Tooth & Co. Limited

ACN 000 001 141

25 August 2005

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir,

APPENDIX 4E – PRELIMINARY FINAL REPORT

1. Details of the Reporting Period

Contained herein is the Preliminary Final Report for the Tooth & Co. Limited Consolidated Entity ("Tooth") for the year ended 30 June 2005 ("2005"). Comparative information is for the year ended 30 June 2004 ("2004").

The Consolidated Entity is comprised of Tooth & Co. Limited as the Chief Entity and its wholly owned subsidiaries.

2. Results for Announcement to the Market

		2005 $'000	**2004 $'000**	**% Change**
2.1	Revenue from ordinary activities	10,507	12,576	(16.5%)
2.2	Profit/(loss) from ordinary activities after tax attributable to members	7,306	(223,361)	N/A
2.3	Net profit/(loss) attributable to members	7,306	(223,361)	N/A

2.4 There are no dividends proposed or payable.

2.5 Not applicable.

2.6 The prior year loss for the year of $223.4 million was incurred principally from the provision for indemnity. Revenue from ordinary activities represents interest income.

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3. Statement of Financial Performance

Refer to Appendix 1 for the Statement of Financial Performance and notes.

4. Statement of Financial Position

Refer to Appendix 2 for the Statement of Financial Position and notes.

5. Statement of Cash Flows

Refer to Appendix 3 for the Statement of Cash Flows and notes.

6. Details of Dividends

There are no dividends proposed or payable.

7. Details of Dividends Reinvestment Plans

There is no dividend reinvestment plan.

8. Statement of Retained Earnings

Refer to Appendix 4 for the Statement of Retained Earnings.

9. Net Tangible Assets

	2005	**2004**
Net tangible assets per ordinary share	$0.00	$0.00

10. Change in Controlled Entities

There has been no change to controlled entities in Tooth during 2005.

11. Details of Associates and Joint Venture Entities

11.1 Name of Associate	11.2 Percentage ownership at year end		11.3 Contribution to profit from ordinary activities	
	2005 %	**2004 %**	**2005 $'000**	**2004 $'000**
Dextran Pty Limited	33.3	33.3	-	-
Ortem (Holdings) Limited	50.0	50.0	-	-

12. Other Significant Information

Please refer to item 14 for significant information.

13. Foreign Entity Accounting Standards

Not applicable.

14. Results for 2005

Profit

The profit for the year of $7 million was earned principally from interest revenue.

Equity

During the year shareholders equity remained $Nil. Shareholders equity has been nil since 2004 when a provision for indemnity was raised with respect to tax litigation matters in Industrial Equity Limited ("IEL"). As discussed later in this commentary, IEL, of which the company effectively owns one third, has outstanding issues with the Australian Taxation Office ("ATO"). Until these issues are resolved it cannot be determined how much of the unrecognised value of IEL, together with the $112 million of cash currently held on deposit (net of interest), can be utilised (if any) to redeem the remaining PCORNs and, hopefully, ultimately provide some residual value for shareholders.

Group Debt

No Perpetual Convertible or Redeemable Notes ("PCORNs") were redeemed during the year. PCORNs issued and accrued at 30 June 2005 were $115.6 million. Cash at bank and on deposit was $130 million. Further redemption of PCORNs has been suspended.

Of the cash at bank and on deposit in Tooth, $125 million (being $112 million plus certain net interest) is held on deposit pending resolution of the outstanding matters between IEL and the ATO. The financial statements show that an indemnity provision of $234 million was raised in 2004. Since then $122 million of this provision has been forwarded to the ATO to satisfy outstanding liabilities. This leaves $112 million available should IEL be unsuccessful in its disputes with the ATO. The funds remain in Tooth's possession and are earning interest at market rates. None of the $112 million provision has been expended and will only be to the extent that IEL is unsuccessful in its disputes with the ATO.

The refinancing arrangements which expired on 30 June 2004 have been renewed for a further three years to 30 June 2007. The ability of Tooth to meet its obligations by this expiry date is dependent upon the resolution of the outstanding issues within IEL. If these matters are not all resolved by the expiry date it will be necessary to seek an extension or make alternative arrangements.

Principal Investments

Tooth's principal investments (which are not consolidated) are its one-third holding in Dextran Pty Limited ("Dextran"), which in turn owns 100% of the capital of IEL, and its 50% investment in Ortem (Holdings) Limited ("Ortem").

Dextran Pty Limited ("Dextran")/Industrial Equity Limited ("IEL")

Tooth owns a one third interest in Dextran, with a one third interest being also owned by each of Residual Assco Group Limited ("RAGL") (formerly The Adelaide Steamship Company Limited) and DJL Limited ("DJL"), which are themselves related companies to Tooth by reason of inter-related shareholdings. These relationships go back to 1989 when IEL was acquired by Dextran.

Tooth's one-third interest in Dextran (which owns all the shares in IEL) is its major investment and has a book value of $Nil at 30 June 2005. IEL's remaining assets at 30 June 2005 comprised cash on deposit of $16 million.

Tooth's one-third share of Dextran/IEL has a book value of $Nil because of the outstanding contingencies within IEL.

Certain companies in the IEL and Dextran Group have received Notices of Assessment and Notices of Amended Assessment ("assessments") which relate to certain years ended within the period 30 June 1991 to 30 June 1997 inclusive. Dextran and IEL have attempted to settle their outstanding tax affairs with the ATO for many years.

The total amount assessed in these assessments, when issued to Dextran and IEL was approximately $3,536 million, comprising primary tax of approximately $1,695 million and additional tax, penalties and interest of approximately $1,841 million. Objections have been lodged against all these assessments. The Directors of Dextran and IEL, based on legal advice, believe that the assessments have been incorrectly assessed.

The assessments fall into two broad categories being those relating to issues currently before different levels of jurisdiction relating to losses incurred by Spassked Pty Limited ("Spassked"), amounting to approximately $1,677 million ("Spassked assessments") ($719 million primary tax and $958 million penalties and interest) and various other matters ("non-Spassked matters") of approximately $1,855 million ($975 million primary tax and $880 million penalties and interest) with respect to which there are no current judicial proceedings.

Spassked Assessments

(a) The assessments relate to disallowance by the ATO of a deduction for interest expense paid by Spassked Pty Limited to its related company, IEL Finance Limited (“IEF”), and treated as assessable income by IEF.

(b) Primary tax attributable to losses by Spassked in the financial year 1992 amount to approximately $230 million. IEL issued Notices of Determination to the ATO seeking a decision on Objections lodged previously by IEL against these assessments. In November 1999 the ATO disallowed these Objections. As a result, IEL lodged an application with the Federal Court appealing against the disallowance of the Objections. On 14 February 2003 the Federal Court dismissed IEL’s application against the disallowance of the Objections. IEL appealed to the Full Court of the Federal Court which appeal was dismissed on 8 December 2003. IEL has sought special leave to appeal this decision to the High Court of Australia. This special leave application was heard on 10 December 2004. Notwithstanding, the following observations were made in the course of argument by Justice Kirby and Justice McHugh with respect to the decision by the Federal Court.

“Some might think the result surprising…..”
“This result is undoubtedly curious….”
“….it might be said the result is so bizarre, in one sense, that the judgement must be wrong.”
“….the outcome seems counter intuitive.”
“It does, seem a very unusual result.”

Leave was not granted, amongst other things, on the basis that, “This Court has said on more than one occasion that the Full Court of the Federal Court is ordinarily the tribunal for finally resolving issues concerning income tax questions. This Court will not ordinarily grant special leave in a tax case unless the case raises some important issue of general principle that calls for the Court’s intervention.”.

IEL, as a result, was liable for the primary tax for 1992 of approximately $230 million. Additionally, the ATO imposed general interest charge (“GIC”) of approximately $98 million for the 1992 year which, whilst payable by IEL will be contested.

(c) IEL has unsuccessfully sought certain information from the ATO with respect to its disputes. On 18 November 2004 the Federal Court heard an application by IEL under Administrative Decisions (Judicial Review) Act 1977 (“ADJR”) seeking an order that the ATO be required to provide certain information. On 19 April 2005 the Court found in favour of IEL. However, the ATO are appealing this decision.

(d) There are further assessments of approximately $487 million relating to primary tax for financial years 1991, 1993 and 1994, and approximately $958 million relating to penalties and interest for the financial years 1991, 1992, 1993 and 1994 all of which are disputed and are in various stages of proceedings before the Federal Court.

The Federal court requested IEL to differentiate, to the Courts satisfaction, the issues relating to the 1991, 1993 and 1994 years to the issues determined by the Federal Court relating to 1992 resulting in a hearing date with respect to the other Spassked matters yet to be litigated, being scheduled to commence on 5 September 2005. However, the ATO, on 4 May 2005, gave notice of its intentions to seek a strike out of the proceedings. On advice from Counsel it was agreed to have the strike out motion heard separate to the substantive issues and it is scheduled to be heard on 22 and 23 September 2005. In the interim, the hearing date for the substantive issues has been vacated pending the outcome of the strike out motion.

(e) IEL over time realised certain assets and extinguished its external debt. Also from the proceeds of these sales, IEL provided funds through Dextran to its three shareholders, Tooth, RAGL and DJL, most of which was used to repay external lenders to each of Tooth, RAGL and DJL. $234 million of remaining funds was paid to each of Tooth, RAGL and DJL under "upstreaming arrangements". The Directors of IEL, at that time, were unsure as to when settlement of the income tax disputes might occur and in what amount. Accordingly, the surplus funds upstreamed to each of the three shareholder companies were on the condition that such funds would be deposited by the three shareholder companies in Australian bank facilities ("deposits") for such time as the IEL tax disputes remained outstanding. These deposit arrangements currently remain in place. Under these arrangements, if IEL has insufficient funds to settle the outstanding income tax, then each of the three shareholder companies will remit sufficient of each of the $112 million remaining deposits (plus net interest thereon), to the ATO in payment of IEL's outstanding income tax. (Refer 'g' below)

During 2004, officers of the Australian Securities & Investments Commission ("ASIC") held meetings with representatives and legal advisors of Tooth, RAGL, DJL, IEL and Dextran in respect to the ongoing IEL disputes with the ATO and their possible financial effect.

ASIC has informed IEL that it has formed the view, pursuant to Australian Accounting Standard AASB 1044, “that it is more likely than less likely” that IEL will be unsuccessful in its disputes and that ASIC have accordingly formed the view that IEL should expense a full year provision for income tax of $719 million, being the primary tax with respect to all Spassked assessments. Accordingly, the Directors of IEL raised a provision of $719 million during that year.

The Directors of IEL and Tooth remain optimistic that IEL will eventually be successful in its disputes with the ATO. However, the Directors recognise that risk always exists with litigation such as that between IEL and the ATO. Accordingly, having the benefit of the views expressed by ASIC, the Directors of Tooth (the Company) expensed a provision for indemnity of $234 million in the financial statements of Tooth (the Company) during the year ended 30 June 2004.

(f) On 7 April 2004 IEL entered into an agreement with the ATO which included, amongst other things, a deferral of recovery action until resolution of the 1992 primary tax issue and acknowledged and provided for proceedings with respect to the other matters in dispute referred to above. The agreement required a payment of $188 million to the ATO which has been charged in the accounts of IEL against the provision of $719 million mentioned above.

(g) A further agreement with the ATO was entered into on 24 December 2004 to pay a further $417 million to the ATO.

On 14 January 2005, payments totalling approximately $417 million were paid to the ATO by or on behalf of the IEL Group. Approximately $98 million GIC was expensed and approximately $319 million applied against the provision for income tax in the accounts of the IEL Group as at 30 June 2005 being approximately $42 million relating to 1992 primary tax and approximately $277 million with respect to continuing litigation (refer below).

This payment to the ATO required a payment of $122 million by each of RAGL, DJL and Tooth to IEL.

This payment brought the total payments to the ATO, relating to the IEL tax disputes, to approximately $605 million comprising approximately $230 million primary tax and approximately $98 million GIC relating to the 1992 Spassked losses together with the approximately $277 million paid pending the outcome of the outstanding Spassked litigation (refer ‘d’ above and IEL Disputes – General; below).

Non-Spassked Matters

Assessments totalling approximately $1,769 million were issued prior to the judgment of the Federal Court and on which extensions of time have been granted. A further approximately $86 million of assessments were also issued prior to the Federal Court judgment and on which extensions have been requested and are pending. These non-Spassked matters relate to various issues and at this point in time have not progressed.

IEL Disputes - General

It is not possible at this stage to determine the ultimate outcome.

The Income Tax legislation imposes additional interest on unpaid tax amounts. Consequently, as this interest may only accrue with respect to the ultimate outcome of the tax disputes and what, if any, tax liability arises, IEL is therefore unable to determine the amount, if any, of such interest which might ultimately accrue.

Should IEL be unsuccessful with its remaining Spassked litigation, the total available funds (after payment of $417 million on 14 January 2005) which might ultimately be available (including the indemnity provision referred to above) to Dextran and IEL to pay tax liabilities are approximately $408 million. This amount exceeds the unpaid primary tax of the Spassked assessments by $196 million which amount would be available to pay any penalties and interest which might finally be determined for Dextran and IEL.

Should IEL be successful with all issues in dispute with the ATO, the some of the $277 million payment referred to above will be refunded to it with interest.

IEL has previously reported a contingent asset, (which has not been included in the financial statements of IEL) relating to Spassked losses transferred to the Woolworths Group for the year ended 30 June 1992. As a result of IEL failing to receive leave to appeal to the High Court, this issue is no longer relevant.

On 11 December 2003, the Directors of each of RAGL, DJL and Tooth resolved that RAGL, DJL and Tooth would pay, in equal proportions, expenses associated with the existing and ongoing administrative and legal costs of the RAGL Group economic entity (which includes Dextran and IEL) during the preparation period for and conduct of the proposed appeal to the High Court and other actions taken to satisfactorily resolve the tax issues of Dextran and the IEL Group.

Ortem (Holdings) Limited (“Ortem”)

The remaining assets of Ortem are inter-entity PCORNs.

Outlook

All cash held on deposit within the consolidated entity of $130 million is held earning interest at market rates. Of this cash, $112 million is held on deposit pending the resolution of matters between IEL and the ATO.

The remaining issues to be resolved before it can be determined whether or not shareholders will receive any residual value from Tooth are the outstanding matters between the Dextran/IEL Group and the ATO. Once these matters are resolved Tooth will be in a position to determine how much, if any, of the unrecognised value in IEL is capable of being crystallised hopefully leaving some residual value for shareholders.

15. Audit Report

This report is based on accounts which have been audited. Refer to Appendix 5 for a copy of the audit report.

Yours faithfully,

D J Ryan
Chairman

TOOTH & CO. LIMITED
A.C.N. 000 001 141

Appendices to Appendix 4E of Tooth & Co. Limited for the year ended 30 June 2005, dated 25 August 2005.

Appendix 1

Statement of Financial Performance and Notes

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
TOTAL REVENUE FROM ORDINARY ACTIVITIES	1	**10,507**	12,576	**3,364**	6,517
TOTAL EXPENSES FROM ORDINARY ACTIVITIES	2	**(3,201)**	(235,937)	**(3,204)**	(235,937)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE RELATED INCOME TAX EXPENSE		**7,306**	(223,361)	**160**	(229,420)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	3	**-**	-	**-**	-
NET PROFIT/(LOSS)		**7,306**	(223,361)	**160**	(229,420)
NET PROFIT ATTRIBUTABLE TO OUTSIDE EQUITY INTERESTS		**-**	-	**-**	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		**7,306**	(223,361)	**160**	(229,420)
TOTAL CHANGES IN EQUITY FROM NON-OWNER RELATED TRANSACTIONS ATTRIBUTABLE TO THE MEMBERS OF THE PARENT ENTITY		**7,306**	(223,361)	**160**	(229,420)
BASIC EARNINGS PER SHARE: ORDINARY SHARES	4	**0.059**	($1.795)		
DILUTED EARNINGS PER SHARE: ORDINARY SHARES	4	**0.030**	($0.919)		

Appendix 1 (continued)

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
1. REVENUE FROM ORDINARY ACTIVITIES				
Interest Received				
- Controlled Entities	**-**	-	**-**	6,143
- Related Entities	**-**	-	**-**	-
- Other Corporations/Persons	**10,507**	12,486	**248**	284
Expense recovery	**-**	-	**3,116**	
Writeback Diminution of Loans to Related Entities	**-**	90	**-**	90
Total revenue from ordinary activities	**10,507**	12,576	**3,364**	6,517

2. PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE

Arrived at after charging the following items:

Other provisions	**-**	135	**-**	135
Provision for indemnity	**-**	234,000	**-**	234,000
Diminution in value of loans to related entities	**-**	-	**-**	-
Directors Fees	**196**	137	**196**	137
Professional Fees	**2,758**	1,448	**2,758**	1,448
Other Expenses	**247**	217	**250**	217
Total expenses	**3,201**	235,937	**3,204**	235,937

Fundamental error

The Tooth & Co Limited consolidated entity previously maintained a provision for write-down of Controlled Entity loans. As a result of a change in accounting policy in 2003 the provisions were reversed. A compensating amount of $20.4 million remained in the Company's Statement of Financial Position. This amount should have been written off in 2003 and accordingly has been adjusted to the opening retained earnings balance as follows:

Retained earnings 1July 2004	$446,025
Adjustment to write off residual indemnity	$ 20,420
Revised retained earnings balance 30 June 2005	$466,445

The impact of this error arises only in the Company and has no effect nor has had any earlier effect with the consolidated entity as the amount eliminated on consolidation.

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
3. INCOME TAX EXPENSE				
Prima facie income tax expense/(benefit) at 30% (2004: 30%) on the profit/(loss) from ordinary activities	**2,192**	(67,008)	**48**	(68,826)
Increase/(decrease) in income tax expense due to:				
- Tax benefit of using prior year losses	**-**	-	**-**	349
- Tax benefit of using prior year losses not set up	**(2,186)**	(1,469)	**-**	-
- Tax effect of reversal of prior years timing differences	**-**	(1,689)	**(42)**	(1,689)
- Losses and other timing differences not tax effected current period	**(6)**	70,166	**(6)**	70,166
Income tax expense attributable to profit/(loss) from ordinary activities	**-**	-	**-**	-

Appendix 1 (continued)

4. EARNINGS PER SHARE

	CONSOLIDATED	
	2005	2004
	$'000	$'000
Earnings Reconciliation		
Net Profit/(loss)	**7,306**	(223,361)
Basic Earnings	**7,306**	(223,361)
Diluted Earnings	**7,306**	(223,361)
Weighted average number of shares used as the denominator	**2005**	**2004**
	Number	Number
Number for Basic Earnings per share		
Ordinary Shares	**124,444,022**	124,444,022
Add potential ordinary shares		
PCORNS	**115,595,000**	118,410,000
Number for Diluted Earnings per share	**240,039,022**	242,854,022

PCORN's – Perpetual Convertible or Redeemable Notes

PCORN's are convertible at the option of the holder into ordinary shares on the basis of one ordinary share per PCORN on 1 July 2007. Should the company elect to redeem PCORN's, holders have a right to convert up to 50% of those PCORN's into ordinary shares.

Appendix 2

Statement of Financial Position and Notes

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
CURRENT ASSETS					
Cash Assets	1	**130,126**	244,668	**4,942**	4,609
Receivables	2	**82**	115	**63**	115
TOTAL CURRENT ASSETS		**130,208**	244,783	**5,005**	4,724
NON-CURRENT ASSETS					
Receivables	3	**-**	-	**112,000**	254,420
Other Financial Assets	4	**70**	70	**70**	72
Deferred Tax Assets	5	**-**	-	**-**	-
TOTAL NON-CURRENT ASSETS		**70**	70	**112,070**	254,492
TOTAL ASSETS		**130,278**	244,853	**117,075**	259,216
CURRENT LIABILITIES					
Payables	6	**226**	89	**226**	89
Other Liabilities	7	**-**	-	**20,422**	20,422
Provisions	8	**112,107**	234,125	**112,107**	234,125
TOTAL CURRENT LIABILITIES		**112,333**	234,214	**132,755**	254,636
NON-CURRENT LIABILITIES					
Other Liabilities	9	**17,945**	10,639	**-**	4,580
TOTAL NON-CURRENT LIABILITIES		**17,945**	10,639	**-**	4,580
TOTAL LIABILITIES		**130,278**	244,853	**132,755**	259,216
NET ASSETS		**-**	-	**(15,680)**	-
EQUITY					
Contributed Equity	10	**335,024**	335,024	**335,010**	335,010
(Accumulated Losses)	11	**(432,674)**	(439,980)	**(466,285)**	(446,025)
TOTAL PARENT ENTITY INTEREST		**(97,650)**	(104,956)	**(131,275)**	(111,015)
Outside Equity Interests		**-**	-	**-**	-
TOTAL EQUITY/(DEFICIENCY)		**(97,650)**	(104,956)	**(131,275)**	(111,015)
PCORNS classified as equity		**97,650**	104,956	**115,595**	111,015
TOTAL EQUITY AND PCORNS	11	**-**	-	**(15,680)**	-

Appendix 2 (continued)

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
1. CASH ASSETS				
Cash at bank	**319**	284	**318**	284
Cash on short term bank deposits*	**129,807**	244,384	**4,624**	4,325
	130,126	244,668	**4,942**	4,609

* Short term bank deposits mature within 30 days. Included in cash on short term bank deposits is $125 million (being $112 million plus net interest) being held pending resolution of the outstanding matters between IEL and the ATO.

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
2. RECEIVABLES (CURRENT)				
Other Debtors and Prepayments	**82**	115	**63**	115
3. RECEIVABLES (NON-CURRENT)				
Amounts receivable – Controlled Entities	**-**	-	**448,001**	590,421
Less provision for write down	**-**	-	**(336,001)**	(336,001)
	-	-	**112,000**	254,420
Unsecured loans - Related Entities	**127,983**	127,983	**84,497**	84,497
Less provision for diminution	**(127,983)**	(127,983)	**(84,497)**	(84,497)
	-	-	**-**	-
	-	-	**112,000**	254,420
4. OTHER FINANCIAL ASSETS (NON-CURRENT)				
Shares in Controlled Entities - Unlisted				
- At Cost	-	-	**21,400**	21,400
- Less provision for write down	**-**	-	**(21,400)**	(21,398)
	-	-	**-**	2
Unlisted Securities:				
- Related Entities - at cost	**36,299**	36,299	**36,299**	36,299
- Less provision for write down	**(36,299)**	(36,299)	**(36,299)**	(36,299)
	-	-	**-**	-
Australian Consolidated Inscribed Stock				
- At Cost (Market Value 2005 $70,000; 2004 $70,000)	**70**	70	**70**	70
	70	70	**70**	72

Appendix 2 (continued)

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
5. DEFERRED TAX ASSETS (NON-CURRENT)				
Future income tax benefits	**-**	-	**-**	-
	-	-	**-**	-

As at 30 June 2005, certain possible future tax benefits exist which have not been brought to account as an asset because the Directors are not virtually certain that these additional benefits will be realised.

Estimated tax benefits at 30% (2004: 30%) not brought to account at balance date are:

Attributable to tax losses	**47,082**	49,271	**47,082**	49,271
Attributable to net timing differences	**164,983**	164,994	**164,983**	164,994
	212,065	214,265	**212,065**	214,265

Realisation of the benefits will depend upon:

a. the ability of the consolidated entity to derive future assessable income of a nature and of sufficient amount to enable the benefits to be realised;

b. the ability of the consolidated entity to continue to comply with the conditions for deductibility imposed by the law; and

c. an expectation that legislation will not change in a manner which would adversely affect the consolidated entity's ability to realise the benefits.

6. PAYABLES (CURRENT)				
Other creditors	**226**	89	**226**	89
7. OTHER LIABILITIES (CURRENT)				
Amounts Payable - Controlled Entities	**-**	-	**20,422**	20,422
8. PROVISIONS (CURRENT)				
Provision for indemnity	**112,000**	234,000	**112,000**	234,000
Other provisions	**107**	125	**107**	125
	112,107	234,125	**112,107**	234,125
Reconciliation				
Provision for indemnity				
Carrying amount at beginning of year	**234,000**	-	**234,000**	-
Payment made by controlled entity	**(122,000)**	-	**(122,000)**	-
Provision made during the year	**-**	234,000	-	234,000
Carrying amount at end of year	**112,000**	234,000	**112,000**	234,000
Other provisions				
Carrying amount at beginning of year	125	154	125	154
Payments made during the year	(18)	(164)	(18)	(164)
Provision made during the year	-	135	-	135
Carrying amount at end of year	107	125	107	125

Appendix 2 (continued)

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
9. OTHER LIABILITIES (NON-CURRENT)				
PCORNs:				
- Ultimate Parent Entity - Fully Secured	**3,079**	1,826	**-**	786
- Related Entities - Fully Secured	**3,632**	2,153	**-**	926
- Associated Entity - Fully Secured	**407**	242	**-**	104
- Others - Fully Secured	**10,827**	6,418	**-**	2,764
	17,945	10,639	**-**	4,580
10. CONTRIBUTED EQUITY				
Issued Capital				
124,444,022 ordinary shares fully paid	**335,024**	335,024	**335,010**	335,010
11. EQUITY RECONCILIATIONS				
Accumulated Losses				
(Accumulated Losses) at beginning of year	**(439,980)**	(216,619)	**(446,025)**	(216,605)
Fundamental error as disclosed at Appendix 1	**-**	-	**(20,420)**	-
Net profit/(loss) attributable to members of the parent entity	**7,306**	(223,361)	**160**	(229,420)
(Accumulated Losses) at end of year	**(432,674)**	(439,980)	**(466,285)**	(446,025)
Total Equity and PCORNS				
Total equity at beginning of year	**-**	118,405	**-**	118,405
Total changes in parent entity interest in equity recognised in statement of financial performance	**7,306**	(223,361)	(**20,260)**	(229,420)
Changes in PCORNS recognised as a liability	**(7,306)**	104,956	**4,580**	111,015
Total equity at end of year	**-**	-	**(15,680)**	-

12. CONTINGENT LIABILITIES

A provision for indemnity exists for $112 million (2004: $234 million). Of the cash at bank and on deposit in Tooth, $125 million, being $112 million plus certain net interest (2004: $240 million being $234 million plus certain net interest) is held on deposit pending resolution of the outstanding matters between IEL and the Australian Taxation Office (“ATO”). Of this amount the remaining balance of $13 million (2004:$6 million) is a contingent liability pending resolution of ATO matters.

Appendix 3

Statement of Cash Flows and Notes

	NOTES	CONSOLIDATED		COMPANY	
		2005	2004	**2005**	2004
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
GST input tax credits received		**219**	136	**219**	136
Cash payments in the course of operations		**(3,253)**	(2,063)	**(3,253)**	(2,063)
Expense recovery		**-**	-	**3,116**	-
Interest received:					
- related entities		**-**	-	**251**	6,143
- others		**10,492**	12,500	**-**	298
Payment of indemnity		**(122,000)**	-	**-**	-
Net cash provided by operating activities	1(c)	**(114,542)**	10,573	**333**	4,514
Cash flows from investing activities					
Loans repaid by:					
- related entities		**-**	90	**-**	90
Net cash provided by investing activities		**-**	90	**-**	90
Cash flows from financing activities					
PCORNs redeemed					
- ultimate parent entity		**-**	(967)	**-**	(967)
- related entities		**-**	(1,140)	**-**	(1,140)
- associated entity		**-**	(128)	**-**	(128)
- others		**-**	(3,395)	**-**	(3,395)
Net cash used in financing activities		**-**	(5,630)	**-**	(5,630)
Net Increase/(decrease) in cash held		**(114,542)**	5,033	**333**	(1,026)
Cash at the beginning of the financial year		**244,668**	239,635	**4,609**	5,635
Cash at the end of the financial year	1(a)	**130,126**	244,668	**4,942**	4,609

Appendix 3 (continued)

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000

1. NOTES TO THE STATEMENT OF CASH FLOWS

a. Reconciliation of cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Cash at bank	**319**	284	**318**	284
Cash on short term bank deposits	**129,807**	244,384	**4,624**	4,325
	130,126	244,668	**4,942**	4,609

b. Financing arrangements

Fully secured loans and PCORNs are secured under the Deed of Trust Restatement Deed dated 24 December 1991 by the Tooth Group in favour of Perpetual Trustees Limited under which various charges have been registered with the Australian Securities and Investments Commission giving a fixed and floating charge over all Group Assets in favour of the secured lenders. The secured lenders are parties to the Tooth Group Loan Facilities Refinancing Deed dated 24 December 1991 and associated documents.

c. Reconciliation of net cash provided by operating activities to profit/(loss) from ordinary activities after income tax

	Consolidated 2005 $'000	Consolidated 2004 $'000	Company 2005 $'000	Company 2004 $'000
Profit/(loss) from ordinary activities after income tax	**7,306**	(223,361)	**160**	(229,420)
(Increase)/decrease in receivables	**-**	-	**122,000**	-
(Increase)/decrease in sundry debtors and prepayments	**33**	25	**52**	25
Increase/(decrease) in sundry creditors and accruals	**137**	28	**141**	28
Increase/(decrease) in provisions	**(122,018)**	233,881	**(122,020)**	233,881
Net cash provided by operating activities	**(114,542)**	10,573	**333**	4,514

Appendix 4

Statement of Retained Earnings

	CONSOLIDATED		COMPANY	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Accumulated Losses				
(Accumulated Losses) at beginning of year	**(439,980)**	(216,619)	**(446,025)**	(216,605)
Fundamental error as disclosed at note 2 Appendix 1	**-**	-	**(20,420)**	-
Net profit/(loss) attributable to members of the parent entity	**7,306**	(223,361)	**160**	(229,420)
(Accumulated Losses) at end of year	**(432,674)**	(439,980)	**(466,285)**	(446,025)

Appendix 5

Audit Report

Independent Audit Report
to the Members of Tooth & Co. Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position as at 30 June 2005 and the statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the year ended 30 June 2005 for both Tooth & Co. Limited ("the Company") and Tooth & Co. Limited ("the consolidated entity") for the year ended 30 June 2005. The consolidated entity comprises both the Company and the entities it controlled during that year as set out on pages 17 to 36.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error for the accounting policies and for the accounting estimates within the financial report.

Audit approach

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

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

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Level 10, 10 Shelley Street, Sydney, NSW, 2000
Ph: 61 2 9335 7137   Fax: 61 2 9335 8852

TO THE MEMBERS OF TOOTH & CO. LIMITED
INDEPENDENT AUDIT REPORT
(Continued)

Audit opinion

In our opinion, the financial report of Tooth & Co. Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainties

Without qualification to the opinion expressed above, attention is drawn to the following matters:

1. As indicated in Note 1 to the financial report the company is dependent upon the continuing support of its bankers. The bankers have approved refinancing facilities to 30 June 2007.

   Without such financial support there is significant uncertainty that Tooth & Co. Limited will continue as a going concern. If the entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

2. Cash on deposit includes an amount of $125 million which is subject to indemnity arrangements with Industrial Equity Limited Group ("IEL").

   As indicated in Note 1, the Directors have provided for a potential indemnity payment of $112 million to IEL. Note 16 discloses that there is also a contingent liability of $13 million in respect of the IEL indemnity arrangements. The provision of $112 million and the contingent liability of $13 million represent the maximum amount that could become payable to IEL as a result of its outstanding tax issues with the Australian Taxation Office ("ATO"). The amount, if any, actually payable to IEL will depend on the final determination of these outstanding tax issues with the ATO.

   We are unable to assess the liability, if any, that may arise upon the ultimate resolution of the matters in dispute.

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

Sydney
25th August 2005

I D HAIGH
Partner