.8)	-	-
Deferral of income tax expense relating to accounting gain <sup>(ii)</sup>	-	124.0	-	-
Non-assessable gain on sale of Bluebird Foods	<b>22.6</b>	-	-	-
Differences in overseas tax rates	<b>(1.5)</b>	(7.0)	-	-
Non-assessable intragroup dividends	-	-	<b>109.0</b>	351.7
Prior year over provision	-	-	<b>3.7</b>	2.3
Other items	<b>1.3</b>	(2.8)	<b>(1.2)</b>	(0.2)
<b>Income tax(expense)/benefit on pre-tax profit</b>	<b>(162.0)</b>	110.4	<b>(53.4)</b>	176.6

- (i) During the current year, the Group's investment in Goodman Fielder was transferred from an Australian subsidiary to a New Zealand subsidiary at market value, resulting in a tax gain of A\$494.0 million for Australian income tax purposes. As a result, the Group has recorded a current tax expense of A\$148.2 million and a deferred tax benefit of A\$159.5 million in respect of this transaction.
- (ii) 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 A\$425.0 million together with the related income tax expense of A\$127.9 million has been included in the consolidated income statement in the current year. However, for Australian income tax purposes, the tax gain on the sale of A\$439.4 million was assessable in the year ended June 30, 2006 resulting in a current income tax expense of A\$131.8 million being recorded in that year. A deferred tax benefit of A\$124.0 million was also recognised in the year ended June 30, 2006 due to the temporary difference arising from the recognition of the accounting and tax gain in different reporting periods.

## Notes to the Financial Statements (continued)

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 4. INCOME TAX (EXPENSE)/BENEFIT (CONTINUED)</b>				
<b>(c) Deferred income tax (expense) recognised directly in equity</b>				
Relating to foreign currency exchange (gains) included in the foreign currency translation reserve <sup>(i)</sup>	(4.0)	(13.6)	-	-
Relating to other movements in the hedge reserve <sup>(i)</sup>	(0.9)	(0.4)	-	-
<b>Total deferred income tax (expense) recognised directly in equity</b>	<b>(4.9)</b>	<b>(14.0)</b>	<b>-</b>	<b>-</b>

(i) Refer to Note 1(d) and Note 21(b) for further details.

### (d) Available franking credits

As a consequence of Burns Philp's entry into the RGA tax-consolidated group on December 19, 2006, the Group's franking credits have now been assumed by RGA.

## 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.

The Group disposed of the Baking, Spreads & Oils business segments during the year ended June 30, 2006 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 these operations up to the date of disposal (December 21, 2005) has been reported as part of the Group's continuing operations. The earnings generated by the Group's equity investment in Goodman Fielder are also reported as part of the Group's continuing operations, but are included in Corporate/Unallocated as it is no longer possible to allocate the equity accounted result to the historical segments.

As discussed in Note 6, the Group disposed of its Australian snacks business, ("Uncle Tobys") on July 14, 2006 and its New Zealand snacks business ("Bluebird Foods") on January 4, 2007. These businesses have been classified as discontinued operations for the years ended June 30, 2007 and 2006.

<b>Business segment</b>	<b>Products and services</b>
<i>Continuing operations</i>	
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
<i>Discontinued operations</i>	
Snacks - Australia	Breakfast cereals, nutritious snacks and soups
Snacks - New Zealand	Salty and nutritious snacks

## Primary reporting by business segment

A\$ million	Discontinued Operations Snacks - New Zealand			Consolidated
	- Australia	Zealand	Total	Total
<b>2007</b>				
<b>Revenue</b>				
External segment revenue from sale of goods <sup>(iii)</sup>	11.9	63.7	75.6	75.6
<b>Result</b>				
Segment EBIT <sup>(i)</sup>	3.5	8.5	12.0	12.0
Corporate/unallocated EBIT <sup>(ii)</sup>	-	-	-	41.2
Profit before net financing (expense) and tax	3.5	8.5	12.0	53.2
Net financing (expense)	-	-	-	(67.1)
(Loss)/profit before tax	3.5	8.5	12.0	(13.9)
Income tax (expense)	(1.1)	(2.5)	(3.6)	(34.1)
(Loss)/profit after tax	2.4	6.0	8.4	(48.0)
Gain on sale of discontinued operations, net of tax				365.5
<b>Net profit after tax</b>				<b>317.5</b>
<b>Assets</b>				
Segment assets	-	-	-	-
Corporate/unallocated assets	-	-	-	2,361.5
<b>Consolidated total assets</b>	-	-	-	<b>2,361.5</b>
<b>Liabilities</b>				
Segment liabilities	-	-	-	-
Corporate/unallocated liabilities	-	-	-	1,055.1
<b>Consolidated total liabilities</b>	-	-	-	<b>1,055.1</b>
<b>Acquisitions of property, plant and equipment</b>				
Business segments	0.2	1.0	1.2	1.2
Corporate				0.1
<b>Total acquisitions of property, plant and equipment during the year</b>				<b>1.3</b>
(i) Included in segment EBIT were:				
Non-cash expense items				
- Net movements in provisions	(0.2)	(0.8)	(1.0)	(1.0)
- Depreciation and amortisation	-	(1.7)	(1.7)	(1.7)
(ii) Included in corporate/unallocated EBIT were:				
Share of net profits of associates				49.3
Non-cash expense items				
- Net movements in provisions				11.6
- Depreciation and amortisation				(0.1)
(iii) There were no significant inter-segment sales.				

## Notes to the Financial Statements (continued)

### NOTE 5. SEGMENT REPORTING (CONTINUED)

#### Primary reporting by business segment (continued)

A\$ million	Continuing Operations			Discontinued Operations			Consolidated Total
	Baking	Spreads & Oils	Total	Snacks - Australia	Snacks - New Zealand	Total	
2006							
<b>Revenue</b>							
External segment revenue from sale of goods <sup>(iii)</sup>	431.0	499.1	930.1	278.2	131.5	409.7	1,339.8
<b>Result</b>							
Segment EBIT <sup>(i)</sup>	56.4	90.3	146.7	58.1	5.0	63.1	209.8
Corporate/unallocated EBIT <sup>(ii)</sup>			704.2	-	-	-	704.2
Profit before net financing (expense) and tax			850.9	58.1	5.0	63.1	914.0
Net financing (expense)			(192.2)	-	-	-	(192.2)
Profit before tax			658.7	58.1	5.0	63.1	721.8
Income tax benefit/(expense)			135.6	(16.8)	(1.5)	(18.3)	117.3
Profit after tax			794.3	41.3	3.5	44.8	839.1
Loss on sale of discontinued operations, net of tax							(10.4)
<b>Net profit after tax</b>							<u>828.7</u>
<b>Assets</b>							
Segment assets	-	-	-	498.8	152.8	651.6	651.6
Corporate/unallocated assets							2,970.8
<b>Consolidated total assets</b>							<u>3,622.4</u>
<b>Liabilities</b>							
Segment liabilities	-	-	-	39.6	17.3	56.9	56.9
Corporate/unallocated liabilities							955.8
<b>Consolidated total liabilities</b>							<u>1,012.7</u>
<b>Acquisitions of property, plant and equipment</b>							
Business segments	15.4	9.3	24.7	16.4	4.9	21.3	46.0
<b>Total acquisitions of property, plant and equipment during the year</b>							<u>46.0</u>
(i) Included in segment EBIT were:							
Business restructuring costs	-	-	-	(1.5)	(4.8)	(6.3)	(6.3)
Non-cash expense items							
- Net movements in provisions	(0.9)	0.1	(0.8)	3.3	(0.3)	3.0	2.2
- Depreciation and amortisation	(9.4)	(12.2)	(21.6)	(15.9)	(7.4)	(23.3)	(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.							

## Secondary reporting by geographic segment

A\$ million	Australia	New Zealand	United States	Other	Consolidated Total
<b>2007</b>					
<b>Revenue</b>					
External segment revenue from sale of goods <sup>(i)</sup>	11.9	63.7	-	-	75.6
<b>Assets</b>					
Segment assets	-	-	-	-	-
Corporate/unallocated assets					2,361.5
<b>Consolidated total assets</b>					<b>2,361.5</b>
<b>Acquisitions of property, plant and equipment</b>					
Geographic segments	0.2	1.0	-	-	1.2
Corporate					0.1
<b>Total acquisitions of property, plant and equipment during the year</b>					<b>1.3</b>
<b>Long lived assets</b>					
Property, plant and equipment	1.1	-	-	-	1.1
<b>Total long-lived assets</b>	<b>1.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.1</b>
<b>2006</b>					
<b>Revenue</b>					
External segment revenue from sale of goods <sup>(i)</sup>	889.2	359.7	-	90.9	1,339.8
<b>Assets</b>					
Segment assets	498.8	152.8	-	-	651.6
Corporate/unallocated assets					2,970.8
<b>Consolidated total assets</b>					<b>3,622.4</b>
<b>Acquisitions of property, plant and equipment</b>					
Geographic segments	32.0	11.7	-	2.3	46.0
<b>Total acquisitions of property, plant and equipment during the year</b>					<b>46.0</b>
<b>Long lived assets</b>					
Property, plant and equipment	115.8	40.4	-	-	156.2
Intangible assets	313.0	88.0	-	-	401.0
<b>Total long-lived assets</b>	<b>428.8</b>	<b>128.4</b>	<b>-</b>	<b>-</b>	<b>557.2</b>

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

## Notes to the Financial Statements (continued)

### NOTE 6. DISCONTINUED OPERATIONS

On January 12, 2006, the Group announced that it had appointed a financial advisor to advise it on its strategic options with respect to its snacks businesses, including Uncle Tobys in Australia and Bluebird Foods in New Zealand.

On May 23, 2006, Burns Philp announced that it had entered into an agreement with Nestlé Australia Limited ("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 depreciation on non-current assets ceased at that time.

On July 14, 2006, the Group completed the sale of the Uncle Tobys business to Nestlé for A\$890.0 million. The sale proceeds were subject to completion adjustments in respect of closing asset and liability values and these have now been finalised resulting in further proceeds of A\$3.5 million. In addition, the Group received a payment of A\$13.1 million for the reimbursement of provisions for self-insured workers' compensation retained by the Group.

On December 7, 2006, Burns Philp announced that it had entered into an agreement with PepsiCo New Zealand Holdings to sell Bluebird Foods for a total price of NZ\$245.8 million (A\$219.1 million). This business is reported as the Snacks New Zealand business segment in the business segment information in Note 5. The Bluebird Foods business was classified as a discontinued operation on September 30, 2006 when the Group determined that Bluebird Foods met the criteria to be classified as a disposed group held for sale. Depreciation on its non-current assets ceased at that time.

On January 4, 2007, the Group completed the sale of Bluebird Foods to PepsiCo New Zealand Holdings for proceeds of NZ\$245.8 million (A\$219.1 million). The sale proceeds were subject to completion adjustments in respect of closing asset and liability values and a further NZ\$3.4 million (A\$3.0 million) has since been received.

Consolidated financial information for Uncle Tobys for the period July 1, 2006 to July 14, 2006 (the sale completion date) and for Bluebird Foods for the period July 1, 2006 to January 4, 2007 (the sale completion date) is set out in the table below.

A\$ million	Uncle Tobys	Bluebird Foods	Total
<b>2007</b>			
<b>Income statement information</b>			
Revenue from sale of goods	11.9	63.7	75.6
Costs of goods sold	(6.3)	(38.0)	(44.3)
<b>Gross profit</b>	<b>5.6</b>	<b>25.7</b>	<b>31.3</b>
Selling, marketing and distribution expenses	(1.5)	(13.7)	(15.2)
General and administration expenses	(0.6)	(3.8)	(4.4)
Other income/(expenses), net	-	0.3	0.3
<b>Profit before net financing (expense) and tax</b>	<b>3.5</b>	<b>8.5</b>	<b>12.0</b>
Interest expense	-	-	-
Interest revenue	-	-	-
<b>Net financing (expense)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit before tax</b>	<b>3.5</b>	<b>8.5</b>	<b>12.0</b>
Income tax (expense)	(1.1)	(2.5)	(3.6)
<b>Profit after tax</b>	<b>2.4</b>	<b>6.0</b>	<b>8.4</b>
Gain on sale of discontinued operations, before tax	425.0	68.4	493.4
Income tax (expense)	(127.9)	-	(127.9)
Gain on sale of discontinued operations, net of tax	297.1	68.4	365.5
<b>Net profit</b>	<b>299.5</b>	<b>74.4</b>	<b>373.9</b>
<b>Cash flow information</b>			
Net cash from operating activities	3.3	6.8	10.1
Net cash from investing activities	(0.1)	(1.0)	(1.1)
Net cash from financing activities	-	-	-
	<b>3.2</b>	<b>5.8</b>	<b>9.0</b>

Consolidated financial information for Uncle Tobys and Bluebird Foods for the year ended June 30, 2006 is set out in the table below.

A\$ million	Uncle Tobys	Bluebird Foods	Other	Total
2006				
<b>Income statement information</b>				
Revenue from sale of goods	278.2	131.5	-	409.7
Costs of goods sold	(161.0)	(83.2)	-	(244.2)
<b>Gross profit</b>	117.2	48.3	-	165.5
Selling, marketing and distribution expenses	(45.4)	(30.1)	-	(75.5)
General and administration expenses	(12.2)	(8.7)	-	(20.9)
Other income/(expenses), net	(1.5)	(4.5)	-	(6.0)
<b>Profit before net financing (expense) and tax</b>	58.1	5.0	-	63.1
Interest expense	-	-	-	-
Interest revenue	-	-	-	-
<b>Net financing (expense)</b>	-	-	-	-
<b>Profit before tax</b>	58.1	5.0	-	63.1
Income tax (expense)	(16.8)	(1.5)	-	(18.3)
<b>Profit after tax</b>	41.3	3.5	-	44.8
(Loss) on sale of discontinued operations, before tax <sup>(i)</sup>	-	-	(3.5)	(3.5)
Income tax (expense)/benefit	(7.8)	-	0.9	(6.9)
(Loss) on sale of discontinued operations, net of tax	(7.8)	-	(2.6)	(10.4)
<b>Net profit</b>	33.5	3.5	(2.6)	34.4
<b>Cash flow information</b>				
Net cash from operating activities	70.4	16.0	-	86.4
Net cash from investing activities	(16.2)	(8.8)	-	(25.0)
Net cash from financing activities	-	-	-	-
	54.2	7.2	-	61.4

- (i) (Loss) on sale of discontinued operations in the year ended June 30, 2006 relates to an adjustment to the gain on the sale of the Yeast & Bakery Ingredients group and the Herbs and Spices business recognised in the year ended June 30, 2005 (A\$0.8 million) and an adjustment to the gain on sale of other businesses recognised in years prior to that (A\$2.7 million).

## Notes to the Financial Statements (continued)

### NOTE 6. DISCONTINUED OPERATIONS (CONTINUED)

#### Uncle Tobys

A net profit after tax of A\$297.1 million on the sale of Uncle Tobys has been reflected in the consolidated financial statements for the current year as set out below:

	<b>A\$ million</b>
Sale proceeds	893.5
Workers compensation insurance proceeds received	13.1
Costs associated with the sale	(16.4)
Carrying amount of net assets sold	(465.2)
Gain on sale of discontinued operations, before tax	425.0
Income tax (expense)	(127.9)
Gain on sale of discontinued operations, net of tax	297.1

The consolidated net gain, before tax, includes A\$13.1 million of proceeds received for the reimbursement of provisions for self-insured workers' compensation which have been retained by the Group. Income tax expense on the sale primarily represents the reversal of the temporary difference recognised in the year ended June 30, 2006 due to the recognition of the accounting and tax gains in different reporting periods. No income tax is expected to be paid on the sale of the business.

In addition to the consolidated information set out above, the Company recognised a A\$2.2 million gain before tax on the sale of Uncle Tobys, represented by proceeds received for the reimbursement of provision for self-insured workers' compensation retained by the Company. Related income tax expense of A\$0.7 million was also recognised.

#### Bluebird Foods

A net profit after tax of A\$68.4 million on the sale of Bluebird Foods has been reflected in the consolidated financial statements for the current year as set out below:

	<b>A\$ million</b>
Sale proceeds	222.1
Carrying amount of net assets sold	(152.5)
Costs associated with the sale	(2.5)
Amount reclassified from foreign currency translation reserve	1.3
Gain on sale of discontinued operations, before tax	68.4
Income tax (expense)	-
Gain on sale of discontinued operations, net of tax	68.4

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 7. CASH AND CASH EQUIVALENTS</b>				
Cash at bank and on hand	3.6	4.7	0.7	0.9
Short term deposits	363.9	2,401.2	-	-
<b>Total cash and cash equivalents</b>	<b>367.5</b>	<b>2,405.9</b>	<b>0.7</b>	<b>0.9</b>
<b>NOTE 8. RECEIVABLES</b>				
<b>Current</b>				
Trade debtors	-	15.4	-	-
Provision for doubtful debts <sup>(i)</sup>	-	(0.2)	-	-
	-	15.2	-	-
Other receivables	0.3	8.9	0.2	0.5
Receivables due from subsidiaries	-	-	704.6	1,910.1
<b>Total current receivables</b>	<b>0.3</b>	<b>24.1</b>	<b>704.8</b>	<b>1,910.6</b>
<b>Non-current</b>				
Loans to other related parties				
Interest bearing	1,064.2	-	407.2	-
Non-interest bearing	433.7	-	-	-
<b>Total non-current receivables</b>	<b>1,497.9</b>	<b>-</b>	<b>407.2</b>	<b>-</b>
(i) Movements in provision for doubtful debts were:				
Balance at beginning of year	0.2	1.9	-	-
Additions to provision	0.3	-	-	-
Movement due to business disposals	(0.5)	(1.5)	-	-
Bad debts written off against provision	-	(0.2)	-	-
Balance at end of year	-	0.2	-	-

## Notes to the Financial Statements (continued)

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 9. INVENTORIES</b>				
<b>Current</b>				
Raw materials and consumables <sup>(i)</sup>	-	3.4	-	-
Provision against raw materials <sup>(ii)</sup>	-	(0.6)	-	-
Work in progress <sup>(i)</sup>	-	0.5	-	-
Finished goods <sup>(i)</sup>	-	6.2	-	-
Provision against finished goods <sup>(iii)</sup>	-	(0.4)	-	-
<b>Total inventories</b>	-	9.1	-	-
(i) At cost				
(ii) Movements in provisions for inventory obsolescence were:				
Balance at beginning of year	<b>1.0</b>	3.7	-	-
Movement due to business disposals	<b>(1.0)</b>	(2.1)	-	-
Additions to provision	-	0.6	-	-
Inventories written off against provision	-	(0.1)	-	-
Reclassification to assets held for sale	-	(1.1)	-	-
Balance at end of year	-	1.0	-	-
<b>NOTE 10. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE</b>				
<b>Assets classified as held for sale</b>				
Properties held for sale <sup>(i)</sup>	<b>0.4</b>	3.1	-	-
Disposal group held for sale <sup>(ii)</sup>				
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	-	-
<b>Total assets classified as held for sale</b>	<b>0.4</b>	501.9	-	-
<b>Liabilities classified as held for sale</b>				
Disposal group held for sale <sup>(ii)</sup>				
Trade and other payables	-	28.4	-	-
Employee benefits	-	9.4	-	-
Deferred tax liabilities	-	1.8	-	-
<b>Total liabilities classified as held for sale</b>	-	39.6	-	-

(i) Properties held for sale include surplus properties retained by the Group following the disposal of the Baking, Spreads & Oils businesses and the Yeast & Bakery Ingredients group in prior years.

(ii) On May 23, 2006, Burns Philp announced that it had entered into an agreement with Nestlé to sell Uncle Tobys, resulting in the assets and liabilities of that business being classified as held for sale at June 30, 2006 (refer to Note 6 for further details).

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 11. OTHER ASSETS</b>				
<b>Current</b>				
Deferred expenditure	1.0	-	1.0	-
Prepayments	0.4	0.2	0.3	0.1
Deferred transaction costs related to disposal of discontinued operations	-	16.8	-	16.8
Derivative financial instruments <sup>(i)</sup>	-	9.8	-	-
Other	0.1	-	-	-
<b>Total current other assets</b>	<b>1.5</b>	<b>26.8</b>	<b>1.3</b>	<b>16.9</b>

(i) Refer to Note 27 for further details.

A\$ million	Consolidated	
	2007	2006
<b>NOTE 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b>		
<b>Non-current</b>		
Associates	378.8	349.7
Jointly controlled entity	10.6	9.3
	<b>389.4</b>	<b>359.0</b>

#### Details of equity accounted investments

Name	Principal activities	Country	Reporting date	% Ownership interest		Consolidated carrying value A\$ million	
				2007	2006	2007	2006
Goodman Fielder Limited <sup>(i)</sup>	Food Manufacture	Australia	June 30	20.0	20.0	378.8	349.7
Fresh Start Bakeries Australia Pty Ltd	Food Manufacture	Australia	June 30	50.0	50.0	10.6	9.3
						<b>389.4</b>	<b>359.0</b>

(i) The market value of the Group's interest in Goodman Fielder at June 30, 2007 was A\$643.9 million (2006: A\$567.1 million).

The Group has undertaken to 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.

#### 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
<b>2007</b>					
Goodman Fielder Limited	2,426.7	236.1	62.0	(14.5)	47.5
Fresh Start Bakeries Australia Pty Ltd	60.9	3.6	2.6	(0.8)	1.8
	<b>2,487.6</b>	<b>239.7</b>	<b>64.6</b>	<b>(15.3)</b>	<b>49.3</b>
<b>2006</b>					
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
	<b>1,257.2</b>	<b>116.1</b>	<b>30.8</b>	<b>(7.1)</b>	<b>23.7</b>

## Notes to the Financial Statements (continued)

### NOTE 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

#### Net assets of equity accounted investments

A\$ million	Total assets as reported by associates and jointly controlled entities (100%)		Total liabilities as reported by associates and jointly controlled entities (100%) <sup>(i)</sup>		Burns Philp's share of net assets of associates and jointly controlled entities	
	2007	2006	2007	2006	2007	2006
Goodman Fielder Limited	3,359.6	3,114.0	1,478.7	1,351.7	378.8	349.7
Fresh Start Bakeries Australia Pty Ltd	74.4	72.8	43.7	44.9	10.6	9.3
	<b>3,434.0</b>	<b>3,186.8</b>	<b>1,522.4</b>	<b>1,396.6</b>	<b>389.4</b>	<b>359.0</b>

(i) Total liabilities of associates includes minority interest

#### Share of associates' and jointly controlled entities' commitments

A\$ million	Consolidated	
	2007	2006
<i>Share of capital commitments contracted but not provided for or payable:</i>		
Within one year	1.8	1.4
<i>Share of other expenditure commitments contracted but not provided for or payable (including operating lease commitments):</i>		
Within one year	4.7	4.5
One year or later and no later than five years	8.2	7.1
Later than five years	5.2	3.7
	<b>18.1</b>	<b>15.3</b>

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006

### NOTE 13. OTHER FINANCIAL ASSETS

#### Non-current

##### Shares in subsidiaries

Cost	-	-	305.8	309.6
Provision for impairment loss	-	-	(53.9)	(53.9)
<b>Total non-current other financial assets</b>	<b>-</b>	<b>-</b>	<b>251.9</b>	<b>255.7</b>

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 14. PROPERTY, PLANT AND EQUIPMENT</b>				
<b>Plant and equipment</b>				
Cost	1.2	34.9	1.2	1.1
Accumulated depreciation	(1.0)	(10.0)	(1.0)	(1.0)
<b>Total plant and equipment</b>	<b>0.2</b>	<b>24.9</b>	<b>0.2</b>	<b>0.1</b>
<b>Freehold properties</b>				
Cost	0.9	22.4	-	-
Accumulated depreciation	-	(3.1)	-	-
<b>Total freehold properties</b>	<b>0.9</b>	<b>19.3</b>	<b>-</b>	<b>-</b>
<b>Total property, plant and equipment<sup>(i)</sup></b>	<b>1.1</b>	<b>44.2</b>	<b>0.2</b>	<b>0.1</b>
 (i) Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
<b>Plant and equipment</b>				
Cost at beginning of year	34.9	438.3	1.1	1.1
Accumulated depreciation at beginning of year	(10.0)	(105.5)	(1.0)	(1.0)
Carrying amount at beginning of year	24.9	332.8	0.1	0.1
Foreign currency fluctuations	2.0	(3.6)	-	-
Movement due to business acquisitions	-	3.1	-	-
Movement due to business disposals	(26.3)	(230.5)	-	-
Additions	1.3	41.9	0.1	-
Disposals	-	(1.7)	-	-
Depreciation	(1.7)	(38.1)	-	-
Reclassification to assets held for sale	-	(79.0)	-	-
Carrying amount at end of year	0.2	24.9	0.2	0.1
<b>Freehold properties</b>				
Cost at beginning of year	22.4	212.2	-	-
Accumulated depreciation at beginning of year	(3.1)	(9.6)	-	-
Carrying amount at beginning of year	19.3	202.6	-	-
Foreign currency fluctuations	1.3	(2.3)	-	-
Movement due to business disposals	(16.8)	(143.7)	-	-
Additions	-	4.9	-	-
Disposals	(2.8)	(3.2)	-	-
Depreciation	(0.1)	(5.9)	-	-
Reclassification to assets held for sale	-	(33.1)	-	-
Carrying amount at end of year	0.9	19.3	-	-
<b>Leasehold properties</b>				
Cost at beginning of year	-	19.3	-	-
Accumulated depreciation at beginning of year	-	(2.4)	-	-
Carrying amount at beginning of year	-	16.9	-	-
Foreign currency fluctuations	-	0.1	-	-
Movement due to business disposals	-	(16.7)	-	-
Additions	-	0.1	-	-
Amortisation	-	(0.4)	-	-
Carrying amount at end of year	-	-	-	-

## Notes to the Financial Statements (continued)

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 15. INTANGIBLE ASSETS</b>				
<b>Identifiable intangible assets</b>				
Brandnames - cost	-	49.7	-	-
<b>Purchased goodwill - cost</b>	-	38.3	-	-
<b>Total intangible assets<sup>(i)</sup></b>	-	88.0	-	-

(i) Reconciliations of the carrying amounts of goodwill and identifiable intangible assets are set out below.

A\$ million	Consolidated	
	Goodwill	Identifiable intangible assets
Carrying amount at July 1, 2005	1,204.6	628.0
Acquisition through business combinations	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
Carrying amount at July 1, 2006	38.3	49.7
Foreign currency fluctuations	3.3	4.3
Disposal of businesses	(41.6)	(54.0)
Cost and carrying amount at June 30, 2007	-	-

## NOTE 16. DEFERRED TAX ASSETS AND LIABILITIES

### (a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

A\$ million	Assets		Consolidated (Liabilities)		Net assets/(liabilities)	
	2007	2006	2007	2006	2007	2006
Investment in Goodman Fielder	94.0	-	-	(58.2)	94.0	(58.2)
Tax value of loss carry forwards recognised	7.6	95.7	-	-	7.6	95.7
Unrealised foreign currency exchange losses/(gains)	1.0	-	-	(16.6)	1.0	(16.6)
Employee benefits	0.6	2.8	-	-	0.6	2.8
Deferred tax relating to Uncle Tobys sale	-	124.0	-	-	-	124.0
Derivative financial instruments	-	12.9	-	(3.0)	-	9.9
Property, plant and equipment	-	0.8	-	-	-	0.8
Other items	0.7	5.5	(1.6)	(1.6)	(0.9)	3.9
<b>Tax assets/(liabilities)</b>	<b>103.9</b>	<b>241.7</b>	<b>(1.6)</b>	<b>(79.4)</b>	<b>102.3</b>	<b>162.3</b>
Set off of tax	(0.5)	(78.3)	0.5	78.3	-	-
<b>Net tax assets/(liabilities)</b>	<b>103.4</b>	<b>163.4</b>	<b>(1.1)</b>	<b>(1.1)</b>	<b>102.3</b>	<b>162.3</b>

A\$ million	Assets		Burns, Philp & Company Pty Limited (Liabilities)		Net assets/(liabilities)	
	2007	2006	2007	2006	2007	2006
Tax value of loss carry forwards recognised	-	95.2	-	-	-	95.2
Employee benefits	0.4	1.7	-	-	0.4	1.7
Other items	0.5	0.4	-	-	0.5	0.4
<b>Tax assets/(liabilities)</b>	<b>0.9</b>	<b>97.3</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>97.3</b>
Set off of tax	-	-	-	-	-	-
<b>Net tax assets/(liabilities)</b>	<b>0.9</b>	<b>97.3</b>	<b>-</b>	<b>-</b>	<b>0.9</b>	<b>97.3</b>

### (b) Unrecognised deferred tax assets

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

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
Tax losses - revenue <sup>(i)</sup>	-	45.5	-	45.5
Temporary differences				
Derivative financial instruments	16.0	-	-	-
Investment in subsidiaries	98.8	60.1	-	-
<b>Total unrecognised deferred tax assets</b>	<b>114.8</b>	<b>105.6</b>	<b>-</b>	<b>45.5</b>

- (i) Tax losses were transferred to RGA on the entry of Burns Philp and its Australian subsidiaries into the RGA tax-consolidated group (refer to Note 1(p) for further details).

## Notes to the Financial Statements (continued)

### NOTE 16. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

A\$ million	Asset/(liability) at beginning of year	Recognised in income statement	Consolidated		Assets/ (liability) at end of year
			Recognised in equity	Other movements <sup>(i)</sup>	
<b>2007</b>					
Tax value of loss carry forwards recognised	95.7	(18.9)	-	(69.2)	7.6
Derivative financial instruments	9.9	(9.9)	-	-	-
Unrealised foreign currency exchange (gains)/losses	(16.6)	1.5	16.1	-	1.0
Employee benefits	2.8	(1.5)	-	(0.7)	0.6
Property, plant and equipment	0.8	(0.1)	-	(0.7)	-
Deferred tax relating to Uncle Tobys sale	124.0	(124.0)	-	-	-
Investment in Goodman Fielder	(58.2)	152.5	(3.6)	3.3	94.0
Other items	3.9	(4.8)	-	-	(0.9)
	<b>162.3</b>	<b>(5.2)</b>	<b>12.5</b>	<b>(67.3)</b>	<b>102.3</b>
<b>2006</b>					
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
	<b>64.8</b>	<b>121.5</b>	<b>(6.9)</b>	<b>(17.1)</b>	<b>162.3</b>

- (i) Other movements in the current year relate primarily to the transfer of tax losses to RGA on the entry of Burns Philp and its Australian subsidiaries into the RGA tax-consolidated group, and foreign currency fluctuations. Other movements in the year ended June 30, 2006, relate 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.

A\$ million	Burns, Philp & Company Pty Limited				Assets/ (liability) at end of year
	Asset/(liability) at beginning of year	Recognised in income statement	Recognised in equity	Other movements <sup>(i)</sup>	
<b>2007</b>					
Employee benefits	1.7	(1.3)	-	-	0.4
Tax value of loss carry forwards recognised	95.2	(25.1)	-	(70.1)	-
Other items	0.4	0.1	-	-	0.5
	<b>97.3</b>	<b>(26.3)</b>	-	<b>(70.1)</b>	<b>0.9</b>
<b>2006</b>					
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
	<b>44.0</b>	<b>174.3</b>	-	<b>(121.0)</b>	<b>97.3</b>

(i) Other movements during the current year relate to the transfer of tax losses to RGA on the entry of Burns Philp and its Australian subsidiaries into the RGA tax-consolidated group. Other movements during the year ended June 30, 2006, relate to the utilisation of tax losses to offset taxable gains within other members of the Burns Philp tax-consolidated group.

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 17. PAYABLES</b>				
<b>Current</b>				
Creditors and accruals	7.9	38.3	2.2	16.3
Owing to associates	0.3	0.5	-	-
Loans from subsidiaries	-	-	-	0.1
Loans from other related parties	106.8	-	86.7	-
<b>Total current payables</b>	<b>115.0</b>	38.8	<b>88.9</b>	16.4
<b>Non-current</b>				
Derivative financial instruments <sup>(i)</sup>	53.4	43.0	-	-
Loans from other related parties	646.6	-	-	-
<b>Total non-current payables</b>	<b>700.0</b>	43.0	-	-

(i) Refer to Note 27 for further details.

## Notes to the Financial Statements (continued)

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 18. INTEREST BEARING LOANS AND BORROWINGS</b>				
<b>Current</b>				
Unsecured				
Related party loan	11.5	-	-	-
Term loan facilities <sup>(i)</sup>	-	640.4	-	-
<b>Total current interest bearing loans and borrowings<sup>(iii)</sup></b>	<b>11.5</b>	<b>640.4</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>				
Unsecured				
NZ Capital Notes <sup>(ii) (iv)</sup>	189.1	169.9	-	-
<b>Total non-current interest bearing loans and borrowings<sup>(iii)</sup></b>	<b>189.1</b>	<b>169.9</b>	<b>-</b>	<b>-</b>
(i) Term loan facilities	-	640.8	-	-
Unamortised debt issue costs	-	(0.4)	-	-
	-	640.4	-	-
(ii) Notes payable	192.6	174.6	-	-
Unamortised debt issue costs	(3.5)	(4.7)	-	-
	189.1	169.9	-	-
(iii) Interest bearing loans and borrowings by currency:				
New Zealand dollars	189.1	169.9	-	-
United States dollars	11.4	640.4	-	-
Canadian dollars	0.1	-	-	-
Total interest bearing loans and borrowings	200.6	810.3	-	-
(iv) Burns Philp Finance New Zealand Limited ("Burns Philp Finance New Zealand"), a subsidiary of Burns Philp, has issued NZ\$212.5 million of Capital Notes ("NZ Capital Notes"). The NZ capital Notes are guaranteed by Burns Philp and another of its subsidiaries, BPC Foods International Pty Limited. The NZ Capital Notes and the guarantees are unsecured and subordinated obligations of Burns Philp Finance New Zealand and the guarantors, ranking behind all their other secured and unsecured liabilities. The NZ Capital Notes were issued in two series, one series which has an initial election date of December 15, 2008 and bears an interest rate of 9.75% per annum and the other series which has an initial election date of November 15, 2011 and bears an interest at 9.95% per annum. As a result of the takeover of Burns Philp, Burns Philp Finance New Zealand will be required to offer to redeem or purchase all NZ Capital Notes for cash on their next election dates, being either December 15, 2008 or November 15, 2011. In addition, Burns Philp Finance New Zealand may offer new terms and conditions to apply to the NZ Capital Notes from the next election date. Such revised terms will not be binding on noteholders who may request redemption on the election date.				
(v) Details of the consolidated entity's committed financing facilities as at June 30, are set out below:				
	2007	Consolidated		
	A\$ million	Average	2006	Average
		Maturity	A\$ million	Maturity
Bank overdrafts	14.5	1.0 years	14.4	1.0 years
Bank loan facilities	-	-	640.8	0.3 years
NZ Capital Notes	192.6	2.0 years	174.6	3.0 years
Total committed lines of credit	207.1		829.8	
Add cash	367.5		2,405.9	
Less gross interest bearing liabilities	(192.6)		(815.4)	
Undrawn lines of credit and cash	382.0		2,420.3	

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 19. EMPLOYEE BENEFITS</b>				
<b>Current</b>				
Retirement allowances	0.2	0.4	0.2	0.4
Salaries and wages accrued	1.5	11.8	0.5	10.5
Liability for annual leave	1.8	4.3	0.5	0.4
Sick leave	-	0.1	-	-
<b>Total current employee benefits</b>	<b>3.5</b>	<b>16.6</b>	<b>1.2</b>	<b>11.3</b>
<b>Non-current</b>				
Recognised liability for defined benefit obligations <sup>(i)</sup>	-	-	-	-
Liability for long service leave	0.6	0.5	0.6	0.5
<b>Total non-current employee benefits</b>	<b>0.6</b>	<b>0.5</b>	<b>0.6</b>	<b>0.5</b>

(i) Assets/liabilities for defined benefit obligations

Up until the sale of Uncle Tobys on July 14, 2006, the consolidated entity was making contributions to the Uncle Tobys Superannuation Fund, a defined benefit superannuation fund that provided defined benefit amounts for employees upon retirement. This fund was sponsored by a wholly-owned subsidiary of the Group that was disposed of with the Uncle Tobys business. In addition, Burns Philp sponsors the Burns Philp Group Superannuation Plan that services the retirement benefits for a group of retired employees of Buns Philp. 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 accrued benefits, plan assets at net market value and vested benefits of defined benefit plans sponsored by the consolidated entity as at June 30, 2007 and June 30, 2006, based on the most recent financial statements of the plans, are set out in the table below. 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.

At June 30, 2007, the Directors, based on the advice of the trustees of the Burns Philp Group Superannuation Plan, are not aware of any changes in circumstances since the date of the most recent financial statements of the plan which would have a material impact on the overall financial position of the plan.

### Defined Benefit Plans

A\$ million	Accrued benefits		Plan assets at net market value		Funded status - overfunded		Vested benefits	
	2007	2006	2007	2006	2007	2006	2007	2006
Burns Philp Group								
Superannuation Plan <sup>(i)</sup>	5.5	5.5	10.7	9.8	5.2	4.3	5.5	5.5
Uncle Tobys Superannuation Fund <sup>(i)</sup>	-	31.3	-	31.7	-	0.4	-	31.3

(i) Details as at June 30, in each year, for the Burns Philp Group Superannuation Plan and as at June 30, 2006 for the Uncle Tobys Superannuation Plan. The Uncle Tobys Superannuation Plan was transferred with the business disposal in July 2006.

## Notes to the Financial Statements (continued)

### NOTE 19. EMPLOYEE BENEFITS (CONTINUED)

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

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
Net asset for defined benefit obligations at July 1	0.2	4.9	-	-
Contributions received	-	12.2	-	-
Expense recognised in the income statement	-	(12.1)	-	-
Disposal of businesses <sup>(i)</sup>	(0.2)	(4.8)	-	-
Net asset for defined benefit obligations at June 30	-	0.2	-	-
<b>Reconciliation of funded status:</b>				
Funded status – overfunded	5.2	4.7	5.2	4.3
Unrecognised net actuarial (gain)	-	(0.2)	-	-
Unrecognised (asset) <sup>(ii)</sup>	(5.2)	(4.3)	(5.2)	(4.3)
Net amount recognised at year end	-	0.2	-	-
<b>Amounts recorded in the balance sheet:</b>				
Assets of disposal groups held for sale – other assets	-	0.2	-	-
Net amount recognised at year end	-	0.2	-	-
<b>Amounts for the current and previous period are as follows<sup>(iii)</sup>:</b>				
Defined benefit obligation	(5.5)	(36.8)	(5.5)	(5.5)
Fund assets	10.7	41.5	10.7	9.8
Surplus	5.2	4.7	5.2	4.3
Experience adjustments on fund liabilities	-	-	-	-
Experience adjustments on fund assets	-	-	-	-

(i) The current year movement represents the prepaid pension asset included in the net assets of the Uncle Tobys business disposed of in July 2006. The movement in the year ended June 30, 2006, represents the prepaid pension asset included in the net assets of the Baking, Spreads & Oils businesses disposed of in December 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, 2007 and 2006, 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		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>Change in benefit obligation:</b>				
Benefit obligation at beginning of year	<b>36.8</b>	314.0	<b>5.5</b>	5.5
Service cost	-	13.0	-	-
Interest cost	<b>0.4</b>	28.4	<b>0.4</b>	0.5
Plan participant contributions	-	4.0	-	-
Actuarial loss	-	3.1	-	-
Benefits paid	<b>(0.4)</b>	(26.0)	<b>(0.4)</b>	(0.5)
Disposal of businesses	<b>(31.3)</b>	(298.6)	-	-
Foreign currency fluctuations	-	(1.1)	-	-
<b>Benefit obligation at end of year</b>	<b>5.5</b>	36.8	<b>5.5</b>	5.5
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of year	<b>41.5</b>	324.4	<b>9.8</b>	9.0
Actual return on plan assets	<b>1.5</b>	30.8	<b>1.5</b>	1.3
Employer contributions	-	12.2	-	-
Plan participant contributions	-	4.0	-	-
Benefits paid	<b>(0.4)</b>	(26.0)	<b>(0.4)</b>	(0.5)
Disposal of businesses	<b>(31.7)</b>	(303.9)	-	-
Other	<b>(0.2)</b>	-	<b>(0.2)</b>	-
<b>Fair value of plan assets at end of year</b>	<b>10.7</b>	41.5	<b>10.7</b>	9.8
<b>Components of net periodic pension costs:</b>				
Service cost	-	13.0	-	-
Interest cost	<b>0.4</b>	28.4	<b>0.4</b>	0.5
Expected return on plan assets	<b>(0.4)</b>	(29.3)	<b>(0.4)</b>	(0.5)
<b>Net periodic pension costs</b>	-	12.1	-	-

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

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
Cost of goods sold	-	6.5	-	-
Selling, marketing and distribution expenses	-	3.4	-	-
General and administrative expenses	-	2.2	-	-
	-	12.1	-	-

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 2008 financial year.

## Notes to the Financial Statements (continued)

### NOTE 19. EMPLOYEE BENEFITS (CONTINUED)

#### Composition of plan assets

	Target	2007	2006
Equity securities	60.3%	<b>58.0%</b>	62.0%
Debt securities and cash	27.9%	<b>34.0%</b>	30.0%
Property	11.8%	<b>8.0%</b>	8.0%
Total	100.0%	<b>100.0%</b>	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):

	2007	2006
<b>Weighted average assumptions used to calculate the net periodic pension costs:</b>		
Discount rate	<b>7.0%</b>	5.0%
Long term rate of return on plan assets	<b>7.0%</b>	5.0%
Rate of compensation increase	<b>3.0%</b>	4.0%
<b>Weighted average assumption used to calculate the year end benefit obligations:</b>		
Discount rate	<b>7.0%</b>	5.0%
Rate of compensation	<b>3.0%</b>	4.0%

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\$0.3 million to defined contribution plans during the year (2006: A\$1.1 million).

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 20. PROVISIONS</b>				
<b>Current</b>				
Legal claims	11.1	27.2	0.2	-
Workers' compensation	3.9	5.9	0.9	1.0
Business closure and rationalisation	-	0.3	-	-
Other	0.5	0.6	-	-
<b>Total current provisions<sup>(i)(ii)</sup></b>	<b>15.5</b>	<b>34.0</b>	<b>1.1</b>	<b>1.0</b>
<b>Non-current</b>				
Workers' compensation	16.3	26.1	4.4	5.2
<b>Total non-current provisions<sup>(i)(ii)</sup></b>	<b>16.3</b>	<b>26.1</b>	<b>4.4</b>	<b>5.2</b>

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

**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 23 for further details of the Group's contingent liabilities.

**Workers' compensation**

Burns Philp was 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 Pty Limited obtained a licence and the BPC Foods licence was handed back. Subsequent to June 30, 2006, the Burns, Philp & Company Pty 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.

**Other provisions**

Other provisions are primarily comprised of provisions for motor vehicle self insurance.

## Notes to the Financial Statements (continued)

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 20. PROVISIONS (CONTINUED)</b>				
(ii) Reconciliations of the carrying amount of each class of provision are set out below:				
<b>Legal claims</b>				
Carrying amount at beginning of year	27.2	30.6	-	-
Foreign currency fluctuations	(2.2)	-	-	-
Provisions (reversed)/made during the year	(1.9)	3.1	0.2	-
Payments made during the year	(12.0)	(6.5)	-	-
Carrying amount at end of year	11.1	27.2	0.2	-
<b>Workers' compensation</b>				
Carrying amount at beginning of year	32.0	44.9	6.2	-
Intra-group transfers	-	-	-	5.3
Movement due to business disposals	(0.4)	-	-	-
Provisions (reversed)/made during the year	(8.5)	(8.6)	(0.5)	1.0
Payments made during the year	(2.9)	(4.3)	(0.4)	(0.1)
Carrying amount at end of year	20.2	32.0	5.3	6.2
<b>Business closure and rationalisation</b>				
Carrying amount at beginning of year	0.3	10.2	-	-
Foreign currency fluctuations	-	(0.1)	-	-
Movement due to business disposals	-	(4.2)	-	-
Provisions made during the year	-	6.3	-	-
Payments made during the year	(0.3)	(11.9)	-	-
Carrying amount at end of year	-	0.3	-	-
<b>Other provisions</b>				
Carrying amount at beginning of year	0.6	6.7	-	-
Movements due to business disposals	-	(3.8)	-	-
Provisions (reversed) during the year	(0.1)	(1.0)	-	-
Payments made during the year	-	(1.3)	-	-
Carrying amount at end of year	0.5	0.6	-	-

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006

## NOTE 21. CAPITAL AND RESERVES

### (a) Share capital

1,629,315,312 (2006 - 2,033,854,190) ordinary shares, fully paid	470.3	880.8	470.3	880.8
Nil (2006 – 795,280,505) converting preference shares, fully paid	-	233.3	-	233.3
<b>Total issued capital</b>	<b>470.3</b>	<b>1,114.1</b>	<b>470.3</b>	<b>1,114.1</b>

Movements since June 30, 2005 in Burns, Philp & Company Pty 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, 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
Capital reduction	(1,199,819,383)	(643.8)
Ordinary shares at June 30, 2007	1,629,315,312	470.3

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.

### **Reduction of issued capital**

On February 15, 2007, the Directors of the Company approved a selective capital reduction, whereby 1,199,819,383 ordinary shares held by RGA were cancelled for consideration of A\$1,319.8 million. Consideration for the cancellation was deducted from monies loaned to RGA in January 2007. This selective capital reduction, approved by shareholders on February 16, 2007 and implemented on March 6, 2007, resulted in a reduction in issued capital of A\$643.8 million and a reduction in retained earnings of A\$676.0 million.

## Notes to the Financial Statements (continued)

### NOTE 21. CAPITAL AND RESERVES (CONTINUED)

#### (a) Share capital (continued)

##### CP Shares

	Number of shares	A\$ million
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 June 30, 2007	-	-

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 per share, 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. CP Shares on issue at August 13, 2006 were automatically converted to ordinary shares at that date.

#### (b) Reserves

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
Foreign currency translation reserve	(21.1)	(34.5)	-	-
Hedge reserve	3.0	0.9	-	-
<b>Total reserves<sup>(i)</sup></b>	<b>(18.1)</b>	<b>(33.6)</b>	<b>-</b>	<b>-</b>

(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		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
Balance at beginning of year	(34.5)	(15.6)	-	-
Foreign exchange translation differences	(8.2)	15.3	-	-
Related deferred income tax (expense)	(1.3)	(20.9)	-	-
Share of associates' foreign exchange translation differences	9.2	(24.4)	-	-
Related deferred income tax (expense)/ benefit	(2.7)	7.3	-	-
Foreign exchange translation differences reclassified to net profit				
On disposal of business	(1.3)	3.8	-	-
On repayment of inter-company loans	(13.1)	-	-	-
Related deferred income tax benefit reclassified to net profit	17.4	-	-	-
Foreign exchange translation differences reclassified to retained earnings on amalgamation of subsidiary (refer to Note 1(t) and Note 24)	13.4	-	-	-
Total current year movements	13.4	(18.9)	-	-
Balance at end of year	(21.1)	(34.5)	-	-

### **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:

<b>A\$ million</b>	<b>Consolidated</b>		<b>Burns, Philp &amp; Company Pty Limited</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Balance at beginning of year	<b>0.9</b>	-	-	-
Effect of change in accounting policy	-	(12.2)	-	-
Balance at beginning of year – restated	<b>0.9</b>	(12.2)	-	-
Share of associates' hedge reserve movements	<b>3.0</b>	1.3	-	-
Related deferred income tax (expense)	<b>(0.9)</b>	(0.4)	-	-
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)	-	-
Total current year movements	<b>2.1</b>	13.1	-	-
Balance at end of year	<b>3.0</b>	0.9	-	-

### **(c) Dividends**

#### **Ordinary shares**

No dividends were declared or paid on ordinary shares during the years ended June 30, 2007 and 2006.

#### **Converting preference shares**

Details of dividends paid on CP Shares are:

<b>A\$ million</b>	<b>Consolidated</b>		<b>Burns, Philp &amp; Company Pty Limited</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>2007</b>				
Paid August 13, 2006 0.2774 cents per share (fully franked)	<b>(2.2)</b>	-	<b>(2.2)</b>	-
<b>2006</b>				
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)
	<b>(2.2)</b>	(17.9)	<b>(2.2)</b>	(17.9)

### **(d) Minority interests**

Other movements in minority interests as presented in the statements of changes in equity for the year ended June 30, 2006, arose upon the disposal of the Baking, Spreads & Oils businesses in that year.

## Notes to the Financial Statements (continued)

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>NOTE 22. COMMITMENTS</b>				
<b>Capital expenditure commitments</b>				
Capital expenditure contracted for at balance date but not provided for:				
Payable within 1 year	-	1.0	-	-
<b>Operating lease commitments<sup>(i)</sup></b>				
Aggregate amount contracted for at balance date but not provided for:				
Payable within 1 year	<b>0.6</b>	1.6	<b>0.6</b>	0.6
Payable between 1 and 2 years	<b>0.5</b>	1.1	<b>0.5</b>	0.6
Payable between 2 and 3 years	-	0.9	-	0.5
Payable between 3 and 4 years	-	0.2	-	-
<b>Total operating lease commitments</b>	<b>1.1</b>	3.8	<b>1.1</b>	1.7

- (i) The consolidated entity leases property under a non-cancellable operating lease 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 23. 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\$11.1 million has been recognised in the consolidated financial statements as of June 30, 2007 (refer to Note 20). 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

As part of the agreements for the sale of its businesses, the Group has provided certain warranties and indemnities to the respective purchasers 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, 2007 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 provided guarantees in respect of the NZ Capital Notes as described in Note 18.
- (ii) Burns Philp and certain of its wholly owned subsidiaries identified in Note 25 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, 2007 and 2006 and consolidated condensed balance sheets as at June 30, 2007 and 2006, 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	
	2007	2006
<b>Income statements</b>		
Profit before tax	417.4	608.6
Income tax (expense)/benefit	(259.0)	126.2
<b>Net profit after tax</b>	<b>158.4</b>	<b>734.8</b>
<b>Balance sheets</b>		
Cash and cash equivalents	284.5	2,399.0
Receivables	0.8	17.5
Assets held for sale	0.4	501.9
Other assets	1.5	26.7
<b>Total current assets</b>	<b>287.2</b>	<b>2,945.1</b>
Receivables	1,064.2	-
Investments accounted for using the equity method	10.6	359.0
Other financial assets	154.2	476.0
Property, plant and equipment	1.1	3.8
Deferred tax assets	2.1	160.9
<b>Total non-current assets</b>	<b>1,232.2</b>	<b>999.7</b>
<b>Total assets</b>	<b>1,519.4</b>	<b>3,944.8</b>
Payables	109.7	534.9
Current tax liabilities	2.5	2.6
Interest bearing borrowings	-	640.4
Employee benefits	1.9	13.8
Provisions	15.5	33.1
Liabilities held for sale	-	39.6
<b>Total current liabilities</b>	<b>129.6</b>	<b>1,264.4</b>
Payables	53.4	43.0
Deferred tax liabilities	1.1	1.1
Employee benefits	0.6	0.5
Provisions	16.3	26.1
<b>Total non-current liabilities</b>	<b>71.4</b>	<b>70.7</b>
<b>Total liabilities</b>	<b>201.0</b>	<b>1,335.1</b>
<b>Net assets</b>	<b>1,318.4</b>	<b>2,609.7</b>
Issued capital	470.3	1,114.1
Reserves and retained profits	848.1	1,495.6
<b>Total equity</b>	<b>1,318.4</b>	<b>2,609.7</b>

## Notes to the Financial Statements (continued)

### NOTE 24. 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)

B M Murray

##### **Former non-executive directors**

F W Smith (resigned December 31, 2006)

M D Burrows (resigned July 1, 2007)

##### **Executive directors**

T J Degnan (Chief Executive Officer)

H D Golding (appointed June 29, 2007)

##### **Current executives**

H D Golding (Group Legal Counsel and Company Secretary)

A P Hugli (Chief Financial Officer)

##### **Former executives**

A McIver (Managing Director, Uncle Tobys Foods)

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

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
Short-term employee benefits	3.8	6.3	3.8	4.3
Post-employment benefits	-	0.1	-	-
Termination benefits	0.2	3.0	0.2	-
Other compensation benefits	4.2	6.5	3.6	4.2
	<b>8.2</b>	15.9	<b>7.6</b>	8.5

## Equity instruments

### Equity Holdings and Transactions

Movements during the current year and during the year ended June 30, 2006 in the number of ordinary and cumulative preference shares in Burns, Philp & Company Pty Limited and NZ Capital Notes issued by Burns Philp Finance New Zealand Limited held directly, indirectly or beneficially by each key management personnel, including their personally related entities, have been as follows:

#### Ordinary shares

	Held at June 30, 2006	Purchases	Conversion of CP Shares	Sales/ Cancellations	Other movements	Held at June 30, 2007
<b>Directors</b>						
G R Hart <sup>(i)(iii)</sup>	1,092,239,312	1,199,819,383	537,809,274	(1,200,552,657)	-	1,629,315,312
M D Burrows <sup>(iii)</sup>	5,843	-	-	(5,843)	-	-
B M Murray <sup>(ii)(iii)</sup>	10,956	-	4,612	(15,568)	-	-
F W Smith <sup>(iii)</sup>	13,723	-	5,779	(19,502)	-	-
T J Degnan (CEO) <sup>(iii)</sup>	3,391,050	-	619,122	(4,010,172)	-	-
H D Golding <sup>(ii)(iii)</sup>	214,323	-	56,370	(270,693)	-	-
<b>Executives</b>						
A P Hugli <sup>(iii)</sup>	210,571	-	100,000	(310,571)	-	-

(i) Includes ordinary shares held indirectly at June 30, 2006 (and sold during the year) by personally related entities i.e. relatives.

(ii) All held indirectly by personally related entities.

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

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

## Notes to the Financial Statements (continued)

### NOTE 24. RELATED PARTIES (CONTINUED)

#### Converting preference shares (CP Shares)

	Held at June 30, 2006	Purchases	Conversion of CP Shares	Sales/ Cancellations	Other movements	Held at June 30, 2007
<b>Directors</b>						
G R Hart <sup>(i)(iii)</sup>	537,809,274	-	(537,809,274)	-	-	-
B M Murray <sup>(ii)(iii)</sup>	4,612	-	(4,612)	-	-	-
F W Smith <sup>(iii)</sup>	5,779	-	(5,779)	-	-	-
T J Degnan (CEO) <sup>(iii)</sup>	619,122	-	(619,122)	-	-	-
H D Golding <sup>(iii)</sup>	56,370	-	(56,370)	-	-	-
<b>Executives</b>						
A P Hugli <sup>(iii)</sup>	100,000	-	(100,000)	-	-	-

(i) Includes 165,063 CP Shares held indirectly by personally related entities i.e. relatives.

(ii) All held indirectly by personally related entities.

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

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

(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, 2005 or at any time during the period to June 30, 2007, other than Mr Hugli who held 20,000 NZ Capital Notes at July 1, 2005 and continued to hold them at June 30, 2007.

### **Loans with key management personnel**

There were no outstanding loans to key management personnel at June 30, 2007, June 30, 2006 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 Group") and Mr Murray and Mr Hugli are senior executives of Rank Group. In respect of the current year, Burns Philp received invoices from Rank Group amounting to A\$0.3 million (2006-A\$0.4 million) in reimbursements, at cost, for salaries and expenses of employees paid by Rank on behalf of Burns Philp. In addition Burns Philp invoiced Rank Group Services ("RGS") (which is a Rank Group subsidiary) \$0.1m (2006-nil), at cost, for salaries and expenses paid by Burns Philp on behalf of RGS.

#### *Rank Group Australia Pty Limited*

On September 7, 2006, Rank Group Australia Pty Limited ("RGA"), a subsidiary of Rank Group, the ultimate holding company of Burns Philp, made an off market takeover offer for all the outstanding shares in Burns Philp not already held by Rank Group subsidiaries. Following completion of the takeover, Burns Philp became a wholly-owned subsidiary of Rank Group on December 19, 2006. On December 20, 2006, Burns Philp was delisted from the Australian Stock Exchange and the New Zealand Stock Exchange. On December 22, 2006, the Company approved in general meeting the giving of financial assistance to the Rank Group in connection with Rank Group's acquisition of shares in the Company.

On January 8, 2007, the Company loaned A\$1,362.7 million to RGA. This loan was interest free and repayable on demand. On March 6, 2007, the Company undertook a selective capital reduction whereby shares held by RGA were cancelled for a consideration of A\$1,319.8 million. Consideration for the cancellation of shares was deducted from monies loaned to RGA in January 2007. Subsequent advances of A\$24.0 million by the Company increased the amount owing by RGA to A\$66.9 million. On March 21, 2007 the Company approved in general meeting the giving of further financial assistance (including by loan forgiveness) to the Parent Group (being all entities controlled by Mr Hart). This debt of \$66.9 million has now been forgiven by the Company and charged against retained earnings in accordance with the accounting policy set out in Note 1(t).

On March 31, 2007, the Company loaned A\$400.6 million to RGA and on April 2, 2007, a subsidiary, Burns Philp GF Investments Pty Limited ("BPGFI") loaned A\$646.6 million to RGA. These loans were initially advanced on an interest free basis at call. Subsequent to the initial loan advance, the Company, BPGFI and RGA entered into a Deed of Subordination whereby these loans were subordinated to all other secured and unsecured liabilities of RGA and its subsidiaries. Since entering into this Deed of Subordination, interest has been charged and capitalised on these loans at commercial rates (2007: 6.5%). At June 30, 2007, the amounts owed to the Company and BPGFI were A\$407.2 million and A\$657.0 million, respectively.

On March 30, 2007, the Company and its Australian subsidiaries entered into a tax funding agreement and tax sharing agreement with RGA, as the head entity in the Australian tax-consolidated group. Amounts owing to and from RGA under these agreements have been determined on an accruals basis with the actual asset or liability being determined upon lodgment of RGA's consolidated tax return.

During the current year, the Company and its Australian subsidiaries recognised a net payable of A\$86.7million to RGA under these agreements.

#### *Rank Group Holdings Limited*

During the year ended June 30, 2007, a subsidiary of the Group loaned A\$656.0 million to a related party, Rank Group Holdings Limited. The loan is interest free and repayable on demand. As a result of the amalgamation of a subsidiary with a related entity, the amount owing to the Group decreased by A\$230.9 million. At June 30, 2007, the amount owed to the Group was A\$433.6 million.

## Notes to the Financial Statements (continued)

### NOTE 24. RELATED PARTIES (CONTINUED)

#### **Other transactions with key management personnel and the Group (continued)**

##### *Ironforge Investments Limited*

On May 24, 2007, a New Zealand subsidiary of Burns Philp, BPC Intertrade Ltd, was amalgamated with Ironforge Investments Limited. Ironforge Investments Limited is wholly-owned, directly, by Mr Hart.

No payment or other consideration was received by the Group in consequence of this amalgamation, resulting in the Group incurring a loss to the extent of the net assets of BPC Intertrade Ltd at the date of amalgamation (A\$234.0 million). This loss has been charged against retained earnings in accordance with the accounting policy set out in Note 1(t). In addition, A\$13.4 million has been transferred from the foreign currency translation reserve to retained earnings in connection with this transaction.

##### *Carter Holt Harvey Limited*

Rank Group obtained control of Carter Holt Harvey Limited ("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. In the year ended June 30, 2006 and 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\$0.05 million. In addition, the Group's Snacks operations purchased packaging materials for a total of A\$0.07 million from Carter Holt Harvey in the year ended June 30, 2006 (2007 – nil). The terms of these arrangements were negotiated on an arm's length basis.

During the 2007 financial year, a subsidiary of Carter Holt Harvey, Carter Holt Investments, loaned \$646.6 million (2006-nil) to a subsidiary of Burns Philp, BPC Finance (NZ) Ltd. At June 30, 2007, the amount owed to Carter Holt Investments is A\$646.6 million. This loan is interest free and repayable on demand. However, under a Deed of Assignment between BPC Finance (NZ) Ltd, Carter Holt Investments and RGA, this debt is not required to be repaid until RGA repays its debts to the Company and BPGFI, as outlined above.

#### **(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, which is wholly owned by Mr Hart. Rank Group owns 100% of the issued capital of the Company.

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

##### **Subsidiaries**

Information relating to subsidiaries is set out in Note 25.

Amounts receivable by the Company from subsidiaries bear interest at commercial rates (2007: 8.77%; 2006: 8.26%) and are repayable on demand.

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

A\$ million	Burns, Philp & Company Pty Limited	
	2007	2006
<b>Amounts receivable from wholly owned subsidiaries</b>		
Current	<b>704.6</b>	1,910.1
<b>Amounts payable to wholly owned subsidiaries</b>		
Current	-	0.1
<b>Transactions with wholly owned subsidiaries</b>		
Dividends received	<b>363.3</b>	1,172.4
Interest received	<b>112.6</b>	62.0
Management fees received	<b>0.1</b>	0.3
Management fees paid	<b>(0.5)</b>	-

### 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.

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.

Information relating to investments in associates is set out in Note 12.

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

A\$ million	Consolidated		Burns, Philp & Company Pty Limited	
	2007	2006	2007	2006
<b>Amounts receivable from associates</b>				
Current <sup>(i)</sup>	-	2.5	-	-
<b>Amounts payable to associates</b>				
Current <sup>(i)</sup>	-	1.9	-	-
<b>Transactions with associates</b>				
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	<b>0.9</b>	5.3	<b>0.9</b>	0.9
Reimbursement of costs in respect of initial public offering of shares in Goodman Fielder	-	15.8	-	15.8

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

## Notes to the Financial Statements (continued)

### NOTE 25. 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.

<b>Subsidiaries at June 30, 2007 and June 30, 2006</b>	<b>Country of Incorporation</b>	<b>Subsidiaries in voluntary liquidation at June 30, 2007</b>	<b>Country of Incorporation</b>
BP Fresh Pty Ltd(a)	Australia	LQ35 (BHC) Pty Ltd(b)(i)	Australia
BPC Australia Pty Ltd(a)(d)	Australia	LQ36 (FI) Pty Ltd(b)(i)	Australia
BPC Commercial Australia Pty Ltd(a)(d)	Australia	QB1 Ltd(b)	Australia
BPC Commercial Holding Company Pty Ltd(a)(d)	Australia	QB2 Ltd(b)	Australia
BPC Field Operations Pty Ltd(a)(d)	Australia	QB3 Pty Ltd(b)	Australia
BPC Finance Pty Ltd(a)(d)	Australia	QB4 Pty Ltd(b)	Australia
BPC Foods International Pty Ltd(a)(d)(e)	Australia	QB5 Pty Ltd	Australia
BPC Foods Nominees Pty Ltd	Australia	Fitamar S.A.	Uruguay
BPC Foods Pty Ltd(a)(d)	Australia		
BPC Group Services Pty Ltd(a)(d)	Australia		
BPC1 Pty Ltd(a)(d)	Australia		
Burns Philp Australia Pty Ltd(a)(d)	Australia	<b>Subsidiaries at June 30, 2006 dissolved during the year(j)</b>	
Burns Philp Custodians Pty Ltd(a)	Australia	LQ3 (CBH) Pty Ltd	Australia
Burns Philp Food Holdings Pty Ltd(a)(d)	Australia	LQ4 (CBMC) Pty Ltd	Australia
Burns Philp Food Overseas Investments Pty Ltd(a)(d)	Australia	LQ5 (DFC) Pty Ltd	Australia
Burns Philp Food Services Pty Ltd(a)(d)	Australia	LQ6 (DFE) Pty Ltd	Australia
Burns Philp GF Investments Pty Ltd(a)	Australia	LQ7 (DFIT) Pty Ltd	Australia
Burns Philp Overseas Holdings Pty Ltd(a)(d)(i)	Australia	LQ8 (DFI) Pty Ltd	Australia
Burns Philp Shipping Holdings Pty Ltd	Australia	LQ11 (MBTE) Pty Ltd	Australia
Burns Philp Treasury (Australia) Pty Ltd(a)(d)(i)	Australia	LQ13 (SIRB) Pty Ltd	Australia
Gillespie Bros Holdings Pty Ltd(b)(d)	Australia	LQ14 (SIRBI) Pty Ltd	Australia
LQ16 (BEV) Pty Ltd	Australia	LQ15 (SBB) Pty Ltd	Australia
LQ24 (GFDA) Pty Ltd	Australia	LQ17 (BPII) Pty Ltd	Australia
LQ37 (TF) Pty Ltd(b)(i)	Australia	LQ20 (EAA) Pty Ltd	Australia
LQ38 (ING) Pty Ltd(b)(i)	Australia	LQ21 (EF) Pty Ltd	Australia
LQ39 (CAP) Pty Ltd(b)(i)	Australia	LQ22 (FGDSP) Pty Ltd	Australia
Mowbray Industries Pty Ltd(a)(d)	Australia	LQ23 (FGDF) Pty Ltd	Australia
QB6 Pty Ltd(a)(d)(i)	Australia	LQ25 (GWOOD) Pty Ltd	Australia
Burns Philp A & B Ltd(f)	Bangladesh	LQ29 (NAM) Pty Ltd	Australia
Burns Philp Canada Group Ltd	Canada	LQ30 (ROCH) Pty Ltd	Australia
Burns Philp Alimentos S de RL de CV	Mexico	LQ31 (MBTFS) Pty Ltd	Australia
Burns Philp Mexico, SA de CV	Mexico	LQ32 (MLWA) Pty Ltd	Australia
Burns Philp Treasury (Europe) BV	The Netherlands	LQ33 (WBB) Pty Ltd	Australia
BPC Finance (NZ) Ltd	New Zealand	LQ34 (WILJ) Pty Ltd	Australia
Burns Philp Finance New Zealand Ltd(d)	New Zealand	GF Ingredients USA Inc	USA
Burns Philp (New Zealand) Ltd(d)	New Zealand		
Burns Philp Treasury (New Zealand) Ltd	New Zealand	<b>Subsidiaries at June 30, 2006 disposed of during the year</b>	
NZ Margarine Holdings Ltd	New Zealand	BPC Intertrade Ltd(h)(k)	New Zealand
BPC Insurance & Risk Management Services Pte Ltd	Singapore		
BPC International (Singapore) Pte Ltd	Singapore	<b>Subsidiaries at June 30, 2006 sold during the year</b>	
BPC (QB Asia) Pte Ltd	Singapore	The Uncle Tobys Company Pty Ltd(c)(h)	Australia
Goodman Fielder International (SI) Ltd(g)	Solomon Islands	Uncle Tobys Properties Pty Ltd(c)(h)	Australia
Burns Philp Pension Plan Ltd	UK	Bluebird Foods Ltd(h)	New Zealand
BPC United States Inc(d)	USA		
Burns Philp Treasury (United States) Inc	USA		

- (a) A party to a Deed of Cross Guarantee with Burns, Philp & Company Pty 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 Pty Limited and Burns Philp Custodians Pty Limited dated August 11, 2006 whereby the Deed of Cross Guarantee ceased to apply to such company effective February 17, 2007.
- (c) A Notice of Disposal dated July 14, 2006 notified of the disposal of this company and thereby ceased to be a party to the Deed of Cross Guarantee effective July 14, 2006.
- (d) As part of the security arrangements in favour of certain of the Group's financiers, certain subsidiaries have 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. These guarantees and securities currently secure bank overdrafts (refer Note 18) and cross-currency swaps (refer Note 27).
- (e) As part of the issue of the NZ Capital Notes (refer to Note 18 for further details) such subsidiary entered into a Deed of Guarantee whereby such entity unconditionally and irrevocably guaranteed amounts owing by Burns Philp Finance New Zealand Limited in respect of the NZ Capital Notes.

**Consolidated entity's interest in ordinary shares:**

	2007	2006
	%	%
(f)	<b>51</b>	51
(g)	<b>97</b>	97
(h)	-	100

- (i) Name changes during the year:

<b>Current Name</b>	<b>Former Name</b>
LQ35 (BHC) Pty Ltd	BPC Baking Holding Company Pty Ltd
LQ36 (FI) Pty Ltd	BPC Finance International Pty Ltd
LQ37 (TF) Pty Ltd	BPC Trade Finance Pty Ltd
LQ38 (ING) Pty Limited	BPC Ingredients Pty Ltd
LQ39 (CAP) Pty Ltd	Burns Philp Capital Pty Ltd
Burns Philp Overseas Holdings Pty Ltd	Burns Philp Overseas Holdings Ltd
Burns Philp Treasury (Australia) Pty Ltd	Burns Philp Treasury (Australia) Ltd
QB6 Pty Ltd	QB6 Ltd

- (j) Voluntarily liquidated during the year. There was no profit or loss on the voluntary liquidation of these entities.
- (k) During the year BPC Intertrade Limited amalgamated with Ironforge Investments Limited, a company wholly-owned directly by Mr G R Hart (refer Note 24 for further details).

## Notes to the Financial Statements (continued)

### NOTE 26. 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 27. FINANCIAL INSTRUMENTS

The Company and the Group is exposed to market risks, primarily changes in interest rates and changes in foreign currency exchange rates.

### Interest rate risk

The Group's policy is to manage interest rate risk through the use of both fixed and floating rate debt. 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 and its short term debt facility in the current year, the Group's debt is primarily comprised of the 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%.

In addition to this debt facility, 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, primarily in the United States and Australia, 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.

### Interest rate risk exposure

The Group's exposure to interest rate repricing 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
<b>2007</b>							
<b>Financial assets</b>							
Cash and cash equivalents	5.08%	367.5	-	-	-	-	367.5
Receivable from related party	6.50%	1,064.2	-	-	-	-	1,064.2
		1,431.7	-	-	-	-	1,431.7
<b>Financial liabilities</b>							
Loan from related parties	4.73%	11.5	-	-	-	-	11.5
NZ Capital Notes <sup>(i)</sup>	10.90%	-	-	155.0	34.1	-	189.1
		11.5	-	155.0	34.1	-	200.6
<b>2006</b>							
<b>Financial assets</b>							
Cash and cash equivalents	5.13%	2,405.9	-	-	-	-	2,405.9
		2,405.9	-	-	-	-	2,405.9
<b>Financial liabilities</b>							
Term loan facilities	5.71%	640.4	-	-	-	-	640.4
NZ Capital Notes <sup>(i)</sup>	10.90%	-	-	-	139.1	30.8	169.9
		640.4	-	-	139.1	30.8	810.3

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

## Notes to the Financial Statements (continued)

### NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

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
<b>2007</b>							
<b>Financial assets</b>							
Cash and cash equivalents	5.25%	0.7	-	-	-	-	0.7
Receivables from subsidiaries	9.00%	704.6	-	-	-	-	704.6
Receivable from other related party	6.50%	407.2	-	-	-	-	407.2
		<b>1,112.5</b>	-	-	-	-	<b>1,112.5</b>
<b>2006</b>							
<b>Financial assets</b>							
Cash and cash equivalents	4.90%	0.9	-	-	-	-	0.9
Receivables from subsidiaries	8.26%	1,910.1	-	-	-	-	1,910.1
		<b>1,911.0</b>	-	-	-	-	<b>1,911.0</b>

There were no interest bearing financial liabilities in the Company at June 30, 2007 and 2006.

#### 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;
- Revenue, expenditures and cash flows - 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.

Where practicable, the Group attempts to reduce these risks by matching revenues and expenditures, as well as assets with liabilities, by country and currency.

#### Balance sheet exposure

During the year ended and as of June 30, 2007 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 current year, the Group recorded a net foreign currency exchange loss of A\$105.0 million in the consolidated income statement (2006: A\$5.2 million loss).

The table below sets out a summary of the Group's significant foreign currency balance sheet exposures, expressed in Australian dollars, at June 30, 2007 and 2006.

<b>A\$ million</b>	<b>USD</b>	<b>EUR</b>	<b>CAD</b>	<b>NZD</b>
<b>2007</b>				
Cash and cash equivalents	<b>310.8</b>	<b>1.9</b>	<b>38.0</b>	<b>2.9</b>
Interest bearing loans and borrowings	-	-	-	<b>(189.1)</b>
Net operating assets, excluding cash and debt	<b>(1.3)</b>	<b>0.1</b>	<b>(0.1)</b>	<b>5.5</b>
Net physical position	<b>309.5</b>	<b>2.0</b>	<b>37.9</b>	<b>(180.7)</b>
Derivative financial instruments:				
Cross currency swap receivables/(payables)	<b>293.2</b>	<b>(88.6)</b>	<b>(36.1)</b>	-
Net unhedged position	<b>602.7</b>	<b>(86.6)</b>	<b>1.8</b>	<b>(180.7)</b>
<b>2006</b>				
Cash and cash equivalents	641.7	362.0	39.4	6.1
Interest bearing loans and 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)

The Company did not have any significant foreign currency balance sheet exposures at either June 30, 2007 or 2006. 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).

## Notes to the Financial Statements (continued)

### NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### *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, 2007 and 2006, 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 <sup>(i)</sup>	
	2007	2006	Receive 2007	Pay 2007	Receive 2006	Pay 2006	2007	2006
Receive USD, pay AUD	<b>0.7545</b>	0.7537	<b>4.19%</b>	<b>6.45%</b>	4.19%	6.46%	<b>212.1</b>	265.4
Receive USD, pay EUR	<b>1.1614</b>	1.1614	<b>4.27%</b>	<b>4.52%</b>	4.27%	4.52%	<b>88.6</b>	96.1
Receive USD, pay CAD	<b>0.7400</b>	0.7400	<b>4.36%</b>	<b>5.12%</b>	4.36%	5.12%	<b>36.1</b>	39.4

(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 and mark-to-market movements on these swap contracts since then have been recorded as part of net financing (expense) in the consolidated income statement. The Group recognised a mark-to-market loss of A\$18.5 million during the current year (2006: A\$6.3 million loss).

During the current year, the Group closed-out one of its outstanding cross currency swaps with a US\$ receivable of US\$40.0 million and an A\$ payable of A\$53.3 million. The close-out resulted in a loss to the Group of A\$8.1 million which was paid out on closing. The resulting provisions held on the consolidated balance sheet were reduced accordingly and the increase in the loss from that recorded at June 30, 2006 was recognised in net financing (expense) in the consolidated income statement.

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 (expense) in the income statement. As the cross-currency swaps were considered ineffective under AASB 139, the Group now recognises mark-to-market movements on these contracts in the derivative gain/loss account in net financing (expense).

The net accumulated mark-to-market loss on these contracts at June 30, 2007 was A\$53.4 million (2006: A\$43.0 million loss) which has been recorded in non-current payables on the consolidated balance sheet (refer to Note 17).

#### *Foreign currency option contracts*

During the year ended June 30, 2006, the Group entered into a series of foreign currency option contracts expiring in August and September 2006. These contracts were not considered effective hedges and at June 30, 2006, the A\$9.8 million mark-to-market gain on these contracts was recorded as a derivative gain in net financing (expense) in the consolidated income statement for the year ended June 30, 2006.

During the current year, the Group was required to pay a premium of A\$13.3 million in respect of certain of these contracts. This premium, as well as the reversal of the prior year mark-to-market gain of A\$9.8 million, resulted in a loss of A\$23.1 million being recognised in net financing (expense) in the current year's consolidated income statement (refer to Note 3 for further details).

There were no foreign currency options contracts open at June 30, 2007.

### 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.

Except for balances with related parties, at June 30, 2007 there was no significant concentration of credit risk.

At June 30, 2007 the Group's cash on deposit is held with six counterparties which are all large Australian, New Zealand or multi-national banks with short-term credit ratings of A-1 or better.

### 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:

A\$ million	Consolidated		Fair value	
	Carrying amount 2007	2006	2007	2006
<b>Financial assets</b>				
Cash and cash equivalents	<b>367.5</b>	2,405.9	<b>367.5</b>	2,405.9
Receivables	<b>1,497.9</b>	24.1	<b>1,497.9</b>	24.1
<b>Financial liabilities</b>				
Bank loan facilities	-	(640.4)	-	(640.8)
NZ Capital Notes	<b>(189.1)</b>	(169.9)	<b>(192.7)</b>	(182.2)
Related party loan	<b>(11.5)</b>	-	<b>(11.5)</b>	-
Payables	<b>(761.6)</b>	(38.8)	<b>(761.6)</b>	(38.8)
<b>Derivative financial instruments</b>				
Cross-currency swaps	<b>(53.4)</b>	(43.0)	<b>(53.4)</b>	(43.0)
Foreign currency options	-	9.8	-	9.8
	<b>849.8</b>	1,547.7	<b>846.2</b>	1,535.0
Net unrecognised (losses)			<b>(3.6)</b>	(12.7)

## Notes to the Financial Statements (continued)

### NOTE 27. FINANCIAL INSTRUMENTS (CONTINUED)

#### **Estimated fair values**

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

#### **Derivatives**

Cross-currency swaps and foreign currency options are marked to market using broker quotes. These quotes are back tested using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used the discount rate is a market related rate for a similar instrument at the balance sheet date.

The Group used the following interest rates to determine the fair value of derivative financial instruments at June 30:

	2007	2006
<i>Cross-currency swap - yield curves</i>		
- USD receivables	<b>5.622%</b>	6.134%
- AUD payables	<b>7.128%</b>	6.456%
- EUR payables	<b>4.944%</b>	4.012%
- CAD payables	<b>5.067%</b>	4.849%
 <i>Foreign currency options – risk free rates</i>		
- 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/(payables)**

For receivables/(payables) with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/(payables) are discounted to determine the fair value.

---

### NOTE 28. EVENTS SUBSEQUENT TO BALANCE DATE

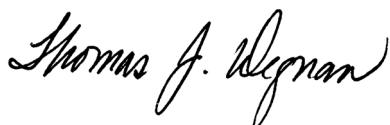
No events have occurred subsequent to balance date that would have a material effect on the financial statements at June 30, 2007.

---

# Directors' Declaration

- 1 In the opinion of the Directors of Burns, Philp & Company Pty Limited ("the Company"):
  - (a) the financial statements and notes, set out on pages 7 to 70, 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, 2007 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; and
  - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the controlled entities identified in Note 25 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.

Signed in accordance with a resolution of the Directors:



**Thomas J Degnan**

Managing Director

September 18, 2007

# Independent Audit Report

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BURNS, PHILP & COMPANY PTY LIMITED

### Report on the financial report

We have audited the accompanying financial report of Burns, Philp & Company Pty Limited (the Company), which comprises the balance sheets as at June 30 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 28 and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Auditor's opinion*

In our opinion:

- (a) the financial report of Burns, Philp & Company Pty Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's and the Group's financial position as at June 30 2007 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.



**KPMG**  
Sydney, Australia  
September 18, 2007



**Duncan McLennan**  
Partner

***Burns  
Philp***

**2007** | Annual Report

BURNS, PHILP & COMPANY PTY LIMITED