FAL Foodland Associated Limited ACN 008 667 650

COMPANY ANNOUNCEMENT **TUESDAY, 20 SEPTEMBER 2005**

FAL'S DIRECTORS RECOMMEND SCHEMES OF ARRANGEMENT TO SHAREHOLDERS

Foodland Associated Limited ("FAL") today lodged with the Australian Stock Exchange the Scheme Booklet for the proposed demerger and subsequent sale of its businesses to Woolworths Limited ("Woolworths") and Metcash Trading Limited ("Metcash"). FAL's Directors have unanimously recommended that shareholders vote "FOR" all of the matters to be voted on at the meetings, in the absence of a superior proposal.

The demerger proposal is to split FAL into two parts: FAL's New Zealand Operation and FAL's Australian Operation. The other proposal is for Woolworths to acquire FAL's New Zealand Operation and control of 20 Action branded Australian supermarkets and two supermarket development sites from FAL's Australian Operation and for Metcash to acquire the remainder of FAL's Australian Operation. Together, Woolworths and Metcash will acquire all of FAL.

The acquisitions by Woolworths and Metcash are conditional on the demerger proposal being approved but the demerger is not conditional on the acquisitions being approved.

The Chairman of FAL, Mr Len Bleasel, said: "The FAL Board set out two key objectives in its Target's Statement in response to the original Metcash Takeover Offer: to maximise the strategic value of FAL for FAL Shareholders and to avoid the uncertainty under the original Metcash Takeover Offer. The recommended proposals achieve both of these objectives. The Directors' recommendation is based on the following key reasons:

- The offer value for FAL significantly exceeds both the historic market trading price of FAL and the earnings multiples paid in comparable transactions.
- The demerger unlocks the strategic value of FAL's Australian Operation and New Zealand Operation as it allows these operations to be acquired separately.
- The demerger Scheme and acquisitions have been found to be "IN THE BEST INTERESTS OF FAL SHAREHOLDERS" by the Independent Expert, Grant Samuel.
- FAL Shareholders will be able to share in any future benefits to Woolworths and Metcash from the acquisitions by electing to receive both Woolworths Shares and Metcash Shares.
- Most Australian FAL Shareholders will be eligible for Capital Gains Tax roll-over relief in relation to Woolworths Shares and Metcash Shares they receive in exchange for their FAL shares.
- FAL will control the process up until the date that ownership passes for both the Australian Operation and the New Zealand Operation.
- If the proposal fails, there may be limited prospects of realising greater value through an alternative transaction. The FAL share price is likely to fall as a result."

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Mr Bleasel said the FAL Directors intend to vote their own shares in favour of the proposals.

The total offer is valued at between $3,326 million and $3,556 million (depending on whether FAL shareholders elect to receive cash or scrip from Woolworths and Metcash). Based on the recent share prices of Woolworths and Metcash, the range of values shareholders are likely to receive is between $25.54 and $27.49 per FAL Share[1].

The demerger and acquisitions have been found to be "in the best interests of FAL Shareholders" by Grant Samuel, the Independent Expert appointed by the FAL Board, and well above the Independent Expert's minimum valuation and within the fair value range of FAL of $24.92 to $27.29 per share. In addition, most Australian FAL Shareholders who elect to receive Woolworths Shares and Metcash Shares will be eligible for Capital Gains Tax roll-over relief, which will defer any Capital Gains Tax on receipt of these shares.

The Federal Court last week set the date for the meetings of shareholders to vote on the proposed Schemes of Arrangement. The meetings will be held in Perth, Western Australia, on Wednesday, 2 November 2005.

FAL shareholders are expected to receive the Scheme Booklet within two weeks. The Booklet contains an explanation of the FAL Directors' recommendation, the Independent Expert's Report, details of the Schemes, tax implications and the official notices of Scheme Meetings.

Under the Schemes of Arrangement, two key proposals are being put to all FAL Shareholders. For the proposals to be implemented, 50 per cent of the number of shareholders who vote and 75 per cent of the shares voted will have to be in favour of the schemes. The Schemes will also have to be approved by the Federal Court.

The Scheme Meetings will be held at the Burswood International Resort Casino in Perth, on Wednesday, 2 November 2005. The meetings will commence at 10.00am (WST). Shareholders can call the FAL Shareholder Information Line on 1800 068 729 (within Australia) or +61 3 9415 4125 (outside of Australia), Monday to Friday between 9.00am and 7.00pm AEST.

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This announcement is available on the FAL website. The address is www.fal.com.au

[1] These amounts are based on the Woolworths Share price of $16.30 and Metcash Share price of $4.00 as at close of trading on 9 September 2005. The exact value of what you will receive from Woolworths and Metcash depends on the share price of Woolworths Shares and Metcash Shares and certain adjustments based on the financial position of the FAL Group at the Consideration Determination Date (2 October 2005). This is explained in detail in the Scheme Booklet.