



**BURNS PHILP FINANCE
NEW ZEALAND LIMITED**

173 CAPTAIN SPRINGS ROAD
ONEHUNGA
AUCKLAND 1061
NEW ZEALAND
(PRIVATE BAG 92-106, AUCKLAND 1142)
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29 March 2010

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

**Burns Philp Finance New Zealand Limited
Annual Report for the year ended 31 December 2009**

Pursuant to Listing Rule 10.8.2, please find attached a letter dated 29 March 2009 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 Annual Report of the Company and the Annual Report of Burns, Philp & Company Pty Limited ("Burns Philp") for the year ended 31 December 2009.

It is noted that a copy of the printed version of the Company's Annual Report was provided to the NZX on 19 March 2010. Attached is a copy of Burns Philp's Annual Report.

Yours faithfully

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

HELEN GOLDING
Company Secretary
Burns, Philp & Company Pty Limited

Encl



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29 March 2010

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 Annual Report of Burns Philp Finance New Zealand Limited (the "Company") and the Annual Report of Burns, Philp & Company Pty Limited ("Burns Philp") for the year ended 31 December 2009.

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
Email: enquiry@computershare.co.nz
Mail: Private Bag 92119, Auckland 1142
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787

Please assist our registrar by quoting your CSN or securityholder reference number. To change your address, update your payment instructions and to view your investment portfolio including transactions, please visit: www.computershare.co.nz/investorcentre.

Yours faithfully

HELEN GOLDING
Company Secretary
Burns, Philp & Company Pty Limited

Encl

***Burns
Philp***

2009 | Annual Report

BURNS, PHILP & COMPANY PTY LIMITED

Directory

Burns, Philp & Company Pty Limited

ACN 000 000 359

Registered Office

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Citigroup Centre

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Sydney NSW 2000

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Directors' Report

FOR THE TWELVE MONTH PERIOD ENDED DECEMBER 31, 2009

The Directors present their report together with the financial report of Burns, Philp & Company Pty Limited (the "Company") and of the Group, being the Company and its subsidiaries, and the Group's interest in associates and jointly controlled entities for the twelve month period ended December 31, 2009 and the auditor's report thereon.

1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial period are:

Graeme Hart (resigned February 1, 2010)

Thomas Degnan (resigned February 1, 2010)

Bryce Murray (resigned February 1, 2010)

Helen Golding

Mark Dunkley

Allen Hugli (appointed February 1, 2010)

Messrs Hart, Degnan, Murray, Dunkley and Ms Golding were in office for the whole of the reporting period.

2. PRINCIPAL ACTIVITIES

During the financial period the principal activity of the Group was the provision of legal, financial and administrative services to its ultimate parent entity, Rank Group Limited.

There has been no change in the nature of the activities of the Group during the financial period, 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 period 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 period was a loss of AU\$1.8 million (December 31, 2008: profit of AU\$93.6 million).

5. OPERATING AND FINANCIAL REVIEW

During the financial period under review, the Group did not own any operating assets.

The Group's assets as reported at December 31, 2009 comprised mainly cash and related party receivables.

On March 9, 2009 Burns Philp GF Investments Pty Limited (a subsidiary of the Company) assigned to the Company AU\$547.2 million of a loan owing from Building Supplies Group Holdings Pty Limited (a company also indirectly owned by Rank Group Limited). The Company also received a dividend of AU\$163.8 million from Burns Philp GF Investments Pty Limited which offset part of the intercompany payable owing to Burns Philp GF Investments Pty Limited as a result of this debt assignment. The Company then effected a forgiveness of debt in favour of Building Supplies Group Holdings Pty Limited for AU\$1,000.0 million out of the Company's retained earnings of AU\$656.3 million and by a capital reduction of AU\$343.7 million which reduced issued share capital from AU\$470.3 million to AU\$126.6 million.

6. ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulations.

7. DIVIDENDS

No dividends were paid or declared during the financial period.

8. OPTIONS OVER UNISSUED SHARES OR INTERESTS

There were no options for ordinary shares on issue during the financial period 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 as at December 31, 2009 or the Company's and the Group's state of affairs, operations or results in future financial years.

10. LIKELY DEVELOPMENTS

Further information about likely developments in the operations of the Company or the Group 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 or the Group.

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

To the extent permitted by law, the Company's constitution requires the Company to indemnify each person who has been a director, secretary, other officer or employee of the Company or any of its subsidiaries for liability and for legal costs incurred in defending an action, resulting from facts or circumstances occurring after March 13, 2000 incurred as a director, secretary, other officer or employee.

By a Deed Poll dated November 5, 2001 the Company has agreed to indemnify each person who is (or at the time of reliance on the deed, has been) a Director, Secretary, Chief Executive or Chief Financial Officer of the Company, but only in relation to such persons who have unconditionally accepted the terms of the deed. As at the date of this report, the following persons are beneficiaries under this deed poll: the current Directors, Company Secretary, Chief Financial Officer and Gregory Cole (in his capacity as an Alternate Director); former Directors being Alan McGregor, Graeme Hart, Thomas Degnan, Mark Burrows, Fred Smith and Bryce Murray; and a former Secretary, Philip West. The deed provides an indemnity against losses incurred in their role as director, secretary, executive or 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 liabilities, costs and expenses (including legal fees).

By two separate Deeds of Indemnity authorised by the Board on November 14, 2005, the Company agreed to indemnify each of Mr H E Perrett and Mr M Ould on a full indemnity basis (subject to certain specified limitations) and to the full extent permitted by law against any liability incurred by either of them in their capacity as a director of Goodman Fielder Limited 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 of ordinary shares in Goodman Fielder Limited.

Each of the indemnities referred to above provides 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.

By a Deed Poll of Indemnification by Rank Group Limited dated December 22, 2009, Rank Group Limited indemnifies each person who, at or after the date of the deed poll, holds the office of director or statutory officer of (inter alia) any entity which it controls (including the Company). Subject to certain limitations set out in the deed poll (including where the giving of such an indemnity is prohibited by law), each indemnified person is indemnified against any costs he/she incurs in any proceeding that relates to liability for any act done or omission made in his/her capacity as a director, statutory officer or employee of the Company, in which proceeding such person is acquitted, or has judgement given in his/her favour, or which is discontinued.

Directors' Report (continued)

11. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS (CONTINUED)

Insurance

During the financial period the Company's ultimate parent entity, Rank Group Limited, 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 against all losses, claims, costs, expenses, actions, demands, damages or liabilities or any other proceedings whatsoever incurred by KPMG arising from or in any way connected with services provided under the engagement terms.

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 period ended December 31, 2009.

13. ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated July 10, 1998 (as amended) 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.

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



Allen P Hugli

Director

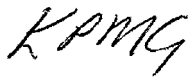
March 19, 2010

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 December 31, 2009 there have been:

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



KPMG



Duncan McLennan

Partner

Sydney, Australia

March 19, 2010

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 53, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and the Group as at December 31, 2009 and of their performance for the twelve month period 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 described in note 2; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the subsidiaries identified in note 28 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 subsidiaries pursuant to ASIC Class Order 98/1418.

Signed in accordance with a resolution of the Directors:



Allen P Hugli

Director

March 19, 2010

Statements of Comprehensive Income

FOR THE PERIOD ENDED

In millions of AU\$	Note	Consolidated December 31		Company December 31	
		2009	2008	2009	2008
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Gain on disposal of investment in Fresh Start Bakeries	7	-	25.7	-	21.2
Other income	8	17.5	14.5	170.6	13.2
General and administration expenses	9	(21.7)	(22.8)	(10.4)	(10.9)
Other expenses	10	-	-	(10.8)	(76.0)
(Loss) profit from operating activities		(4.2)	17.4	149.4	(52.5)
Financial income	12	19.1	141.0	34.6	84.2
Financial expenses	12	(8.5)	(30.4)	(13.6)	(5.1)
Net financial income		10.6	110.6	21.0	79.1
Profit before income tax		6.4	128.0	170.4	26.6
Income tax (expense)	13	(8.2)	(34.4)	(5.7)	(31.3)
(Loss) profit for the period		(1.8)	93.6	164.7	(4.7)
Other comprehensive income for the period net of income tax					
Exchange differences on translating foreign operations		(7.8)	(10.8)	-	-
Total other comprehensive income for the period net of income tax	14	(7.8)	(10.8)	-	-
Total comprehensive income for the period		(9.6)	82.8	164.7	(4.7)
(Loss) profit attributable to:					
Equity holders of the Company		(1.8)	93.6	164.7	(4.7)
Total other comprehensive income attributable to:					
Equity holders of the Company		(7.8)	(10.8)	-	-

The statements of comprehensive income should be read in conjunction with the notes to the financial statements.

Statements of Financial Position

AS AT

In millions of AU\$	Note	Consolidated December 31		Company December 31	
		2009	2008	2009	2008
Assets					
Cash and cash equivalents	15	56.0	70.9	0.7	2.1
Other receivables	16	20.4	45.5	529.3	535.7
Prepayments		0.6	0.8	0.6	0.8
Current tax assets	19	0.7	1.1	0.7	1.1
Other assets		0.1	0.1	0.1	-
Total current assets		77.8	118.4	531.4	539.7
Investments in subsidiaries	17	-	-	165.1	175.9
Other receivables	16	974.9	1,982.6	13.9	462.9
Deferred tax assets	19	9.2	1.2	-	0.4
Property, plant and equipment	18	1.3	1.4	0.4	0.5
Intangible assets	20	0.6	1.5	0.6	1.5
Total non-current assets		986.0	1,986.7	180.0	641.2
Total assets		1,063.8	2,105.1	711.4	1,180.9
Liabilities					
Trade and other payables	21	15.5	10.6	7.7	5.3
Borrowings	22	13.4	17.1	372.0	-
Current tax liabilities	19	2.0	5.7	-	-
Employee benefits	23	2.6	3.1	0.9	0.9
Provisions	24	13.0	16.7	0.9	1.4
Total current liabilities		46.5	53.2	381.5	7.6
Other payables	21	722.6	737.0	129.8	125.3
Borrowings	22	114.8	112.7	83.8	81.0
Derivatives		26.0	25.1	-	-
Deferred tax liabilities	19	-	1.0	-	-
Employee benefits	23	0.4	0.4	0.4	0.4
Provisions	24	10.1	13.1	3.0	3.8
Total non-current liabilities		873.9	889.3	217.0	210.5
Total liabilities		920.4	942.5	598.5	218.1
Net assets		143.4	1,162.6	112.9	962.8
Equity					
Share capital	25	126.6	470.3	126.6	470.3
Reserves	25	(9.0)	(1.2)	-	-
Retained earnings		25.8	693.5	(13.7)	492.5
Total equity		143.4	1,162.6	112.9	962.8

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

Statements of Changes in Equity

FOR THE PERIOD ENDED

Consolidated

In millions of AU\$	Note	Share capital	Translation reserve	Retained earnings	Total equity
Balance at the beginning of the period		470.3	9.6	931.7	1,411.6
Total comprehensive income for the period		-	(10.8)	93.6	82.8
Dividends paid	25	-	-	(331.8)	(331.8)
Balance at December 31, 2008		470.3	(1.2)	693.5	1,162.6
Balance at the beginning of the period		470.3	(1.2)	693.5	1,162.6
Total comprehensive income for the period		-	(7.8)	(1.8)	(9.6)
Related party debt forgiveness	25	(343.7)	-	(656.3)	(1,000.0)
Payments to related entities for unrecognised tax losses		-	-	(9.6)	(9.6)
Balance at December 31, 2009		126.6	(9.0)	25.8	143.4

Company

In millions of AU\$	Note	Share capital	Translation reserve	Retained earnings	Total equity
Balance at the beginning of the period		470.3	-	829.0	1,299.3
Total comprehensive income for the period		-	-	(4.7)	(4.7)
Dividends paid	25	-	-	(331.8)	(331.8)
Balance at December 31, 2008		470.3	-	492.5	962.8
Balance at the beginning of the period		470.3	-	492.5	962.8
Total comprehensive income for the period		-	-	164.7	164.7
Related party debt forgiveness	25	(343.7)	-	(656.3)	(1,000.0)
Payments to related entities for unrecognised tax losses					
Subsidiary		-	-	(5.0)	(5.0)
Other related entities		-	-	(9.6)	(9.6)
Balance at December 31, 2009		126.6	-	(13.7)	112.9

The statements of changes in equity should be read in conjunction with the notes to the financial statements.

Statements of Cash Flows

FOR THE PERIOD ENDED

In millions of AU\$	Note	Consolidated December 31		Company December 31	
		2009	2008	2009	2008
Cash flows from operating activities					
Cash paid to suppliers and employees		(18.5)	(14.8)	(11.6)	(11.1)
Management fees received from related parties		12.1	11.9	5.8	7.2
Interest received		0.9	14.9	30.7	52.2
Interest paid		(4.5)	(26.7)	-	-
Settlement of cross currency swaps		-	9.4	-	-
Income taxes refunded (paid)		0.4	(2.7)	0.4	(2.4)
Net cash (used in) from operating activities		(9.6)	(8.0)	25.3	45.9
Cash flows from investing activities					
Acquisition of property, plant and equipment		(0.1)	(0.4)	(0.1)	(0.4)
Proceeds from sale of property, plant and equipment		-	0.1	-	0.1
Acquisition of intangible assets		-	(0.8)	-	(0.8)
Proceeds from sale of investment in Fresh Start Bakeries, net of costs		-	37.7	-	37.7
Proceeds from the sale of other investments		-	0.4	-	-
Net cash (used in) from investing activities		(0.1)	37.0	(0.1)	36.6
Cash flows from financing activities					
Repayment of 2008 Capital Notes	22	-	(145.2)	-	-
Loan to subsidiary		-	-	(26.6)	-
Repayment of loan by subsidiary		-	-	-	182.8
Loans to other related parties		-	(414.3)	-	(10.0)
Dividend paid to the sole shareholder		-	(254.4)	-	(254.4)
Net cash (used in) financing activities		-	(813.9)	(26.6)	(81.6)
Net (decrease) increase in cash and cash equivalents		(9.7)	(784.9)	(1.4)	0.9
Cash and cash equivalents at the beginning of the period		70.9	866.9	2.1	1.2
Effect of exchange rate fluctuations on cash held		(5.2)	(11.1)	-	-
Cash and cash equivalents at December 31	15	56.0	70.9	0.7	2.1

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

In millions of AU\$	Consolidated December 31		Company December 31	
	2009	2008	2009	2008
Reconciliation of the (loss) profit for the period with the net cash from operating activities				
(Loss) profit for the period	(1.8)	93.6	164.7	(4.7)
Adjustments for:				
Depreciation	0.2	0.2	0.2	0.2
Amortisation of intangible assets	0.9	0.7	0.9	0.7
Impairment losses on investments in subsidiaries	-	-	10.8	76.0
Dividend received from subsidiary	-	-	(163.8)	(5.2)
Gain on sale of properties held for sale	-	(0.1)	-	(0.1)
Gain on sale of investments	-	(26.1)	-	(21.2)
Net financial income	(10.6)	(110.6)	(21.0)	(79.1)
Income tax expense	8.2	34.4	5.7	31.3
Interest paid	(4.5)	(26.7)	-	-
Interest received	0.9	14.9	30.7	52.2
Proceeds received on settlement of cross currency swaps	-	9.4	-	-
Income taxes refunded (paid)	0.4	(2.7)	0.4	(2.4)
Change in trade and other receivables	0.1	(2.2)	(1.5)	(0.7)
Change in trade and other payables	3.8	(1.0)	(0.2)	(0.5)
Changes in provisions and employee benefits	(6.6)	(2.7)	(1.1)	(0.1)
Changes in other assets and liabilities	(0.6)	10.9	(0.5)	(0.5)
Net cash (used in) from operating activities	(9.6)	(8.0)	25.3	45.9

Significant non-cash financing and investing activities

During the current period the Company effected a forgiveness of debt in favour of Building Supplies Group Holdings Pty Limited for AU\$1,000.0 million out of the Company's retained earnings of AU\$656.3 million and by a capital reduction of AU\$343.7 million (refer to note 25 for further details).

During the twelve month period ended December 31, 2008 an unfranked ordinary dividend of AU\$331.8 million was declared by the Company in favour of Kintron Developments Limited (the then sole shareholder). The dividend was funded to the extent of AU\$254.4 million out of the Group's cash resources with the AU\$77.4 million balance paid on behalf of the Company by a fellow subsidiary of Rank Group Limited, resulting in a corresponding increase in the amount owing to that fellow subsidiary, which remains unpaid at December 31, 2009.

There were no other significant non-cash financing and investment activities during the current or prior corresponding period.

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

Notes to the Financial Statements

FOR THE PERIOD ENDED DECEMBER 31, 2009

1. REPORTING ENTITY

Burns, Philp & Company Pty Limited (the "Company") is a proprietary company domiciled in Australia.

The consolidated financial statements of the Company as at and for the period ended December 31, 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The Group principally engages in the provision of legal, financial and administrative services to its ultimate parent entity and is principally based in Australia.

The address of the registered office of the Company is Suite 2502, Level 25, Citigroup Centre, 2 Park Street, Sydney NSW 2000, Australia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. They comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors (the "Directors") on March 19, 2010.

2.2 Going concern

The financial statements have been prepared using the going concern assumption.

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except for derivatives which are measured at fair value. The methods used to measure fair values are discussed further in note 5.

Information as disclosed in the statements of comprehensive income, changes in equity, cash flows and related notes for the current period is for the twelve month period ended December 31, 2009. Information for the comparative period is for the twelve month period ended December 31, 2008.

2.4 Presentation currency

The financial statements are presented in Australian dollars ("AU\$"), which is the Group's presentation currency. The Group is of a kind referred to in ASIC Class Order 98/100 dated July 10, 1998 (as amended) and in accordance with that Class Order, amounts in the financial statements and Directors' Report have been rounded to the nearest tenth of a million dollars, unless otherwise stated.

2.5 Use of estimates and judgements

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. These 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.

Information about the significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by all Group entities.

3.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the parent of the Group. Control exists when the parent of the Group has the power 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 are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control (or effective control) commences until the date that control ceases.

(b) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies (generally accompanying a shareholding of between 20% and 50% of the voting rights). Investments in associates are accounted for using the equity method of accounting (equity accounted investees) and are initially recognised at cost. Investments in associates include goodwill identified on acquisition, net of accumulated impairment losses (if any).

The Group's share of its associates' post-acquisition profits or losses and movements in other comprehensive income is recognised in the Group's statement of comprehensive income (after adjustments (as required) are made to align the accounting policies of the associate with those of the Group). The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(c) Joint ventures

Joint ventures are those operations, entities or assets in which the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Interests in jointly controlled entities are accounted for using the equity method of accounting (as described in note 3.1(b)).

Interests in jointly controlled assets and operations are reported in the financial statements by including the Group's share of assets employed in the joint venture, the share of liabilities incurred in relation to the joint venture and the share of any expenses incurred in relation to the joint venture in their respective classification categories.

(d) Transactions between entities under common control

Certain transactions between entities that are under common control may not be transacted on an arm's length basis and accordingly, any gains or losses on these transactions are recognised directly in equity. Examples of such transactions include but are not limited to:

- debt forgiveness transactions;
- transfer of assets for greater than or less than fair value; and
- acquisition or disposal of subsidiaries for no consideration or consideration greater than or less than fair value.

Acquisitions of entities under common control are accounted for as follows:

- goodwill or discount on acquisition is calculated as the difference between the total consideration paid including transaction costs and the fair value of the percentage of net assets acquired and is recognised directly in equity; and
- the results of operations and cash flows of the acquired entity are included in the financial statements from the date of acquisition to the end of the financial period.

(e) Transactions eliminated on consolidation

Intra-group balances and unrealised items of income and expense arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same manner as gains, but only to the extent that there is no evidence of impairment.

(f) Investments in subsidiaries

Investments in subsidiaries are carried at cost less any impairment losses in the Company's financial statements.

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in AU\$, which is the presentation currency of the Group.

(b) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the respective entities at the exchange rate on that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency of the respective entities at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency of the respective entities at the exchange rate on the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income as a component of the profit or loss, except for differences arising on the translation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation (see (c) below).

(c) Foreign operations

The results and financial position of those entities that have a functional currency different from the presentation currency of the Group are translated into the Group's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate on the reporting date of the statement of financial position;
- (ii) Income and expense items for each profit and loss item are translated at average exchange rates;
- (iii) Items of other comprehensive income are translated at the rates on the dates the transactions occurred; and
- (iv) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments are recognised as a component of equity and included in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as a component of the profit or loss as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated on this basis.

3.3 Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, receivables, trade and other payables and interest bearing borrowings.

A non-derivative financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Non-derivative financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Non-derivative financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Non-derivative financial instruments are recognised on a gross basis unless a current and legal enforceable right to off-set exists and the Group intends to either settle the instrument net or realise the asset and liability simultaneously.

Upon initial acquisition the Group classifies its financial instruments in one of the following categories, which is dependent on the purpose for which the financial instruments were acquired.

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with maturities of less than three months. Bank overdrafts are included within borrowings in current liabilities on the statement of financial position except where these are repayable on demand, in which case they are included separately as a component of current liabilities. For the purposes of the statements of cash flows, overdrafts are included as a component of cash and cash equivalents.

(b) Financial instruments at fair value through the profit or loss

An instrument is classified as fair value through the profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated as fair value through the profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition (at the trade date) attributable transaction costs are recognised in the statement of other comprehensive income as a component of the profit or loss. Subsequent to initial recognition, financial instruments at fair value through the profit or loss are measured at fair value, and changes therein are recognised in the statement of comprehensive income as a component of the profit or loss.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for instruments with maturities greater than twelve months from the reporting date, which are classified as non-current assets.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention to hold to maturity. If the Group has the positive intention and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method, less any impairment losses, to the net amount of the financial instrument.

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and allocating the interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument, or, where appropriate, a shorter period.

(e) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial instruments that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date.

Available-for-sale financial assets are measured at fair value on initial recognition plus transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the statement of comprehensive income as a component of the profit or loss.

(f) Other liabilities

Other liabilities comprise all non-derivative financial liabilities that are not disclosed as fair value through the profit and loss. Other liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The Group's other liabilities comprise trade and other payables and interest bearing borrowings, including those with related parties. The Group's other liabilities are measured as follows:

(i) Trade and other payables

Subsequent to initial recognition trade and other payables are stated at cost.

(ii) Interest bearing borrowings including related parties

Subsequent to initial recognition interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Derivative financial instruments

A derivative financial instrument is recognised if the Group becomes a party to the contractual provisions of an instrument at the trade date.

Derivative financial instruments are initially recognised at fair value (which includes where applicable, consideration of credit risk), and transaction costs are expensed as incurred. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised in the statement of comprehensive income as a component of the profit or loss unless it qualifies for hedge accounting. Where a derivative financial instrument qualifies for hedge accounting, recognition of any resulting gain or loss depends on the nature of the hedging relationship (see below).

Derivative financial instruments are recognised on a gross basis unless a current and legal enforceable right to off-set exists.

Derivative financial assets are derecognised if the Group's contractual right to the cash flows from the instrument expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Derivative financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(a) Cash flow hedges

Changes in the fair value of a derivative financial instrument designated as a cash flow hedge are recognised directly in equity (as a component of other comprehensive income) to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of comprehensive income as a component of the profit or loss for the period.

If a hedging instrument no longer meets the criteria for hedge accounting or it expires, is sold, terminated or exercised, then hedge accounting is discontinued prospectively. At this point in time, the cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In all other cases the amount recognised in equity is transferred within the statement of comprehensive income in the same period that the hedged item affects this statement and is recognised as part of financial income or expenses. If the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred within the statement of comprehensive income and is recognised as part of financial income or expenses in the profit and loss.

(b) Fair value hedges

Changes in the fair value of a derivative financial instrument designated as a fair value hedge are recognised in the statement of comprehensive income as a component of profit or loss in financial income or expenses together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

3.5 Property, plant and equipment

(a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (if any).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of property, plant and equipment acquired in a business combination is determined by reference to its fair value at the date of acquisition (see note 3.1(a)). The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(b) Assets under construction

Assets under construction are transferred to the appropriate asset category when they are ready for their intended use. Assets under construction are not depreciated but tested for impairment at least annually.

(c) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an item of property, plant and equipment are capitalised until such time as the assets are substantially ready for their intended use. The interest rate used equates to the effective interest rate on debt where general borrowings are used or the relevant interest rate where specific borrowings are used.

(d) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as a component of the profit or loss as incurred.

(e) Depreciation

Depreciation is recognised in the statement of comprehensive income as a component of the profit or loss using a method that reflects the pattern in which the economic benefits embodied within the asset are consumed. Generally this is on a straight-line basis over the estimated useful life of each part or component of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the material classes of property, plant and equipment are as follows:

- Buildings 40 to 50 years
- Plant and equipment 3 to 33 years

Depreciation methods, useful lives and residual values are reassessed on an annual basis.

Gains and losses on the disposal of items of property, plant and equipment are determined by comparing the proceeds (if any) at the time of disposal with the carrying amount of the asset.

3.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor – finance leases

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases.

(b) The Group as lessee – finance leases

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included within loans and borrowings as a finance lease obligation. Subsequent to initial recognition the liability is accounted for in accordance with the accounting policy described at note 3.3(f) and the asset is accounted for in accordance with the accounting policy applicable to that asset.

3.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates, joint ventures and business operations and represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (discount on acquisition), it is recognised immediately in the statement of comprehensive income as a component of the profit or loss.

Goodwill is measured at cost less accumulated impairment losses (if any) and is tested at least annually for impairment. Goodwill is not amortised and is allocated to cash generating units ("CGUs") for the purpose of impairment testing. The allocation is made to the CGUs that are expected to benefit from the business combination in which the goodwill arose after the finalisation of the allocation of purchase consideration is completed.

In respect of joint ventures and investments accounted for using the equity method, the carrying amount of goodwill is included in the carrying amount of the investment and is tested for impairment at least annually as part of the overall investment balance.

(b) Other intangible assets

Other intangible assets comprise computer software development projects. Other intangible assets have finite useful lives and are carried at cost less accumulated amortisation and impairment losses (if any).

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Intangible assets (continued)

(c) Subsequent expenditure

Subsequent expenditure in respect of intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates and it can be reliably measured. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income as a component of the profit or loss as incurred.

(d) Amortisation

Amortisation is recognised in the statement of comprehensive income as a component of the profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and trademarks, from the date that they are available for use.

The estimated useful lives of the material classes of intangible assets are as follows:

- Computer software 2.5 years

3.8 Impairment

The carrying amounts of the Group's assets are reviewed regularly and at least annually to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the statement of comprehensive income as a component of the profit or loss.

(a) Impairment of loans and receivables

The recoverable amount of the Group's loans and receivables carried at amortised cost is calculated with reference to the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at the date of initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment losses on individual instruments that are considered significant are determined on an individual basis through an evaluation of the specific instruments' exposures. For trade receivables which are not significant on an individual basis, impairment is assessed on a portfolio basis taking into consideration the number of days overdue and the historical loss experiences on a portfolio with a similar number of days overdue.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at least annually to determine whether there is any indication of impairment. If any such indicators exist then the asset or CGU's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amounts are estimated at least annually and whenever there is an indication that they may be impaired.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the statement of comprehensive income as a component of the profit or loss. Impairment losses recognised in respect of a CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other non-financial assets in the CGU on a pro-rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU.

In respect of assets, other than goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if 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.

3.9 Assets and liabilities classified as held for sale

Assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are remeasured in accordance with the Group's accounting policies.

Thereafter the assets (or disposal groups) are measured at the lower of their carrying amount or fair value less costs to sell. Upon reclassification the Group ceases to depreciate or amortise non-current assets classified as held for sale. Any impairment loss on a disposal group is first allocated to goodwill and then to the remaining assets on a pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the statement of comprehensive income as a component of the profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.10 Employee benefits

(a) Pension obligations

The Group operates defined contribution and defined benefit plans.

(i) Defined contribution plans

A defined contribution plan is a plan under which the employee and the Group pay fixed contributions to a separate entity. The Group has no legal or constructive obligation to pay further contributions in relation to an employee's service in the current and prior periods. The contributions are recognised in the statement of comprehensive income as a component of the profit or loss as and when they fall due.

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on factors such as age, years of service and compensation.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of the future benefits that employees have earned in return for their service in the current and prior periods. These benefits are then discounted to determine the present value of the Group's obligations and are then adjusted for the impact of any unrecognised past service costs. The Group's net obligation is then determined with reference to the fair value of the plan assets (if any). The discount rate used is the yield on bonds that are denominated in the currency in which the benefits will be paid and that have maturity dates approximating the terms of the Group's obligations. The calculations are performed by qualified actuaries using the projected unit credit method.

Past service costs are recognised immediately in the statement of comprehensive income as a component of the profit or loss, unless the changes to the plans are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case the past service costs are amortised on a straight-line basis over the vesting period.

To the extent that any cumulative unrecognised actuarial gains and losses exceed 10% of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, that portion is recognised in the statement of comprehensive income as a component of the profit or loss.

(b) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed in the statement of comprehensive income as a component of the profit or loss as the related services are provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans and outstanding annual leave balances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(c) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits, other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related costs, discounted to determine the present value of the Group's obligation. The discount rate is the yield at the reporting date on bonds that have maturity dates approximating the terms of the Group's obligations.

(d) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably.

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision for the passage of time is recognised as a component of financial expenses in the statement of comprehensive income as a component of the profit or loss.

3.12 Self-insured workers' compensation

The Group was a self-insurer under the Victorian Accident Compensation Act for the period to August 2006 and was a self-insurer under the New South Wales Workers' Compensation Act for the period April 2001 to April 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.

3.13 Dividends

Dividends to the Group's shareholder are recognised as a liability in the Group's financial statements in the period in which the dividends are declared.

3.14 Share capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3.15 Revenue

(a) Dividend income

Dividend income is recognised when the right to receive payment is established.

(b) Management fees

Income from management fees is recognised on an accruals basis.

3.16 Lease payments

Minimum lease payments made under finance leases are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges which are recognised in the statement of comprehensive income as a component of the profit or loss are allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for in the periods in which they are incurred.

Payments made under operating leases are recognised in the statement of comprehensive income as a component of the profit or loss on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent lease payments arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into an operating lease, such incentives are deferred and recognised as a liability. The aggregated benefits of the lease incentive are recognised as a reduction to the lease expenses on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.17 Financial income and expenses

Financial income comprises interest income, foreign currency gains and gains on derivative financial instruments in respect of financing activities that are recognised in the statement of comprehensive income as a component of the profit or loss. Interest income is recognised as it accrues using the effective interest rate method.

Financial expenses comprise interest expense, foreign currency losses, impairment losses recognised on financial assets (except for trade receivables) and losses on derivative financial instruments in respect of financing activities that are recognised in the statement of comprehensive income as a component of the profit or loss. All borrowing costs not qualifying for capitalisation are recognised in the statement of comprehensive income as a component of the profit or loss using the effective interest rate method.

3.18 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income as a component of the profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised with the associated items on a net basis.

Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is recognised using the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future and the Group is in a position to control the timing of the reversal of the temporary differences. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time the liability to pay the related dividend is recognised. Deferred income tax assets and liabilities in the same jurisdiction are off-set in the statement of financial position only to the extent where the right to off-set legally exists.

(a) Tax consolidation

Until December 18, 2006 the Company was the head entity in a tax consolidated group, comprising the Company and its wholly-owned Australian resident entities. On December 19, 2006 the company and its wholly-owned Australian resident entities became part of the Rank Group Australia Pty Limited (which has been subsequently renamed Building Supplies Group Holdings Pty Limited ("BSGH")) tax consolidated group, with BSGH being the head entity.

Carter Holt Harvey Australia Pty Limited and its wholly owned Australian subsidiaries became part of this tax consolidated group on March 30, 2007.

With effect from July 1, 2007 the Company assumed the role as the head entity of the tax consolidated group. From that date, current tax expense/(income), deferred tax liabilities and deferred tax assets arising from temporary differences of the tax consolidated group are recognised in the separate financial statements of the members of the group using a group allocation method by reference to the carrying amounts in the separate financial statements of each entity and the tax values applicable under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the head entity (Burns Philp), and are transferred via loan accounts.

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

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

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

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (continued)

(b) Nature of funding arrangements and tax sharing agreements

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

The head entity recognises the assumed current tax amounts as current tax liabilities/(assets), adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities/(assets) are equivalent to the tax balances generated by external transactions entered into by the tax consolidated group. Contributions to fund the current tax liabilities are payable as per the tax funding arrangements 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.

3.19 Sales tax, value added tax and goods and services tax

All amounts (including cash flows) are shown exclusive of sales tax, value added tax ("VAT") and goods and services tax ("GST") to the extent reclaimable, except for receivables and payables that are stated inclusive of sales tax, VAT and GST.

3.20 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary or business 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.

3.21 Segment reporting

The Group's operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") of the ultimate controlling entity, Rank Group Limited, in order to allocate resources to the segment and to assess its performance.

3.22 New and revised standards and interpretations

(a) Interpretations and amendments to existing standards effective in 2009

The following interpretations and standards which have not been previously early adopted were mandatory for the Group effective for the period ended December 31, 2009:

- Interpretation 17 "Distributions of Non-cash Assets to Owners" (effective from July 1, 2009) clarifies the measurements criteria and treatment for the recognition of dividends payable while also requiring additional disclosure of distribution to owners of net assets being held as a discontinued operation. In adopting this interpretation the Group has noted no impact, as its treatment of dividends and distribution of non-cash assets is consistent with this interpretation.
- Interpretation 18 "Transfer of Assets from Customers" (effective from July 1, 2009). This interpretation applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation requires that any asset recognised is measured at its fair value with a corresponding credit being recognised as either revenue or deferred revenue. The exact timing of the revenue recognition will depend on the facts and circumstances of each particular arrangement. In adopting this interpretation the Group has noted no impact as it currently does not enter into transactions whereby customers provide settlement for transactions through the provision of assets.

- Interpretation 9 “IAS 39 “Financial Instruments: Recognition and Measurement - Reassessment of Embedded Derivatives (Amendment) (effective from July 1, 2009). This amendment requires an entity to assess whether an embedded derivatives is to be separated from a host contract where an entity reclassifies a hybrid financial asset out of the fair value through profit and loss category. In adopting this amendment the Group has noted no impact on its historically presented financial information and the need to assess such requirements where changes in the future arise.
- AASB 2009-8 “Amendment: Group Cash-settled Share-based Payment Transactions” (effective from January 1, 2009) The amendments requires an entity receiving goods or services (“receiving entity”) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. The current standard requires attribution of group share-based payment transactions only if they are equity-settled. In adopting this amendment the Group has noted no impact as it does not operate any share-based payment schemes.
- AASB 2008-10 “Amendment: Significance of Financial Instruments for Financial Position or Performance” (effective from January 1, 2009) This amendment increases the clarity and provides additional guidance with an aim to enhance disclosures over fair value measurements relating to financial instruments, specifically in relation to disclosures over the inputs used in valuation techniques while improving disclosures over liquidity risk to address current diversity in practice in how such disclosure requirements are being interpreted and applied. The amendment also proposes quantitative disclosures based on how liquidity risk is managed so as to strengthen the relationship between quantitative and qualitative liquidity risk disclosures. In adopting this amendment the Group has noted no impacted other than the additional disclosure requirements.
- AASB 140 “Investment Property” Amendment (effective from January 1, 2009). These amendments (arising from the annual improvements project) require entities that are constructing or developing assets for future use as investment property to account for them as investment property rather than property, plant and equipment during the construction and development stages. If the entity’s policy is to measure investment properties at fair value, any properties that are in the construction or development phase are required to be measured periodically at fair value. In adopting this amendment the Group has noted no impact as it does currently have any investment property in the construction or development phases.

(b) Early adoption of new standards, interpretations and amendments

The Group has elected to adopt the following standards, interpretations and amendments to existing standards in advance of their effective dates:

- AASB 2009-5 “Further amendments to Australian Accounting Standards arising from the Annual Improvements Process (effective for financial reporting periods ending on or after June 30, 2010). In early adopting this amendment the Group has noted no impact.
- AASB 2008-6 “Further amendments to Australian Accounting Standards arising from the Annual Improvements Process (effective for financial reporting periods ending on or after June 30, 2010). In early adopting this amendment the Group has noted no impact.

(c) New standards, interpretations and amendments previously early adopted

The Group has previously elected to early adopt the following standards, interpretations and amendments to existing standards in advance of their effective dates:

- Revised AASB 101 “Presentation of Financial Statements” (effective from January 1, 2009).
- AASB 8 “Operating Segments” (effective from January 1, 2009).
- Revised AASB 123 “Borrowing Costs” (effective from January 1, 2009).
- AASB 2008-1 “Amendments to Australian Accounting Standards - Share based payments: vesting conditions and cancellations” (effective from January 1, 2009).
- AASB 2008-2 “Amendment to puttable financial instruments and obligations arising on liquidation” (effective from January 1, 2009).
- AASB 2008-10 Amendments to AASB 139 and AASB 7 “Reclassification of Financial Assets” (effective from July 1, 2008).
- AASB 2008-8 Amendments to Australian Accounting Standards AASB 139 “Financial Instruments: Recognition and Measurement – Eligible Hedged Items” (effective from July 1, 2009).

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 New and revised standards and interpretations (continued)

(c) New standards, interpretations and amendments previously early adopted (continued)

- Interpretation 13 "Customer Loyalty Programmes" (effective from July 1, 2008).
- Interpretation 15 "Agreements for the Construction of Real Estate" (effective from January 1, 2009).
- Interpretation 16 "Hedge of a Net Investments in a Foreign Operation" (effective from October 1, 2008).

(d) Amendments to existing standards that are not yet effective and have not been early adopted by the Group

The following amendments and interpretations to existing standards are not yet effective for the period ended December 31, 2009, and have not been applied in preparing these consolidated financial statements:

- AASB 2008-7 "Amendments to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective for financial reporting periods commencing on or after June 30, 2009).
- AASB 127 "Consolidated and separate financial statements (revised)" (effective from January 1, 2010).
- AASB 3 "Business Combinations (revised)" (effective for financial reporting periods commencing on or after June 30, 2009).
- AASB 2009-10 "Amendment – Classification of Rights Issues" (effective for financial reporting periods ending on or after January 31, 2011).
- AASB 2009-2 "Amendment – Presentation of financial statements" (effective for financial reporting periods commencing on or after January 1, 2010).
- AASB 9 "Financial Instruments" (effective for financial reporting periods commencing on or after January 1, 2013).
- AASB 2009-3 "Amendment Embedded Derivatives" (effective for financial reporting periods commencing on or after June 30, 2009).
- AASB 2008-6 – "Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process" (effective for financial reporting periods commencing on or after January 1, 2010).
- AASB 2009-5 "Further amendments to Australian Accounting Standards arising from the Annual Improvements Process" (effective for financial reporting periods ending on or after June 30, 2010).
- AASB 2009-7 "Further amendments to Australian Accounting Standards arising from the Annual Improvements Process" (effective for financial reporting periods ending on or after June 30, 2010).

The Directors anticipate that the above amendments and interpretations (with the exception of the revisions to AASB 3) will not have a material impact on the financial statements of the Company or the Group in the period of initial application. On the initial adoption of the revisions to AASB 3 the Company and the Group will be required to account for each business combination transaction from this date under the requirements of the revised standard. The impact of this will be to change the way in which the Company and the Group is required to measure the cost of each business combination, while also prescribing different methods for the accounting for items such as contingent consideration that may exist within an agreement. These changes will impact the profit or loss component of the statement of comprehensive income in the period of each transaction and potentially in each subsequent reporting period.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the process of applying the Group's accounting policies, management has made certain estimates and assumptions about the carrying values of assets and liabilities, income and expenses and the disclosure of contingent assets and liabilities. Management has not made any significant judgements apart from those involving estimations (as discussed below). The key assumptions concerning the future and other key sources of uncertainty in respect of estimates at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial reporting period are:

4.1 Impairment of assets

(a) Investments in subsidiaries

Investments in subsidiaries are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(b) Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

4.2 Realisation of deferred tax assets

The Group assesses the recoverability of deferred tax assets with reference to estimates of future taxable income. To the extent that actual taxable income differs to management's estimate of future taxable income, the value of recognised deferred tax assets may be affected. Deferred tax assets have been recognised to offset deferred tax liabilities to the extent that the 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 management's best estimate of the recovery of these assets against future taxable income.

4.3 Self-insured workers' compensation liabilities

The Group has entered into self-insured workers' compensation arrangements in respect of its past business operations. Provisions for these liabilities are based on actuarial assessments (as performed by qualified independent experts) plus a prudential margin. See note 3.12 for information regarding the estimates and assumptions used in valuing these liabilities.

5. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and associated disclosures require the determination of fair values for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information regarding the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

5.1 Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract using market interest rates for a similar instrument at the measurement date.

The fair value of commodity and other price derivatives is based on a valuation model. The valuation model discounts estimated future cash flows based on the terms and maturity of each contract and using forward curves and market interest rates at the reporting date.

5.2 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated by discounting the future contractual cash flows at the current market interest rates that are available for similar financial instruments.

6. SEGMENT REPORTING

The Group has not operated in any business segment since the disposal of its New Zealand snack business during January 2007. Since January 2007 its income has been derived principally from its equity investments in Goodman Fielder Limited (until its disposal in October 2007) and Fresh Start Bakeries (until its disposal in February 2008), and its short term cash deposits.

All of the Group's assets and liabilities represent unallocated/corporate items. Consequently no business segment information has been provided in respect of the current or prior period. For both the current and prior periods, the Group's activities have been based primarily in Australia and New Zealand.

Notes to the Financial Statements (continued)

7. GAIN ON DISPOSAL OF INVESTMENT IN FRESH START BAKERIES

In millions of AU\$	Consolidated For the period ended December 31		Company For the period ended December 31	
	2009	2008	2009	2008
Sale proceeds	-	37.8	-	37.8
Carrying amount of investment	-	(12.0)	-	(16.5)
Gross gain on disposal	-	25.8	-	21.3
Costs associated with the sale	-	(0.1)	-	(0.1)
Gain on disposal	-	25.7	-	21.2

8. OTHER INCOME

In millions of AU\$	Consolidated For the period ended December 31		Company For the period ended December 31	
	2009	2008	2009	2008
Management fees received from related parties	12.1	14.0	5.8	7.9
Net foreign currency exchange gain	3.3	-	-	-
Surplus on winding up of defined benefit plan	1.0	-	1.0	-
Dividend received from subsidiary	-	-	163.8	5.2
Gain on disposal of property held for sale	-	0.1	-	0.1
Gain on disposal of other investments	-	0.4	-	-
Other	1.1	-	-	-
Total other income	17.5	14.5	170.6	13.2

9. GENERAL AND ADMINISTRATION EXPENSES

The following items of expenditure are included in general and administration expenses:

In millions of AU\$	Consolidated For the period ended December 31		Company For the period ended December 31	
	2009	2008	2009	2008
Operating lease rental expense	0.6	0.6	0.6	0.6
Depreciation and amortisation:				
Property, plant and equipment	0.2	0.2	0.2	0.2
Intangible assets	0.9	0.7	0.9	0.7
Total depreciation and amortisation	1.1	0.9	1.1	0.9

In thousands of AU\$	Consolidated For the period ended December 31		Company For the period ended December 31	
	2009	2008	2009	2008
Auditor's remuneration to KPMG comprising:				
Audit fees	126.6	177.0	87.5	157.0
Other audit related fees	10.0	6.7	-	-
Tax fees	12.3	85.3	12.3	85.3
Total auditor's remuneration	148.9	269.0	99.8	242.3

10. OTHER EXPENSES

In millions of AU\$	Consolidated For the period ended December 31		Company For the period ended December 31	
	2009	2008	2009	2008
Impairment losses on investments in subsidiaries	-	-	(10.8)	(76.0)
Total other expenses	-	-	(10.8)	(76.0)

11. PERSONNEL EXPENSES

In millions of AU\$	Consolidated For the period ended December 31		Company For the period ended December 31	
	2009	2008	2009	2008
Wages and salaries	9.3	9.2	4.9	4.9
Contributions to defined contribution plans	0.4	0.1	0.4	0.1
Other	0.4	0.8	0.4	0.5
Total personnel expenses	10.1	10.1	5.7	5.5

12. FINANCIAL INCOME AND EXPENSES

In millions of AU\$	Consolidated For the period ended December 31		Company For the period ended December 31	
	2009	2008	2009	2008
Interest income on bank accounts	0.9	13.2	0.1	0.2
Interest income on loan to subsidiary	-	-	30.6	52.0
Interest income on loans to other related parties	16.6	84.8	3.9	32.0
Net change in fair value of derivative instruments at fair value through the profit or loss	-	36.3	-	-
Net foreign currency exchange gain	1.6	6.7	-	-
Financial income	19.1	141.0	34.6	84.2
Interest expense on financial liabilities measured at amortised cost				
Capital Notes	(3.1)	(16.8)	-	-
Subsidiary loan	-	-	(10.8)	-
Related party loans	(2.9)	(5.4)	(2.8)	(5.1)
Amortisation of deferred debt transaction costs	(0.2)	(1.8)	-	-
Other	(1.4)	(6.4)	-	-
Net change in fair value of derivative instruments at fair value through the profit or loss	(0.9)	-	-	-
Financial expenses	(8.5)	(30.4)	(13.6)	(5.1)
Net financial income	10.6	110.6	21.0	79.1

Notes to the Financial Statements (continued)

13. INCOME TAX EXPENSE

In millions of AU\$	Consolidated For the period ended		Company December 31	
	2009	2008	2009	2008
Current tax (expense)				
Current period	(7.6)	(30.4)	(5.3)	(28.1)
Adjustment for prior periods	0.2	1.7	-	2.4
	(7.4)	(28.7)	(5.3)	(25.7)
Deferred tax (expense)				
Origination and reversal of temporary differences	0.8	(9.5)	-	(2.3)
Write down of deferred tax assets	(0.4)	(3.3)	(0.4)	(3.3)
Benefit of temporary differences recognised	-	7.1	-	-
Adjustment for prior periods	(1.2)	-	-	-
	(0.8)	(5.7)	(0.4)	(5.6)
Total income tax (expense)	(8.2)	(34.4)	(5.7)	(31.3)

13.1 Reconciliation of effective tax rate

In millions of AU\$	Consolidated For the period ended		Company December 31	
	2009	2008	2009	2008
Profit before income tax	6.4	128.0	170.4	26.6
Income tax using the Group's domestic tax rate of 30% (2008: 30%)	(1.9)	(38.4)	(51.1)	(8.0)
Effect of tax rates in foreign jurisdictions	0.2	0.4	-	-
Current period losses and temporary differences for which no deferred tax asset was recognised	(7.6)	(1.2)	-	-
Write down of deferred tax assets	(0.4)	(3.3)	(0.4)	(3.3)
Recognition of previously unrecognised temporary differences	-	7.1	-	-
Dividend received from subsidiary not taxable	-	-	49.1	1.6
Impairment losses on investments in subsidiaries	-	-	(3.3)	(22.8)
(Under) over provided in prior periods	(1.0)	1.7	-	2.4
Other	2.5	(0.7)	-	(1.2)
Total income tax (expense)	(8.2)	(34.4)	(5.7)	(31.3)

14. OTHER COMPREHENSIVE INCOME

Within the statement of comprehensive income the Group has disclosed certain items of other comprehensive income net of the associated income tax expense or benefit. The pre-tax amount of each of these items and the associated tax effect is as follows:

In millions of AU\$	Consolidated For the period ended December 31			
	2009		2008	
	Pre-tax	Tax effect	Pre-tax	Tax Effect
Exchange differences on translating foreign operations	(7.8)	-	(10.8)	-
Total other comprehensive income	(7.8)	-	(10.8)	-

15. CASH AND CASH EQUIVALENTS

In millions of AU\$	Consolidated As at December 31		Company As at December 31	
	2009	2008	2009	2008
Cash at bank and on hand	4.7	5.5	0.7	2.1
Short-term deposits	51.3	65.4	-	-
Total cash and cash equivalents	56.0	70.9	0.7	2.1

16. OTHER RECEIVABLES

In millions of AU\$	Consolidated As at December 31		Company As at December 31	
	2009	2008	2009	2008
Related party receivables	19.3	45.4	528.3	535.6
Other receivables	1.1	0.1	1.0	0.1
Total current receivables	20.4	45.5	529.3	535.7
Related party receivables	974.9	1,982.6	13.9	462.9
Total non-current receivables	974.9	1,982.6	13.9	462.9

17. INVESTMENTS IN SUBSIDIARIES

In millions of AU\$	Consolidated As at December 31		Company As at December 31	
	2009	2008	2009	2008
Shares in subsidiaries				
Cost	-	-	305.8	305.8
Provision for impairment loss	-	-	(140.7)	(129.9)
Total investments in subsidiaries	-	-	165.1	175.9

Notes to the Financial Statements (continued)

18. PROPERTY, PLANT AND EQUIPMENT

In millions of AU\$	Consolidated			Company	
	Land and buildings	Plant and equipment	Total	Plant and equipment	Total
Cost	0.9	0.9	1.8	0.9	0.9
Accumulated depreciation	-	(0.5)	(0.5)	(0.5)	(0.5)
Carrying amount at December 31, 2009	0.9	0.4	1.3	0.4	0.4
Cost	0.9	1.7	2.6	1.7	1.7
Accumulated depreciation	-	(1.2)	(1.2)	(1.2)	(1.2)
Carrying amount at December 31, 2008	0.9	0.5	1.4	0.5	0.5
Cost at the beginning of the period	0.9	1.8	2.7	1.8	1.8
Accumulated depreciation at the beginning of the period	-	(1.3)	(1.3)	(1.3)	(1.3)
Carrying amount at the beginning of the period	0.9	0.5	1.4	0.5	0.5
Additions	-	0.1	0.1	0.1	0.1
Depreciation for the period	-	(0.2)	(0.2)	(0.2)	(0.2)
Carrying amount at December 31, 2009	0.9	0.4	1.3	0.4	0.4
Cost at the beginning of the period	0.9	1.4	2.3	1.4	1.4
Accumulated depreciation at the beginning of the period	-	(1.1)	(1.1)	(1.1)	(1.1)
Carrying amount at the beginning of the period	0.9	0.3	1.2	0.3	0.3
Additions	-	0.4	0.4	0.4	0.4
Depreciation for the period	-	(0.2)	(0.2)	(0.2)	(0.2)
Carrying amount at December 31, 2008	0.9	0.5	1.4	0.5	0.5

The depreciation charge of AU\$0.2 million for the period (2008: AU\$0.2 million) is recognised in the statement of comprehensive income as a component of general and administration expenses.

19. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

The current tax asset for the Company and the Group of AU\$0.7 million (2008: AU\$1.1 million) represents the amount of income taxes refundable to the Australian tax consolidated group.

The current tax liability for the Group at December 31, 2009 of AU\$2.0 million (2008: AU\$5.7 million) represents the amount of income taxes payable in foreign jurisdictions in respect of current and prior financial periods. The Company did not have a current tax liability at either December 31, 2009 or December 31, 2008.

19.1 Unrecognised deferred tax assets and liabilities

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

In millions of AU\$	Consolidated As at December 31		Company As at December 31	
	2009	2008	2009	2008
Deductible temporary differences				
Investment in subsidiaries	131.0	130.4	-	-
Other	7.7	8.1	0.4	-
Tax losses	120.1	103.9	118.7	103.9
Total unrecognised deferred tax assets	258.8	242.4	119.1	103.9

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefit.

19.2 Movement in recognised deferred tax assets and liabilities

Consolidated

In millions of AU\$	Balance at January 1, 2008	Recognised in profit for the period	Recognised in equity	Acquired in business combination	Other movements	Balance at December 31, 2008	Recognised in profit for the period	Recognised in equity	Acquired in business combination	Other movements	Balance at December 31, 2009
Employee benefits	0.5	(0.1)	-	-	-	0.4	(0.4)	-	-	-	-
Unrealised foreign currency exchange losses	0.3	0.5	-	-	-	0.8	(0.8)	-	-	-	-
Tax loss carry-forwards	40.4	(8.4)	-	-	(32.0)	-	(0.6)	-	-	9.8	9.2
Other items	(3.3)	2.3	-	-	-	(1.0)	1.0	-	-	-	-
Net deferred tax assets (liabilities)	37.9	(5.7)	-	-	(32.0)	0.2	(0.8)	-	-	9.8	9.2

Company

In millions of AU\$	Balance at January 1, 2008	Recognised in profit for the period	Recognised in equity	Acquired in business combination	Other movements	Balance at December 31, 2008	Recognised in profit for the period	Recognised in equity	Acquired in business combination	Other movements	Balance at December 31, 2009
Employee benefits	0.2	-	-	-	-	0.2	(0.2)	-	-	-	-
Tax loss carry-forwards	7.6	(7.6)	-	-	-	-	-	-	-	-	-
Other items	(1.8)	2.0	-	-	-	0.2	(0.2)	-	-	-	-
Net deferred tax assets (liabilities)	6.0	(5.6)	-	-	-	0.4	(0.4)	-	-	-	-

Notes to the Financial Statements (continued)

19. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

19.3 Movement in unrecognised deferred tax assets and liabilities

Consolidated

In millions of AU\$	Balance at January 1, 2008	Additions (usage) in equity	(Recognised) derecognised in profit for the period	Other movements	Balance at December 31, 2008	Additions usage in equity	(Recognised) derecognised in profit for the period	Other movements	Balance at December 31, 2009
Deductible temporary differences	145.6	-	(7.1)	-	138.5	(0.2)	0.4	-	138.7
Tax losses	109.1	(8.5)	3.3	-	103.9	16.2	-	-	120.1
Total unrecognised deferred tax assets	254.7	(8.5)	(3.8)	-	242.4	16.0	0.4	-	258.8

Company

In millions of AU\$	Balance at January 1, 2008	Additions (usage) in equity	(Recognised) derecognised in profit for the period	Other movements	Balance at December 31, 2008	Additions usage in equity	(Recognised) derecognised in profit for the period	Other movements	Balance at December 31, 2009
Deductible temporary differences	-	-	-	-	-	-	0.4	-	0.4
Tax losses	109.1	(8.5)	3.3	-	103.9	14.8	-	-	118.7
Total unrecognised deferred tax assets	109.1	(8.5)	3.3	-	103.9	14.8	0.4	-	119.1

20. INTANGIBLE ASSETS

In millions of AU\$	Consolidated		Company	
	Computer software	Total	Computer software	Total
Cost	2.2	2.2	2.2	2.2
Accumulated amortisation	(1.6)	(1.6)	(1.6)	(1.6)
Carrying amount at December 31, 2009	0.6	0.6	0.6	0.6
Cost	2.2	2.2	2.2	2.2
Accumulated amortisation	(0.7)	(0.7)	(0.7)	(0.7)
Carrying amount at December 31, 2008	1.5	1.5	1.5	1.5
Cost at the beginning of the period	2.2	2.2	2.2	2.2
Accumulated amortisation at the beginning of the period	(0.7)	(0.7)	(0.7)	(0.7)
Carrying amount at the beginning of the period	1.5	1.5	1.5	1.5
Amortisation for the period	(0.9)	(0.9)	(0.9)	(0.9)
Carrying amount at December 31, 2009	0.6	0.6	0.6	0.6
Cost at the beginning of the period	1.4	1.4	1.4	1.4
Accumulated amortisation at the beginning of the period	-	-	-	-
Carrying amount at the beginning of the period	1.4	1.4	1.4	1.4
Additions	0.8	0.8	0.8	0.8
Amortisation for the period	(0.7)	(0.7)	(0.7)	(0.7)
Carrying amount at December 31, 2008	1.5	1.5	1.5	1.5

The amortisation charge of AU\$0.9 million for the period (2008: AU\$0.7 million) is recognised in the statement of comprehensive income as a component of general and administration expenses.

21. TRADE AND OTHER PAYABLES

In millions of AU\$	Consolidated As at December 31		Company As at December 31	
	2009	2008	2009	2008
Trade payables	0.1	0.2	0.1	0.2
Related party payables	13.6	8.8	7.3	4.7
Accrued Interest	1.0	1.1	-	-
Non-trade payables and accrued expenses	0.8	0.5	0.3	0.4
Total current trade and other payables	15.5	10.6	7.7	5.3
Related party payables	722.6	737.0	129.8	125.3
Total non-current payables	722.6	737.0	129.8	125.3

Notes to the Financial Statements (continued)

22. BORROWINGS

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 26.

In millions of AU\$	Consolidated As at December 31		Company As at December 31	
	2009	2008	2009	2008
Loan from subsidiary – Burns Philp GF Investments Pty Limited	-	-	372.0	-
Loans from other related parties				
Evergreen Packaging Inc.	13.1	16.7	-	-
Evergreen Packaging Canada Limited	0.3	0.4	-	-
Current borrowings	13.4	17.1	372.0	-
Loan from related party – Building Supplies Group Holdings Pty Limited	83.8	81.0	83.8	81.0
2011 Capital Notes (i)	31.0	31.7	-	-
Non-current borrowings	114.8	112.7	83.8	81.0
(i) 2011 Capital Notes payable	31.5	32.4	-	-
Transaction costs	(0.5)	(0.7)	-	-
Carrying amount	31.0	31.7	-	-

Terms and debt repayment schedule

In millions of AU\$	Currency	Nominal interest rate	Year of maturity	Consolidated As at December 31			
				2009 Face value	2009 Carrying amount	2008 Face value	2008 Carrying amount
2011 Capital Notes	NZ\$	9.95%	2011	31.5	31.0	32.4	31.7
Related party loan – Building Supplies Group Holdings Pty Limited	AU\$	7.42%		83.8	83.8	81.0	81.0
Related party loan – Evergreen Packaging Inc.	US\$	2.20%		13.1	13.1	16.7	16.7
Related party loan – Evergreen Packaging Canada Limited	CA\$	5.00%		0.3	0.3	0.4	0.4
				128.7	128.2	130.5	129.8

During 2003 Burns Philp Finance New Zealand Limited ("BPFNZ"), a subsidiary of the Company, issued capital notes with a principal value of NZ\$212.5 million ("Capital Notes"). The Capital Notes were issued in two series, one series which had an initial election date of December 15, 2008 and bore an interest rate of 9.75% per annum ("2008 Capital Notes") and the other series which has an initial election date of November 15, 2011 and bears an interest rate of 9.95% per annum ("2011 Capital Notes").

On December 15, 2008 BPFNZ redeemed all of the 2008 Capital Notes.

Until May 20, 2009, the 2011 Capital Notes were guaranteed by the Company and another of its subsidiaries, BPC Foods International Pty Limited (now renamed LQ56 (BPF) Pty Limited). Since that date the 2011 Capital Notes have been solely guaranteed by the Company. The 2011 Capital Notes and the guarantee are unsecured and subordinated obligations of BPFNZ and the Company, ranking behind all their other secured and unsecured liabilities.

Under a Deed of Subordination dated February 15, 2008 the Company may not make any repayment to Building Supplies Group Holdings Pty Limited, of certain intercompany loans, until the Capital Notes have been repaid in full.

23. EMPLOYEE BENEFITS

In millions of AU\$	Consolidated As at December 31		Company As at December 31	
	2009	2008	2009	2008
Provision for annual leave	2.0	2.5	0.3	0.3
Provision for long service leave	0.4	0.4	0.4	0.4
Other	0.6	0.6	0.6	0.6
Total employee benefits	3.0	3.5	1.3	1.3
Current	2.6	3.1	0.9	0.9
Non-current	0.4	0.4	0.4	0.4
Total employee benefits	3.0	3.5	1.3	1.3

23.1 Pension benefits

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

The accrued benefits, plan assets at net market value and vested benefits of the Burns Philp Group Superannuation Plan as at December 31, 2009 and December 31, 2008, based on the most recent financial statements of the plan, are set out in the table below. Accrued benefits are benefits which the plan is presently obliged to pay at some future date as a result of membership of the plan. Vested benefits are benefits which are not conditional upon continued membership of the plan or any factor, other than resignation from the plan.

At December 31, 2009 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.

In millions of AU\$	Accrued benefits As at December 31		Plan assets at net market value As at December 31		Funded status – Overfunded As at December 31		Vested benefits As at December 31	
	2009	2008	2009	2008	2009	2008	2009	2008
Burns Philp Group Superannuation Plan	5.1	5.1	6.3	6.4	1.2	1.3	5.1	5.1

On August 6, 2009 the Company gave notice to the trustee that it had decided to permanently cease contributing to the Plan and the trustee subsequently resolved to wind up the Plan in accordance with the Trust Deed. On the commencement of the wind up all the Plan Assets were converted to cash.

As a consequence of the wind up, pensioners and contingent spouse beneficiaries, will in lieu of a pension (or possible future pension) be paid, out of plan assets, a single lump sum amount equal (based on the advice of the actuary) to the actuarial present value of their expected future pension payment plus an additional benefit which will lead to an uplift (top up) to the single lump sum of approximately 6%.

After payment of all lump sum amounts in respect of pensioners and contingents spouse beneficiaries (and the expenses of wind up), the remaining balance of plan assets of approximately AU\$1.0 million will, subject to a grant of a waiver from the Australian Prudential Regulation Authority, and as provided in the Trust Deed be returned to the Company. It is currently anticipated that the wind up will be completed by 30 June 2010. The remaining balance of approximately AU\$1.0 million has been recognised as a current receivable as at December 31, 2009.

23.2 Defined contribution plans

Employer contributions to defined contribution plans are based on various percentages of those eligible employees' gross salaries. The Company and the consolidated entity contributed AU\$0.4 million to defined contribution plans during the current period (2008: AU\$0.1 million).

Notes to the Financial Statements (continued)

24. PROVISIONS

Consolidated

In millions AU\$	Workers' compensation	Legal and warranty claims	Other	Total
Balance at the beginning of the period	17.5	12.1	0.2	29.8
Provisions made during the period	-	1.1	-	1.1
Provisions used during the period	(4.2)	(0.4)	-	(4.6)
Provisions reversed during the period	(0.5)	-	-	(0.5)
Effect of movement in exchange rates	-	(2.7)	-	(2.7)
Balance at December 31, 2009	12.8	10.1	0.2	23.1
Current	2.7	10.1	0.2	13.0
Non-current	10.1	-	-	10.1
Total provisions at December 31, 2009	12.8	10.1	0.2	23.1
Current	4.4	12.1	0.2	16.7
Non-current	13.1	-	-	13.1
Total provisions at December 31, 2008	17.5	12.1	0.2	29.8

Company

In millions AU\$	Workers' compensation	Legal and warranty claims	Other	Total
Balance at the beginning of the period	5.0	-	0.2	5.2
Provisions used during the period	(1.1)	-	-	(1.1)
Provisions reversed during the period	(0.2)	-	-	(0.2)
Balance at December 31, 2009	3.7	-	0.2	3.9
Current	0.7	-	0.2	0.9
Non-current	3.0	-	-	3.0
Total provisions at December 31, 2009	3.7	-	0.2	3.9
Current	1.2	-	0.2	1.4
Non-current	3.8	-	-	3.8
Total provisions at December 31, 2008	5.0	-	0.2	5.2

(a) Workers' compensation

The Company was a self-insurer under the Victorian Accident Compensation Act. BPC Foods Pty Limited ("BPC Foods", formerly Goodman Fielder Limited), a subsidiary of the Company, originally obtained a licence to self-insure in Victoria on July 14, 2001. Subsequent to its takeover of BPC Foods, the Company obtained a licence and the BPC Foods' licence was handed back. Subsequent to June 30, 2006, the Company's 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 was held from April 1, 2001 and 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.

(b) Legal and warranty claims

The Group 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 30 for further details of the Group's contingent liabilities.

25. EQUITY

25.1 Share capital

Number of shares	Company As at December 31	
	2009	2008
Balance at the beginning of the period	1,629,315,312	1,629,315,312
Balance at December 31	1,629,315,312	1,629,315,312

All issued ordinary shares are fully paid and have no par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share. All shares rank equally with regard to the Group's residual assets in the event of a wind-up.

On March 9, 2009 Burns Philp GF Investments Pty Limited (a subsidiary of the Company) assigned to the Company AU\$547.2 million of a loan owing from Building Supplies Group Holdings Pty Limited. The Company also received a dividend of AU\$163.8 million from Burns Philp GF Investments Pty Limited which offset part of the intercompany payable owing to Burns Philp GF Investments Pty Limited as a result of this debt assignment. The Company then effected a forgiveness of debt in favour of Building Supplies Group Holdings Pty Limited for AU\$1,000.0 million out of the Company's retained earnings of AU\$656.3 million and by a capital reduction of AU\$343.7 million which reduced issued share capital from AU\$470.3 million to AU\$126.6 million.

25.2 Reserves

In millions of AU\$	Consolidated As at December 31		Company As at December 31	
	2009	2008	2009	2008
Reserves				
Translation reserve (a)	(9.0)	(1.2)	-	-
Balance at December 31	(9.0)	(1.2)	-	-

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

25.3 Dividends

No dividends were declared or paid on ordinary shares during the current period.

During the twelve month period ended December 31, 2008, an unfranked ordinary dividend of AU\$331.8 million was paid to Kintron Developments Limited (the then sole shareholder).

25.4 Capital management

The Directors are responsible for monitoring and managing the Company's and the Group's capital structures.

The Directors' policy is to maintain an acceptable capital base to promote the confidence of its financiers and creditors and to sustain the future development of the business. The Directors monitor the Company's and the Group's financial positions to ensure that they comply at all times with their financial and other covenants as set out in their financing arrangements.

Monthly consolidated treasury reports are prepared at the Rank Group level for the Directors, who ensure compliance with risk management policies and procedures.

Notes to the Financial Statements (continued)

26. FINANCIAL RISK MANAGEMENT

26.1 Overview

This note presents information about the Group's exposure to market risk, credit risk and liquidity risk, and where applicable, the Group's objectives, policies and procedures for managing these risks.

Exposure to market, credit and liquidity risks arise in the normal course of the Group's business. The Directors of the Group (and the ultimate parent entity) have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Directors have established a treasury policy that identifies risks faced by the Group and sets out policies and procedures to mitigate those risks. Risk management is primarily carried out by a centralised treasury function at the Rank Group Limited ("Rank Group") level (ultimate parent entity). The Directors have delegated authority levels and authorised the use of various financial instruments to a restricted number of personnel within the treasury function.

Monthly consolidated treasury reports are prepared at the Rank Group level for the Directors, who ensure compliance with risk management policies and procedures.

26.2 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's cash flows or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(a) Foreign exchange risk

As a result of the Group's international operations foreign exchange risk exposures exist on purchases, assets and borrowings that are denominated in foreign currencies (i.e. currencies other than Australian Dollars). The currencies in which these transactions primarily are denominated are the New Zealand Dollar ("NZ\$"), the US Dollar ("US\$"), the Euro ("EUR") and the Canadian Dollar ("CA\$").

In accordance with the Group's treasury policy, the Group takes advantage of natural offsets to the extent possible. Therefore, when commercially feasible, the Group borrows in the same currencies in which cash flows from operations are generated. Generally the Group does not use forward exchange contracts to hedge residual foreign exchange risk arising from customary receipts and payments denominated in foreign currencies. However, when considered appropriate the Group may enter into forward exchange contracts to hedge foreign exchange risk arising from specific transactions.

(i) Exposure to foreign exchange risk

Consolidated

In millions of AU\$	US\$	EUR	CA\$	NZ\$
December 31, 2009				
Cash and cash equivalents	1.5	-	36.0	14.2
Other receivables	-	-	0.2	769.7
Trade and other payables	(6.3)	-	-	(592.8)
Other liabilities	(1.4)	-	(0.1)	(0.5)
Borrowings				
2011 Capital Notes	-	-	-	(31.0)
Loans from related parties	(13.1)	-	(0.3)	-
Total exposure	(19.3)	-	35.8	159.6
Effect of derivative contracts	99.3	(89.7)	(34.4)	-
Net exposure	80.0	(89.7)	1.4	159.6
December 31, 2008				
Cash and cash equivalents	1.2	-	42.7	16.0
Other receivables	1.2	-	0.4	820.1
Trade and other payables	(4.3)	-	-	(611.8)
Other liabilities	(1.4)	-	(0.2)	(0.5)
Loans and borrowings				
2011 Capital Notes	-	-	-	(31.7)
Loans from related parties	(16.8)	-	(0.4)	-
Total exposure	(20.1)	-	42.5	192.1
Effect of derivative contracts	128.6	(113.9)	(38.5)	-
Net exposure	108.5	(113.9)	4.0	192.1

Company

The Company does not have any exposure to foreign exchange risk.

(ii) Significant exchange rates

The following significant exchange rates applied during the period:

	Average rate for the period ended December 31		As at December 31	
	2009	2008	2009	2008
US\$	0.7986	0.8528	0.8966	0.6919
NZ\$	1.2503	1.1984	1.2346	1.1964
EUR	0.5698	0.5750	0.6239	0.4912
CA\$	0.9004	0.8996	0.9430	0.8432

Notes to the Financial Statements (continued)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.2 Market Risk (continued)

(a) Foreign exchange risk (continued)

(iii) Sensitivity analysis

A change in exchange rates would impact future payments and receipts on the Group's assets and liabilities denominated in foreign currencies. A 10% strengthening/weakening of the Australian Dollar against the following currencies at the reporting date would have increased (decreased) the statement of comprehensive income by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The same basis has been applied for all periods presented.

In millions of AU\$	As at December 31	
	2009	2008
10% strengthening of AU\$		
US\$	(7.3)	(9.9)
NZ\$	(14.5)	(17.5)
EUR	8.2	10.4
CA\$	(0.1)	(0.4)

In millions of AU\$	As at December 31	
	2009	2008
10% weakening of AU\$		
US\$	8.9	12.0
NZ\$	17.7	21.3
EUR	(10.0)	(12.7)
CA\$	0.2	0.4

(b) 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.

The Group's debt comprises the 2011 Capital Notes which bear interest at a fixed rate of 9.95% and related party debt which bears interest at floating rates.

In addition to this debt, the Group currently holds a significant amount of cash on deposit and has interest bearing loans due from related parties, both of which earn interest at floating rates. Interest earned on these are subject to changes in interest rates, primarily in the United States and Australia. The Group does not currently intend to hedge its exposure to movements in interest rates earned on cash on deposit or from related party loans.

The following table sets out the Group's interest rate risk repricing profile:

Consolidated

In millions of AU\$	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2009						
Fixed rate instruments						
Derivatives	(26.0)	-	-	(26.0)	-	-
Borrowings						
2011 Capital Notes	(31.0)	-	-	(31.0)	-	-
Total fixed rate instruments	(57.0)	-	-	(57.0)	-	-
Floating rate instruments						
Cash and cash equivalents	56.0	56.0	-	-	-	-
Receivables from related parties	222.1	-	-	222.1	-	-
Loans from related parties	(97.2)	(13.4)	-	(83.8)	-	-
Total floating rate instruments	180.9	42.6	-	138.3	-	-
Total	123.9	42.6	-	81.3	-	-

December 31, 2008

Fixed rate instruments						
Derivatives	(25.1)	-	-	-	(25.1)	-
Loans and borrowings						
2011 Capital Notes	(31.7)	-	-	-	(31.7)	-
Total fixed rate instruments	(56.8)	-	-	-	(56.8)	-
Floating rate instruments						
Cash and cash equivalents	70.9	70.9	-	-	-	-
Receivables from related parties	1,206.1	-	-	-	1,206.1	-
Loans from related parties	(98.1)	(17.1)	-	-	(81.0)	-
Total floating rate instruments	1,178.9	53.8	-	-	1,125.1	-
Total	1,122.1	53.8	-	-	1,068.3	-

Company

In millions of AU\$	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2009						
Floating rate instruments						
Cash and cash equivalents	0.7	0.7	-	-	-	-
Receivable from subsidiary	522.1	522.1	-	-	-	-
Loan from subsidiary	(372.0)	(372.0)	-	-	-	-
Total floating rate instruments	150.8	150.8	-	-	-	-
December 31, 2008						
Floating rate instruments						
Cash and cash equivalents	2.1	2.1	-	-	-	-
Receivable from subsidiary	505.1	505.1	-	-	-	-
Loan from other related party	452.8	-	-	-	452.8	-
Total floating rate instruments	960.0	507.2	-	-	452.8	-

Notes to the Financial Statements (continued)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.2 Market Risk (continued)

(b) Interest rate risk (continued)

The Group's sensitivity to interest rate risk can be expressed in two ways:

(i) Fair value sensitivity analysis

A change in interest rates impacts the fair value of the Group's fixed rate borrowings. Fair value changes impact on the statement of comprehensive income as a component of the profit or loss. Given all debt instruments are carried at amortised cost, a change in interest rates would not impact the statement of comprehensive income as a component of the profit or loss.

(ii) Cash flow sensitivity analysis

A change in interest rates would impact on future interest payments and receipts on the Group's floating rate assets and liabilities. An increase in interest rates of 100 basis points at the reporting date would increase (decrease) the statement of comprehensive income result and equity by the amounts shown below, based on the assets and liabilities held at the reporting date, and a one year time frame. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for comparative periods.

In millions of AU\$	Consolidated		Company	
	2009	2008	2009	2008
100 basis point parallel increase in interest rates	1.8	11.8	5.2	9.6
100 basis point parallel decrease in interest rates	(1.8)	(11.8)	(5.2)	(9.6)

26.3 Credit Risk

Credit risk is the risk of financial loss to the Company and the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's and the Group's receivables from customers and related entities.

The Company's and the Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty with both the Company's and the Group's credit risk primarily represented by receivables from related entities.

The carrying amount of financial assets represents the maximum credit exposure.

The Group limits its exposure to credit risk by making deposits and entering into derivative instruments with counterparties that have a credit rating of at least BBB+ from Standard & Poor's. Given these high credit ratings, management does not expect any such counterparty to fail to meet its obligations.

26.4 Liquidity Risk

Liquidity risk is the risk that the Group will not meet its contractual obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities as and when they fall due and comply with bank covenants.

The Group evaluates its liquidity requirements on an ongoing basis using a 13 week rolling forecast and ensures that it has sufficient cash on demand to meet expected operating expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table sets out contractual cash flows for all financial liabilities including derivatives.

Consolidated

In millions of AU\$	Carrying amount	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2009							
Non-derivative financial liabilities							
Trade and other payables	738.1	738.1	15.5	-	722.6	-	-
Borrowings							
Loans from related parties	97.2	97.2	13.4	-	83.8	-	-
2011 Capital Notes	31.0	31.0	-	-	31.0	-	-
	866.3	866.3	28.9	-	837.4	-	-
Derivative financial liabilities							
Cross currency swaps	26.0	26.0	-	-	26.0	-	-
	26.0	26.0	-	-	26.0	-	-
Total	892.3	892.3	28.9	-	863.4	-	-

December 31, 2008

Non-derivative financial liabilities							
Trade and other payables	747.6	747.6	8.1	-	-	739.5	-
Borrowings							
Loans from related parties	98.1	98.1	17.1	-	-	81.0	-
2011 Capital Notes	31.7	31.7	-	-	-	31.7	-
	877.4	877.4	25.2	-	-	852.2	-
Derivative financial liabilities							
Cross currency swaps	25.1	25.1	-	-	-	25.1	-
	25.1	25.1	-	-	-	25.1	-
Total	902.5	902.5	25.2	-	-	877.3	-

Company

In millions of AU\$	Carrying amount	Total	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
December 31, 2009							
Non-derivative financial liabilities							
Trade and other payables	137.5	137.5	7.7	-	129.8	-	-
Borrowings							
Loan from subsidiary	372.0	372.0	372.0	-	-	-	-
Loans from other related parties	83.8	83.8	-	-	83.8	-	-
	593.3	593.3	379.7	-	213.6	-	-
Total	593.3	593.3	379.7	-	213.6	-	-
December 31, 2008							
Non-derivative financial liabilities							
Trade and other payables	130.6	130.6	5.3	-	-	125.3	-
Borrowings							
Loans from other related parties	81.0	81.0	-	-	-	81.0	-
	211.6	211.6	5.3	-	-	206.3	-
Total	211.6	211.6	5.3	-	-	206.3	-

Notes to the Financial Statements (continued)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

26.5 Classification and fair values of financial assets and liabilities

Consolidated

In millions of AU\$	Fair value through the profit or loss	Available for sale	Held to maturity	Loans and receivables	Other liabilities	Total carrying amount	Fair value
December 31, 2009							
Assets							
Cash and cash equivalents	-	-	-	56.0	-	56.0	56.0
Trade and other receivables	-	-	-	995.3	-	995.3	995.3
Total assets	-	-	-	1,051.3	-	1,051.3	1,051.3
Liabilities							
Trade and other payables	-	-	-	-	738.1	738.1	738.1
Derivative financial liabilities							
Cross currency swaps	26.0	-	-	-	-	26.0	26.0
Borrowings							
2011 Capital Notes	-	-	-	-	31.0	31.0	31.5
Loans from related parties	-	-	-	-	97.2	97.2	97.2
Total liabilities	26.0	-	-	-	866.3	892.3	892.8
December 31, 2008							
Assets							
Cash and cash equivalents	-	-	-	70.9	-	70.9	70.9
Trade and other receivables	-	-	-	2,028.1	-	2,028.1	2,028.1
Total assets	-	-	-	2,099.0	-	2,099.0	2,099.0
Liabilities							
Trade and other payables	-	-	-	-	747.6	747.6	747.6
Derivative financial liabilities							
Cross currency swaps	25.1	-	-	-	-	25.1	25.1
Borrowings							
2011 Capital Notes	-	-	-	-	31.7	31.7	32.4
Loans from related parties	-	-	-	-	98.1	98.1	98.1
Total liabilities	25.1	-	-	-	877.4	902.5	903.2

Company

In millions of AU\$	Fair value through the profit or loss	Available for sale	Held to maturity	Loans and receivables	Other liabilities	Total carrying amount	Fair value
December 31, 2009							
Assets							
Cash and cash equivalents	-	-	-	0.7	-	0.7	0.7
Trade and other receivables	-	-	-	543.2	-	543.2	543.2
Total assets	-	-	-	543.9	-	543.9	543.9
Liabilities							
Trade and other payables	-	-	-	-	137.5	137.5	137.5
Borrowings							
Loan from subsidiary	-	-	-	-	372.0	372.0	372.0
Loans from other related parties	-	-	-	-	83.8	83.8	83.8
Total liabilities	-	-	-	-	593.3	593.3	593.3
December 31, 2008							
Assets							
Cash and cash equivalents	-	-	-	2.1	-	2.1	2.1
Trade and other receivables	-	-	-	998.6	-	998.6	998.6
Total assets	-	-	-	1,000.7	-	1,000.7	1,000.7
Liabilities							
Trade and other payables	-	-	-	-	130.6	130.6	130.6
Borrowings							
Loans from other related parties	-	-	-	-	81.0	81.0	81.0
Total liabilities	-	-	-	-	211.6	211.6	211.6

The methods used in determining fair values of financial instruments are discussed in note 5.

27. RELATED PARTIES

Parent and ultimate controlling entity

Until December 15, 2008 Kintron Developments Limited was the immediate parent of the Group, and on that date Kintron Developments Limited was amalgamated with Nerva Investments Limited, which then became the immediate parent. The ultimate controlling entity of the Group is Rank Group Limited and the ultimate shareholder is Mr G.R. Hart.

Transactions with key management personnel

As a result of the disposal of the Group's operating assets during the year ended June 30, 2007, key management personnel of the Group, who are also key management personnel of the wider Rank Group organisation have focussed their time and efforts on other parts of Rank Group's operations. Such operations are outside of the Burns Philp consolidated entity. On this basis key management personnel costs, although borne by the Group, have been notionally allocated to those operations where key management personnel are actively involved, resulting in a 0% allocation being made to the Group with respect to those key management personnel.

There were no outstanding loans to key management personnel at either December 31, 2009, December 31, 2008 or at any time during the year ended December 31, 2009 or during the year ended December 31, 2008.

Notes to the Financial Statements (continued)

27. RELATED PARTIES (CONTINUED)

Related party transactions

The entities, the nature of the relationship and the types of transactions with which the Group entered into related party transactions during the period are detailed below:

Entity name	Nature of relationship	Nature of transactions
Rank Group Limited ("Rank Group")	Ultimate parent entity	Management fees charged Advances Transfer of tax balances
Nerva Investments Limited ("NERVA")	Immediate parent	Advances
Kintron Developments Limited ("KDL")	Immediate parent (prior)	Transfer of tax balances
Packaging Holdings Limited ("PHL")	Other related party	Advances
Reynolds Group Holdings Limited ("RGHL")	Other related party	Advances Transfer of tax balances
Rank Group Property Investments Limited ("RGPI")	Other related party	Transfer of tax balances
Rank Services Limited ("RSL")	Other related party	Recharge costs
Building Supplies Group Holdings Pty Limited ("BSGH")	Other related party	Transfer of tax balances Advances Debt forgiveness Non-current interest bearing borrowing
Carter Holt Investments ("CHI")	Other related party	Advances
Carter Holt Harvey Australia Pty Limited ("CHHA")	Other related party	Transfer of tax balances
Carter Holt Harvey Packaging Australia Limited ("CHHPA")	Other related party	Recharge costs
Carter Holt Harvey Woodproducts (Southern Region) Pty Limited ("CHHWSR")	Other related party	Advances Transfer of tax balances
Carter Holt Harvey Woodproducts (Central and Northern Region) Pty Limited ("CHHWCR")	Other related party	Transfer of tax balances
Carter Holt Harvey Woodproducts (Distribution) Pty Limited ("CHHWD")	Other related party	Transfer of tax balances
Fernbrook Investments Limited ("FIL")	Other related party	Transfer of tax balances
BPC Holdings Limited ("BPCHL")	Other related party	Transfer of tax balances
Beverage Packaging Holdings (Luxembourg) I S.A. ("BPHL")	Other related party	Transfer of tax balances
Evergreen Packaging Inc. ("EPI")	Other related party	Interest bearing borrowing Management fees charged Recharge of expenses
Evergreen Packaging Canada Limited ("EPCL")	Other related party	Non-current interest bearing borrowing Management fees charged
Felham Enterprises Limited ("FEL")	Other related party	Recharge of aircraft costs
Felham Enterprises Inc. ("FEI")	Other related party	Aircraft dry lease charges
Reynolds Packaging (NZ) Limited ("RPNZL")	Other related party	Management fees charged Recharge of costs

AU\$000's	Transaction values* For the period ended December 31		Balances outstanding As at December 31	
	2009	2008	2009	2008
Current trade receivables from related entities				
Ultimate parent entity				
Rank Group – management fee income/balance due from(i)	5,182	7,917	-	660
Other related entities				
RPNZL – management fee income/balance due from(i)	(222)	295	-	253
EPCL – management fee income/balance due from(i)	(125)	194	98	194
RSL – recharge costs/balance due from(i)	(117)	117	-	117
EPI – management fees income/balance due from(i)	(612)	587	-	893
FIL – transfer of tax balances/balance due from(ii)	(4,673)	4,673	-	4,673
BPCHL – transfer of tax balances/balance due from(ii)	(24,493)	24,493	-	24,493
BPHL – transfer of tax balances/balance due from(ii)	13,333	-	13,689	-
RGHL – transfer of tax balances/balances due from(ii)	3,371	-	3,460	-
RGPIL – transfer of tax balances/balance due from(ii)	(1,565)	1,565	-	1,565
KDL – transfer of tax balances/balance due from(ii)	(362)	362	-	362
CHHA – transfer of tax balances/balance due from(iii)	(11,589)	2,671	-	11,589
CHHWD – transfer of tax balances/balance due from(iii)	(61)	498	437	498
CHHWCNR – transfer of tax balances/balance due from(iii)	1,669	-	1,669	-
Non-current advances to related entities – interest bearing				
Immediate parent entity				
NERVA – interest income/balance due from(iv)	1,549	22,500	23,375	22,500
Other related entities				
BSGH – debt forgiven/balance due from(v)(vi)	(1,000,000)	-	-	1,000,000
– interest income/balance due from(v)	15,078	83,647	198,727	183,649
Non-current advances to related entities – non-interest bearing				
Ultimate parent entity				
Rank Group – advance to/balance due from(vii)	-	366,760	355,416	366,760
Other related entities				
PHL – advance to/balance due from(viii)	392,358	-	387,392	-
RGHL – advance to/balance due from(viii)	(392,358)	-	-	399,757
CHHWSR – advance to/balance due from(ix)	-	10,000	10,000	10,000

Notes to the Financial Statements (continued)

27. RELATED PARTIES (CONTINUED)

Related party transactions (continued)

AU\$000's	Transaction values* For the period ended December 31		Balances outstanding As at December 31	
	2009	2008	2009	2008
Current trade payables to related entities				
Other related entities				
EPI – recharge of expenses/balance due to(i)	404	(133)	(102)	(590)
FEL – recharges of aircraft costs/balance due to(i)	113	(1,021)	(638)	(1,058)
CHHA – transfer of tax balances/balance due from(iii)	(2,395)	-	(2,395)	-
CHHWSR – transfer of tax balances/balance due to(iii)	(1,171)	(3,759)	(4,930)	(3,759)
CHHWCNR – transfer of tax balances/balance due to(iii)	918	(918)	-	(918)
FEI – aircraft dry lease charges/balance due to(x)	(4,098)	(2,331)	(5,460)	(2,463)
Non-current advances from related entities – non-interest bearing				
Other related entities				
BSGH – transfer of tax balances/balance due to(xi)	(4,519)	(25,800)	(129,810)	(125,291)
CHI – balance due to(xii)	-	-	(592,841)	(611,762)
Current interest bearing borrowings from related entities				
Other related entities				
EPI – interest expense/balance due to(xiii)	(108)	(300)	(13,055)	(16,794)
EPCL – interest expense/balance due to(xiv)	(7)	(15)	(342)	(375)
Non-current interest bearing borrowings from related entities				
Other related entities				
BSGH – advance from/balance due to(xi)	-	(75,921)	(75,921)	(75,921)
– interest expense/balance due to(xi)	(2,823)	(5,067)	(7,890)	(5,067)

* Transaction values denominated in foreign currencies have been translated to \$AU in accordance with the accounting policy described in note 3.2(c).

- (i) These related party balances are due under trade terms, non-interest bearing and are unsecured.
- (ii) These balances represent tax losses transferred by BPC Finance (N.Z.) Limited, a New Zealand subsidiary of the Company, from other related New Zealand entities of the ultimate sole shareholder.
- (iii) These related entities are members of the Australian tax consolidated group and the outstanding balances relate to tax liabilities and assets transferred to the Company, the head entity of the tax consolidated group.
- (iv) Loan to NERVA bears interest at a rate based on a three month New Zealand bank bill rate, set quarterly, plus a margin of 3.5%. During the current period, interest was charged at rates from 6.32 % to 8.60% (December 31, 2008: 8.6% to 11.96%). This loan is repayable on demand, is unsecured and is subordinated to the obligations under a senior secured loan agreement ("Rank Facility") and cannot be repaid until the obligations under the Rank Facility are repaid in 2010.
- (v) BSGH is charged interest at a rate based on the three month Australian bank bill rate, set quarterly. During the current period, interest was charged at rates from 3.11% to 4.15% (December 31, 2008: 6.96 % to 7.81%). The loan receivable, representing amounts owed to a subsidiary, Burns Philp GF Investments Pty Limited ("BPGFI"), is unsecured and subordinated to the obligations under a senior secured loan agreement (the "CHH Facility") and cannot be repaid until the obligations under the CHH facility are repaid in 2012.

- (vi) On March 9, 2009 BPGFI assigned to the Company AU\$547,185,000 of a loan owing from BSGH. The Company also received a dividend of AU\$163,816,000 from BPGFI which offset part of the intercompany payable owing to BPGFI as a result of the debt assignment. The Company then effected a forgiveness of debt in favour of BSGH for AU\$1,000,000,000 out of the Company's retained earnings and by a capital reduction (refer to note 25 for further details).
- (vii) Loan to Rank Group is repayable on demand, is unsecured and is subordinated to the obligations under the Rank Facility and cannot be repaid until the obligations under the Rank Facility are repaid in 2010. No interest has been charged from the date of the loan.
- (viii) Loan to RGHL was novated to PHL on September 29, 2009, is non interest bearing, repayable on demand and is unsecured.
- (ix) Loan to CHHWSR is repayable on demand, is unsecured and subordinated to the obligations under the CHH Facility and cannot be repaid until the obligations under the CHH facility are repaid in 2012. No interest has been charged from the date of the loan.
- (x) This balance relates to charges under a dry lease aircraft agreement between FEI and BPC United States Inc. (a subsidiary of the Company) for the use of company aircraft consisting of a monthly fixed rental and an hourly rental for actual flight hours. This related party balance is non interest bearing and unsecured.
- (xi) These loans are repayable on demand and are unsecured. Of these loans, AU\$83,811,000 is interest bearing at a rate based on the three month Australian bank bill rate, set quarterly. During the current period interest was charged on this loan at rates from 3.11% to 4.15% (December 31, 2008: 6.3% to 8.60%). The amounts payable to BSGH have been subordinated and cannot be repaid until the Capital Notes have been repaid in full (refer to note 22 for further details).
- (xii) Loan from CHI is non interest bearing, repayable on demand and is unsecured.
- (xiii) During the current period, interest was charged at rates from 0.60% to 0.84% (December 31, 2008: 1.36% to 3.14%).
- (xiv) During the current period, interest was charged at 2% (December 31, 2008: 5%).

Other than as disclosed in (vi) above, no related party balances were written off, provided for or forgiven in the period ended December 31, 2009 (2008: nil).

Notes to the Financial Statements (continued)

28. GROUP ENTITIES

	Reporting date	Country of incorporation	Ownership interest (%) As at December 31	
			2009	2008
BPC Commercial Australia Pty Ltd(c)	December 31	Australia	100	100
BPC Field Operations Pty Ltd(a)(d)	December 31	Australia	100	100
BPC Finance Pty Ltd(a)(b)	December 31	Australia	100	100
BPC Foods Nominees Pty Ltd	December 31	Australia	100	100
BPC Foods Pty Ltd(a)(d)	December 31	Australia	100	100
BPC Group Services Pty Ltd(a)(b)	December 31	Australia	100	100
BPC1 Pty Ltd(a)(d)	December 31	Australia	100	100
Burns Philp Australia Pty Ltd(a)(d)	December 31	Australia	100	100
Burns Philp Custodians Pty Ltd(a)	December 31	Australia	100	100
Burns Philp GF Investments Pty Ltd(a)	December 31	Australia	100	100
Burns Philp Overseas Holdings Pty Ltd(a)(d)	December 31	Australia	100	100
Burns Philp Shipping Holdings Pty Ltd	December 31	Australia	100	100
Burns Philp Treasury (Australia) Pty Ltd(a)(d)	December 31	Australia	100	100
Gillespie Bros Holdings Pty Ltd	December 31	Australia	100	100
LQ56 (BPF1) Pty Ltd(c)(e)(f)	December 31	Australia	100	100
Mowbray Industries Pty Ltd(c)	December 31	Australia	100	100
QB6 Pty Ltd(c)	December 31	Australia	100	100
Burns Philp A & B Ltd	June 30	Bangladesh	51	51
Burns Philp Canada Group Ltd	December 31	Canada	100	100
Burns Philp Alimentos S de RL de CV	June 30	Mexico	100	100
Burns Philp Mexico, SA de CV	June 30	Mexico	100	100
Burns Philp Treasury (Europe) BV	December 31	The Netherlands	100	100
BPC Finance (N.Z.) Ltd	December 31	New Zealand	100	100
Burns Philp Finance New Zealand Ltd(d)	December 31	New Zealand	100	100
Burns Philp (New Zealand) Ltd(d)	December 31	New Zealand	100	100
BPC Risk Management Services Pte Ltd(f)	December 31	Singapore	100	100
Burns Philp Pension Plan Ltd	March 31	UK	100	100
BPC United States Inc	December 31	USA	100	100
Burns Philp Treasury (United States) Inc	December 31	USA	100	100
Subsidiaries in voluntary liquidation at December 31, 2009				
Consolidated Stevedores Holdings Pty Ltd	June 30	Australia	100	100
LQ24 (GFDA) Pty Ltd	December 31	Australia	100	100
LQ53 (BPF0I) Pty Ltd(c)	December 31	Australia	100	100
LQ54 (BPA) Ltd(c)	December 31	Australia	100	100
LQ55 (BPCH) Pty Ltd(c)	December 31	Australia	100	100
BPC International (Singapore) Pte Ltd	June 30	Singapore	100	100
BPC (QB Asia) Pte Ltd	June 30	Singapore	100	100
Goodman Fielder International (S.I.) Ltd	June 30	Solomon Islands	97	97
Fitamar S.A.	June 30	Uruguay	100	100
Subsidiaries at December 31, 2008 dissolved during the period (g)				
LQ16 (BEV) Pty Ltd	December 31	Australia	-	100
Consolidated Stevedores Pty Ltd	June 30	Australia	-	100
Consolidated Stevedores (Qld) Pty Ltd	June 30	Australia	-	100

- (a) Entities which are party to the Burns Philp Deed of Cross Guarantee. Pursuant to Class Order 98/1418, relief from the preparation and lodgement of financial statements, directors' reports and auditor's reports has been granted to the entities which are party to a Deed of Cross Guarantee. Pursuant to the Burns Philp Deed of Cross Guarantee dated May 13, 1992 (as amended) ("Deed"), Burns Philp has guaranteed to pay any deficiency in the event of winding up of subsidiaries subject to the Deed. The entities have also given a similar guarantee in the event that Burns Philp is wound up. 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 the Company and Burns Philp Custodians Pty Limited dated November 27, 2009 whereby the Deed of Cross Guarantee will cease to apply to such company effective June 1, 2010.
- (c) Entered into a Deed of Revocation with the Company and Burns Philp Custodians Pty Limited dated October 23, 2008 whereby the Deed of Cross Guarantee ceased to apply to such company effective May 1, 2009.
- (d) Entities which have granted guarantees and security in relation to amounts owing under certain financing documents. These guarantees and securities currently secure bank guarantees and cross-currency swaps (refer notes 26 and 30).
- (e) Guaranteed the obligations of Burns Philp Finance New Zealand Limited in respect of the Capital Notes until May 20, 2009 (refer note 22).
- (f) Name changes during the current period:
- | Current Name | Former Name |
|--|--|
| LQ56 (BPF) Pty Limited | BPC Foods International Pty Limited |
| BPC Risk Management Services Pte. Ltd. | BPC Insurance & Risk Management Services Pte. Ltd. |
- (g) Entities voluntarily liquidated during the year. There was no profit or loss on the voluntary liquidation of these entities.

29. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

In millions of AU\$	Consolidated		Company	
	As at December 31		As at December 31	
	2009	2008	2009	2008
Less than one year	0.7	0.7	0.7	0.7
Between one and five years	0.8	1.5	0.8	1.5
	1.5	2.2	1.5	2.2

During the current period AU\$0.6 million was recognised as an expense in the statement of comprehensive income as a component of general and administration expenses in respect of operating leases (2008: AU\$ 0.6 million).

Notes to the Financial Statements (continued)

30. CONTINGENCIES

30.1 Litigation and legal proceedings

The Group is subject to litigation in the ordinary course of operations, for which a provision of AU\$10.1 million has been recognised in the consolidated financial statements as of December 31, 2009 (refer to note 24). The Group 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.

30.2 Indemnities and warranties in respect of discontinued operations and business disposals

As part of the agreements for the sale of its businesses, certain entities within the Group 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 December 31, 2009 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.

30.3 Security and guarantee arrangements

- (i) The Company has provided a guarantee in respect of the 2011 Capital Notes (refer note 22).
- (ii) The Company and certain of its subsidiaries have granted guarantees and securities in relation to amounts owing under certain financing documents. These guarantees and securities currently secure bank guarantees and cross-currency swaps (refer note 26).

30.4 Deed of cross guarantee

The Company and certain of its wholly owned subsidiaries identified in note 28 have entered into a Deed of Cross Guarantee ("Deed"). The effect of the Deed is that the Company 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 Corporations Act 2001. If winding up occurs under other provisions of the Corporations Act 2001, the Company 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 the Company is wound up.

Consolidated condensed income statements for periods ended December 31, 2009 and December 31, 2008 and consolidated condensed balance sheets as at December 31, 2009 and December 31, 2008, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed, are set out below:

Consolidated condensed income statements

In millions of AU\$	For the period ended December 31	
	2009	2008
Profit before tax	21.2	113.7
Income tax (expense)	(7.0)	(31.0)
Net profit after tax	14.2	82.7

Consolidated condensed balance sheets

In millions of AU\$	As at December 31	
	2009	2008
Assets		
Cash and cash equivalents	4.6	11.8
Receivables	4.2	14.1
Current tax assets	0.7	1.1
Other assets	0.7	0.9
Total current assets	10.2	27.9
Receivables	208.7	1,193.6
Other financial assets	228.8	248.8
Property, plant and equipment	1.3	1.3
Intangible assets	0.6	1.5
Deferred tax assets	-	1.1
Total non-current assets	439.4	1,446.3
Total assets	449.6	1,474.2
Liabilities		
Payables	20.9	25.2
Current tax liabilities	2.0	2.5
Employee benefits	1.1	1.4
Provisions	13.0	16.7
Total current liabilities	37.0	45.8
Payables	155.8	150.4
Borrowings	83.8	81.0
Deferred tax liabilities	-	0.8
Employee benefits	0.4	0.4
Provisions	10.1	13.1
Total non-current liabilities	250.1	245.7
Total liabilities	287.1	291.5
Net assets	162.5	1,182.7
Equity and reserves		
Share capital	126.6	470.3
Retained earnings and reserves	35.9	712.4
Total equity	162.5	1,182.7

31. SUBSEQUENT EVENTS

No events have occurred subsequent to balance date that would have a material effect on the financial statements as at December 31, 2009 or the Company's and the Group's state of affairs, operations or results in future financial years.

Independent Audit Report

INDEPENDENT AUDITOR'S 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 statements of financial position as at December 31, 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 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 2, 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.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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 31 December 2009 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 2.



KPMG



Duncan McLennan

Partner

Sydney, Australia
March 19, 2010

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***Burns
Philp***

2009 | Annual Report

BURNS, PHILP & COMPANY PTY LIMITED