



FOODLAND DEMERGER AND ACQUISITION OF FOODLAND BY METCASH INFORMATION RELATING TO AUSTRALIAN CAPITAL GAINS TAX

Summary

The Australian Taxation Office ("ATO") has confirmed that it will accept an apportionment of the original cost base of FAL shares as to 70% to PEH shares (Woolworths) and 30% to FAL (**Metcash**) shares.

The ATO has confirmed that former FAL shareholders may use the closing price of Metcash shares on the ASX on 24 November 2005 (ie **\$4.50**) for the purpose of determining the market value of Metcash shares they receive in consideration for disposing of their FAL shares.

The following information is provided to assist former shareholders of Foodland Associated Limited ("**FAL**") in calculating the Australian capital gains tax ("**CGT**") consequences in respect of:

- (1) the demerger of Progressive Enterprises Holdings Limited ("**PEH**") by FAL ("**the Demerger Scheme**"); and
- (2) the transfer of FAL shares to Metcash Limited ("Metcash") ("**the Metcash Transfer Scheme**").

Former FAL shareholders are directed to the following sources for a general explanation of the Australian taxation consequences of the Demerger Scheme and the Metcash Transfer Scheme:

- Section 12 of the Scheme Booklet; and
- Taxation Rulings [CR 2005/74](#) and [CR 2005/75](#).

In short, former FAL shareholders need to calculate the cost bases of their FAL shares and PEH shares as a consequence of the demerger, and determine the tax consequences of disposing of the FAL shares for Metcash shares or cash and the PEH shares for Woolworths shares and/or cash.

APPORTIONING COST BASE BETWEEN FAL SHARES AND PEH SHARES

Paragraph 47 of [CR 2005/74](#) provides:

"47. FAL shareholders must apportion the total original cost bases for their FAL shares over their FAL shares and the corresponding new PEH shares, on the basis of the relative market values of those shares (subsections 125-80(2) and (3) of the ITAA 1997). FAL intends to provide FAL shareholders with information to calculate the cost base adjustments as soon as possible after the demerger."

The Australian Taxation Office (“ATO”) has confirmed that it will accept an apportionment of the original cost base of FAL shares as to 70% to PEH shares and 30% to FAL shares.

This cost base apportionment is based on the volume weighted average prices of Metcash shares and Woolworths shares traded on the Australian Stock Exchange (“ASX”) for the one month period to 14 July 2005. Former FAL shareholders may prefer to use an alternative method of apportionment.

Former FAL shareholders should refer to pages 292-293 of the Scheme Booklet for information on the apportionment of the cost base in their FAL shares.

CALCULATING CAPITAL GAIN/LOSS ON DISPOSAL OF FAL SHARES

In relation to former FAL shareholders who received Metcash shares for their FAL shares under the Metcash Transfer Scheme and who do not choose, or who are not eligible to choose, scrip for scrip CGT roll-over relief, paragraph 52 of [CR 2005/75](#) provides:

“52. FAL shareholders must therefore determine the market value of a Metcash share at the time they dispose of their FAL shares. The Commissioner will accept the closing price of a Metcash share on the Australian Stock Exchange on the date that the shareholder disposed of their FAL shares as the market value provided that the closing price does not significantly vary from the trading values in such shares over the course of the day. Metcash will provide to FAL shareholders the value to be used as soon as practicable after that date.”

The ATO has confirmed that former FAL shareholders may use the closing price of Metcash shares on the ASX on 24 November 2005 (ie \$4.50) for the purpose of determining the market value of Metcash shares they receive in consideration for disposing of their FAL shares.

Former FAL shareholders should refer to section 12 of the Scheme Booklet for a general outline of the taxation consequences of the Metcash Transfer Scheme.

TAX RECEIVABLE

The dispute with the ATO relating to the Tax Receivable referred to in the Scheme Booklet was resolved prior to determining the Metcash Consideration and an appropriate adjustment was made to the Metcash Consideration to reflect the dispute settlement proceeds received by FAL.

Accordingly, former FAL shareholders have no right to a further payment from Metcash in relation to the Tax Receivable (as contemplated by paragraph 31 of [CR 2005/75](#)). Thus, there are no tax implications for former FAL shareholders in respect of the Tax Receivable.

Former FAL shareholders should refer to the Scheme Booklet for information on the Tax Receivable issue.

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