



Freedom Foods Group Limited
ABN 41 002 814 235
80 Box Road
Taren Point NSW 2229

27th March 2012

Company Announcements Office
ASX Limited
Level 4, 20 Bridge Street
Sydney NSW 2000

**Freedom Foods Group Limited
Notice of Extraordinary General Meeting, Proxy Form and Letter to Shareholders**

Freedom Foods Group Limited (ASX:FNP) has dispatched to shareholders today documentation for an Extraordinary General Meeting of Shareholders on 26th April 2012.

The General Meeting of Shareholders will seek approval by shareholders of the following:

- Pactum Australia (Pactum) be consolidated into FNP through the acquisition of the 50% of the shares in Pactum, currently held by the Perich Group; and
- the Company under its Employee Share Option Plan (ESOP) is implementing a senior management incentive scheme to align key executive performance with long term performance and growth of the Company. Mr Rory Macleod, Group Executive Director, is proposed to be granted share options, which under ASX Listing Rule 10.14, where a grantee is a director, requires the Company to seek approval of shareholders to make grants of options, and subsequently issue and allot shares to Mr Macleod.

As part of our efforts to regularly update our shareholders on progress of the Company, we have dispatched to shareholders with the Notice of Meeting, a copy of the most recent half year results commentary to 31st December 2011 (lodged with the ASX on 29th February) and a product brochure containing a summary of the proprietary branded product range of the Company.

For further information, please contact:

Rory J F Macleod
Group Executive Director

Freedom Foods Group Limited

Tel: +61 2 9526 2555

Attachments
Chairman's Letter
Notice of Meeting
Explanatory Statement
Independent Experts Report
Proxy Form

27th March 2012

Dear Shareholder

**Freedom Foods Group Limited
Notice of General Meeting of Shareholders**

On behalf of Freedom Foods Group Limited (**FNP**), I am pleased to invite you to attend a General Meeting of shareholders on 26th April 2012 to consider the following:

- Pactum Australia (Pactum) be consolidated into FNP through the acquisition of the 50% of the shares in Pactum, currently held by the Perich Group; and
- the Company under its Employee Share Option Plan (ESOP) is implementing a senior management incentive scheme to align key executive performance with long term performance and growth of the Company. Mr Rory Macleod, Group Executive Director, is proposed to be granted share options, which under ASX Listing Rule 10.14, where a grantee is a director, requires the Company to seek approval of shareholders to make grants of options, and subsequently issue and allot shares to Mr Macleod.

A summary of the considerations for the meeting is set out below.

Pactum Acquisition

The Company believes that after 6 years of operation, Pactum has developed a business that provides a significant strategic growth opportunity as well as providing synergies in servicing common customers and materials purchasing with the Company's Freedom Foods business.

The acquisition is expected to provide FNP with a number of benefits including:

- provide for full consolidation of the financial results and access to 100% of the cashflows of Pactum;
- participate in potential sales and earnings growth opportunities provided by the expansion of Pactum's packaging capabilities at its southern Sydney site from late 2012;
- simplify the Group's reporting and corporate structure; and
- the transaction is expected to be earnings accretive in its first year of full ownership in FY 2013.

The net purchase consideration for the shares is approximately \$6m, subject to final adjustments on completion.

A voting exclusion will apply to this shareholder approval and FNP will disregard any votes cast on this approval by and on behalf of the Perich Group and any associates of the Perich Group.

On the bases set out in their report which is attached, an Independent Expert, Lawler Corporate Finance is of the opinion that the transaction is fair and reasonable to the Company's non-associated shareholders.

The Independent Directors recommend that shareholders vote in favour of the resolution.

Further details are contained within the Notice of Meeting and Explanatory Statement attached.

Grant of Employee Share Options

The Company under its Employee Share Option Plan (ESOP) is implementing a senior management incentive scheme to align key executive performance with long term performance and growth of the Company. Mr Rory J F Macleod, Group Executive Director, is proposed to be granted share options, which under ASX Listing Rule 10.14, where a grantee is a director, requires the Company to seek approval of shareholders to make grants of options, and subsequently issue and allot shares to Mr Macleod.

The Board considered the Option grant to Mr Macleod as part of the overall employee remuneration policy of the Company.

The Directors, other than Mr Macleod, recommend that shareholders vote in favour of the resolution as the Board believes that the Options proposed to be granted to Mr Macleod are appropriate to aligning key executive performance with long term performance and growth of the Company.

Further details are contained within the Notice of Meeting and Explanatory Statement attached.

As part of our efforts to regularly update our shareholders on progress of the Company, we have included with the Notice of Meeting, a copy of the most recent half year results commentary to 31st December 2011 (lodged with the ASX on 29th February) and a product brochure containing a summary of the proprietary branded product range of the Company.

If you have any questions in relation to the General Meeting, please contact Rory Macleod, Group Executive Director on 02 9526 2555.

On behalf of the Board of FNP, we look forward to seeing you at the General Meeting and, as always, thank you for your ongoing support of our Company.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Perry Gunner', with a long horizontal flourish extending to the right.

Perry Gunner
Non Executive Chairman



Freedom Foods Group Limited

ABN 41 002 814 235

NOTICE OF GENERAL MEETING EXPLANATORY STATEMENT TO SHAREHOLDERS INDEPENDENT EXPERT'S REPORT AND VALUATION REPORT PROXY FORM

Date of Meeting

Thursday 26 April 2012

Time of Meeting

3.00pm

Place of Meeting

Deloitte Australia, Level 9, 225 George Street Sydney NSW 2000

Your Independent Directors recommend you vote in favour of all the resolutions to be considered at the General Meeting.

A Proxy Form is enclosed

Please read this Notice and Explanatory Statement carefully.

If you are unable to attend the General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

Freedom Foods Group Limited

ABN 41 002 814 235

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Freedom Foods Group Limited ABN 41 002 814 235 ("Company") will be held at Deloitte Australia, Level 9, 225 George Street, Sydney, NSW 2000 on Thursday 26th April 2012 at 3.00pm for the purpose of transacting the following business referred to in this Notice of General Meeting.

IMPORTANT NOTICES

Read this document

You should read this document in its entirety carefully before making a decision on how to vote on any of the resolutions contained in the Notice of General Meeting.

Role of ASIC and ASX

A Copy of this document has been lodged with ASIC and ASX. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the contents of this document.

Future Statements

Certain statements in this document relate to the future. These statements involve both known and unknown risks and assumptions both specific to the Company and its business and also relating to the general economic environment. Accordingly, future performance or events may be materially different to those expressed or implied in those statements.

Defined terms

Certain capitalised terms used in this document are defined in the Glossary section of the Explanatory Statement.

AGENDA

ITEMS OF BUSINESS

1. Resolution 1 – Pactum Transaction

To consider and, if thought fit, pass the following as an **ordinary resolution**:

"That in accordance with the requirements of ASX Listing Rule 10.1 and Section 208 of the Corporations Act 2001 and for all other purposes, approval is hereby given for the Company to enter into the transaction comprising:

- a) the Company's wholly owned subsidiary, Nutrition Ventures Pty Ltd to purchase from Arrovest Pty Ltd shares constituting 50% of the issued ordinary shares in Pactum Australia Pty Ltd; and*
- b) the granting of financial benefit by way of a transfer by Pactum Australia Pty Ltd, an entity in which the Company through its wholly owned subsidiary Nutrition Ventures*

*Pty Ltd holds a 50% interest, of certain properties to Arrovest Pty Ltd or an associate of Arrovest Pty Ltd for nominal consideration and the lease back of those properties, (together the **Pactum Transaction**),*

on the terms and conditions set out in the Explanatory Statement. "

Eligibility to Vote: The Company will disregard any votes cast on Resolution 1 by and on behalf of Arrovest Pty Ltd and any associate of Arrovest Pty Ltd. However, the Company need not disregard a vote that is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

2. Resolution 2 – Grant of 2,500,000 options to Rory Macleod

To consider and, if thought fit, pass the following as an **ordinary resolution**:

"That approval is given for all purposes under the Corporations Act and the ASX Listing Rules for:

- a) the grant of 2,500,000 options under the Employee Share Option Plan to Mr Rory Macleod, Group Executive Director; and*
- b) the acquisition accordingly by Mr Rory Macleod of 2,500,000 options and, in consequence of exercise of those options, ordinary shares,*

in accordance with the Employee Share Option Plan and on the terms and conditions set out in the Explanatory Statement."

Eligibility to Vote: The Company will disregard any votes cast on Resolution 2 by and on behalf of a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company), and an associate of that director.. However, the Company need not disregard a vote that is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

For the purpose of these Resolutions, the following definitions apply:

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691).

ASX Listing Rule means the listing rules of the ASX.

Company means Freedom Foods Group Limited ABN 41 002 814 235.

Corporations Act means *Corporations Act 2001* (Cth).

Employee Share Option Plan means the Company's Employee Share Option Plan established and approved on 30 November 2006.

Explanatory Statement means the Explanatory Statement accompanying this Notice.

Directors mean the Directors of the Company.

Notice means this Notice of General Meeting.

Resolutions means the resolutions contained in this Notice.

By order of the Board

A handwritten signature in blue ink, appearing to read 'Rory Macleod', with a long horizontal flourish extending to the right.

Rory Macleod
Group Executive Director
Company Secretary

Dated: 27th March 2012

How to vote

Shareholders can vote by either:

- attending the meeting and voting in person or by attorney or, in the case of corporate shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the proxy form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions in person, by post or by facsimile.

Voting in person (or by attorney)

Shareholders, or their attorneys, who plan to attend the meeting are asked to arrive at the venue 15 minutes prior to the time designated for the meeting, if possible, so that their holding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the meeting.

Voting by a Corporation

A Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the meeting.

The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).

A proxy need not be a shareholder.

The proxy can be either an individual or a body corporate.

If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit.

The Company will disregard any votes cast on the Resolution 1 by and on behalf of Arrovest Pty Ltd or any associate of Arrovest Pty Ltd. However, the Company need not disregard a vote that is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Company will disregard any votes cast on Resolution 2 by and on behalf of a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company), and an associate of that director. However,

the Company need not disregard a vote that is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.

If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the shareholder's behalf on the poll and the shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their proxy forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman of the meeting as their proxy to vote on their behalf. If a proxy form is returned but the nominated proxy does not attend the meeting, the Chairman of the meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chairman of the meeting, the secretary or any Director that do not contain a direction how to vote will be used where possible to support each of the resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed resolutions. These rules are explained in this Notice.

To be effective, proxies must be received by the Company Secretary no later than 48 hours before the time for holding the meeting.

Proxies may be lodged using any of the following methods:

- by returning a completed proxy form in person or by post using the pre-addressed envelope provided with this Notice to:

Company Secretary
80 Box Road,
Taren Point, NSW 2229; or

- by faxing a completed proxy form to:
(02) 9525 5406

The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the power of attorney, or the power itself, must be received by the Company at the above address, or by facsimile, and by 6pm on Tuesday 24 April 2012 (Sydney time). If facsimile transmission is used, the power of attorney must be certified.

Shareholders who are entitled to vote

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 6pm on Tuesday 24 April 2012.

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting of Freedom Foods Group Limited (the "Company").

Certain abbreviations and other defined terms are used throughout this Explanatory Statement. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Statement.

1. RESOLUTION 1 – PACTUM TRANSACTION

1.1 Proposed Transaction

Shareholder approval is sought for the Company to enter into the transaction comprising:

- a) through its wholly owned subsidiary, Nutrition Ventures Pty Ltd (**Nutrition Ventures**) the purchase from Arrovest Pty Ltd (**Arrovest**) shares constituting 50% of the issued ordinary shares in Pactum Australia Pty Ltd (**Pactum**) (the **Subject Shares**); and
- b) the granting of financial benefit by way of a transfer by Pactum Australia Pty Ltd, an entity in which the Company through its wholly owned subsidiary Nutrition Ventures Pty Ltd holds a 50% interest, of certain properties to Arrovest Pty Ltd or an associate of Arrovest Pty Ltd for nominal consideration and the lease back of those properties (together the **Pactum Transaction**)

The purchase from Arrovest of the Subject Shares will make Pactum a wholly owned subsidiary of Nutrition Ventures as the remaining 50% of the issued ordinary shares in Pactum are held by Nutrition Ventures.

Nutrition Ventures has entered into a share purchase agreement (**Share Purchase Agreement**) with Arrovest and Pactum pursuant to which Nutrition Ventures has agreed to acquire and Arrovest has agreed to sell the Subject Shares on the terms and conditions set out in the Share Purchase Agreement.

A condition precedent to the Share Purchase Agreement is the transfer of the Properties held by Pactum to Arrovest or an associate of Arrovest. Additionally it is proposed that Pactum and Arrovest will enter into a lease of the Properties with Arrovest or its associates.

The proposed Pactum Transaction requires shareholder approval under ASX Listing Rule 10.1 and section 208 of the Corporations Act and completion of the Share Purchase Agreement and transfer of the Properties is conditional on that approval being obtained.

On the bases set out in their report Lawler Corporate Finance are of the opinion that the transaction is fair and reasonable to the Company's non-associated shareholders. Additionally their report concludes that Lawler Corporation Partners is of the view that the fair value of the Consideration amounts to \$5.79 million. The report accompanies this notice of meeting and shareholders are encouraged to read the full text.

1.2 Commercial rationale

Your Independent Directors recommend shareholders vote in favour of Resolution 1 for the reason that the transaction will provide the following benefits for the Company:

- provide for full consolidation of the financial results and access to 100% of the cashflows of Pactum;
- participate in potential sales and earnings growth opportunities provided by the expansion of Pactum's packaging capabilities at its southern Sydney site from late 2012;
- simplify the Group's reporting and corporate structure; and
- the transaction is expected to be earnings accretive in its first year of full ownership in FY 2013.

The Independent Directors believe that after 6 years of operation, Pactum has developed a business that provides a significant strategic growth opportunity for the Company as well as providing synergies in servicing common customers and materials purchasing with the Company's Freedom Foods business.

1.3 Pactum background

Pactum is an Australian based private company which was incorporated on 9 March 2003. Pactum became a joint venture arrangement in April 2005 between the Company and Leppington Pastoral Company Pty Ltd (**LPC**) (an entity associated with Arrovest) to provide packaging and processing services to the Company, LPC and other third parties.

Pactum was originally incorporated as Contract Beverage Packers of Australia Pty Limited; however the company changed to its current name in September 2011.

The initial joint venture agreement provided for Pactum to provide manufacturing and packaging of soy and rice products on behalf of the Company at cost as well as providing manufacturing and packaging of dairy milk products on behalf of LPC at cost.

In August 2006, the 50% equity interest held by LPC was transferred to Arrovest.

In April 2007, the joint venture agreement was altered to provide for the transfer of certain dairy milk contracts from LPC to Pactum with 75% of the profits from those contracts to be retained by LPC.

In May 2007, Pactum acquired its current premises at 80 Box Road, Taren Point for \$3.5 million.

In July 2008, the business model was changed by agreement between the Company and LPC to allow the transfer to Pactum of the remaining 75% of profits from the dairy milk contracts transferred to Pactum in April 2007 as well as all profits relating to the non-proprietary soy and rice contracts of FFG.

1.4 Pactum business

Pactum which provides contract manufacture of UHT beverages for private label and proprietary customers delivered a record sales and business contribution in financial year ended 2011.

The Pactum business continued this momentum in the current financial year (FY 2012), delivering a strong sales and business contribution for the 1st half of FY 2012. Pactum production volumes increased in the 1st half to support the growth of the Freedom Foods dairy alternative beverage range. The business continued to reduce its reliance on lower margin commodity products with an increasing mix of sales of value added UHT products.

As part of its long term growth strategy, Pactum commenced orders for equipment to expand its packaging capability at its southern Sydney site to provide portion pack UHT (250-330ml configuration) for value added beverages. The expansion at a total investment cost of approximately \$7 million is scheduled to be completed by September 2012 and will provide portion pack capacity of up to 40m packs per annum.

The expansion will position Pactum as the only independent low cost manufacturer of a broad range of UHT products on east coast of Australia, with capability to meet the increasing demands from its private label and proprietary customer base. Pactum also continues to investigate opportunities to support Asian market demand for dairy milk in long life product formats.

Nutrition Ventures' purchase of the Subject Shares is on the terms set out in the Share Purchase Agreement referred to in Resolution 1.

1.5 Summary of transaction terms

The principal terms of that agreement are as follows:

a) Conditions precedent to the acquisition are:

- i. the passing by the Company's shareholders of Resolution 1 by ordinary resolution; and
- ii. the Properties have been transferred to Arrovest or its nominee by Pactum, the Property Finance Facility has been novated and Pactum and Arrovest have entered into a Lease with regards to the Properties.

b) If the resolution is passed and the conditions precedents satisfied or waived, the Subject Shares are to be transferred to the Nutrition Ventures within 3 business days after the meeting or satisfaction or waiver of the last condition precedent.

- c) The completion payment under the Share Purchase Agreement is \$6,465,000 less the amount that is equal to 50% of the difference between the value of the Properties as stated in the Company's accounts for the year ended 30 June 2011 and the balance of the Property Finance Facility outstanding as at the Completion Date. As at the date of this Explanatory Memorandum the actual value of the amount that is equal to 50% of the difference between the value of the Properties and the balance of the Property Finance Facility is \$6,000,000. The Company does not expect this amount to change significantly at the Completion Date.

The Share Purchase Agreement contains warranties and representations on behalf of the parties standard for agreements of this nature. The Share Purchase Agreement is subject to the laws of New South Wales and parties submit to the exclusive jurisdiction of the courts of New South Wales.

The Company intends to fund the purchase consideration through a loan to be provided on arm's length terms by the Perich Group for a minimum period of 12 months from the date of completion of the transaction. The company currently intends that repayment of the loan will be made from existing funds and a potential extension of finance facilities prior to the loan end date. The Company retains flexibility to fund medium to long term capital commitments in its core activities through realisation of part or all of its strategic investments.

It is expected that the actual acquisition of the remaining 50% interest in Pactum will occur on or around 1 May 2012.

Following completion of purchase of the Pactum Shares, FNP will have an approximate investment cost in Pactum of \$8.2 million which on a total enterprise basis as at 30 June 2011, equates to an historical EBDITA multiple of 3.8x (based on FY 2011 audited EBDITA adjusted for property rent and management fees).

Copies of the Share Purchase Agreement may be inspected by shareholders at the Company's registered office at 80 Box Road, Taren Point, NSW during normal business hours before the date of the meeting.

1.6 Independent Expert Report

The independent expert has identified the following advantages and disadvantages of the Pactum Transaction:

Advantages	Disadvantages
Opportunity for the Company to fully consolidate the financial performance of Pactum.	Funding for the Pactum Transaction will occur through a loan to be provided by Arrovest on the following terms: - the Company must repay the loan within 12 months of the Completion Date; and - interest on the loan is payable on a monthly basis at an interest rate of 10% per annum. As at the date of the independent expert report, the Company had not yet finalises what sources of funds will be utilised to repay the loan from the Perich Group to fund the Pactum Transaction. As such, whilst the Directors will act rationally and reasonably in deciding upon funding to repay the loan, the chosen method will be assessed depending on that which is most advantageous to the Company at the time
Upon completion of the Pactum Transaction, the Company will: - no longer be exposed to investment risks associated with the holding of commercial real estate; - have reduced debt to the value of approximately \$2.485 million from its balance sheet; and - will still have access to the Properties via a long-term lease back arrangement with Arrovest to be negotiated on arm's length terms.	Upon transfer of the Properties to Arrovest and entering into the Lease, Pactum will be required to pay to Arrovest rent at fair market rates. These rent payments will represent an additional cash outgoing to Pactum.
The transfer of the Properties to Arrovest will enable Pactum/the Company to divest of the Properties with considerably lower transaction costs than what may otherwise have been incurred should Pactum have disposed of the Properties to a third party.	Upon completion of the Pactum Transaction, except to the extent permitted under the lease back arrangement with Arrovest, Pactum will no longer exercise control over the Properties currently owned and occupied by Pactum.

For more details on the independent experts assessment of the Pactum Transaction please refer to the attached independent expert report.

The consideration for the Pactum Transaction is structured as an acquisition of shares in order to preserve the existing sales, employment, banking, tax and administrative arrangements within the Pactum Australia Pty Limited entity. Additional expense would have potentially been incurred for the Company if the transaction was structured as an asset acquisition. The disposal of the Properties is consistent with the Company's strategy to employ its assets in key areas of working capital, plant & equipment and brands of the relevant business, unless otherwise required. The disposal of the Property will also reduce group debt to the value of approximately \$2.485 million from its consolidated balance sheet post completion.

Included below is an illustration of the financial impact of the Pactum Transaction on the Company. The illustration is based on the audited accounts of the Company and Pactum as at 30 June 2011, adjusted for transaction impacts (noted below) on the basis that they occurred at balance date.

As at 30 June 2011					
\$'000	Company(1)	Pactum(1)	Acq (2)	Acq (3)	Total
			Adjusts	Adjusts	
Current Assets	16,293	10,604			26,897
Non Current Assets	60,424	8,906	-3,449	5,055	70,936
Total Assets	76,717	19,510	-3,449	5,055	97,833
Current Liabilities	16,844	8,104			24,948
Non Current Liabilities	9,890	8,588	-2,520	6,000	21,958
Total Liabilities	26,734	16,692	-2,520	6,000	46,906
Net Assets	49,983	2,818	-929	-945	50,927

Notes:

1. Based on Audited Accounts as at 30 June 2011.
2. Acquisition adjustments assumes the divestment of the Properties on the basis of their book value and related bank facilities as at 30 June 2011.
3. Acquisition adjustments relate to the implied goodwill paid for the acquisition of 50% of the shares in Pactum from Arrovest. The adjustment also includes the related \$6m financing of the net consideration.

The consequences of the Pactum Transaction not being approved by shareholders will mean that the Pactum Transaction will not proceed and the Company will remain with a 50% interest (through its wholly owned subsidiary Nutrition Ventures) in Pactum.

1.7 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity (or an entity which is controlled by the body corporate within the meaning of section 50AA of the Corporations Act or a subsidiary of the Company) must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder (if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities). Listing Rule 10.10 provides that the notice of meeting that seeks approval must include a voting exclusion statement under which Arrovest and its associates must not vote and an independent expert's report which states whether the transaction is fair and reasonable to holders of the Company's Shares.

An asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the ASX Listing Rules.

Based on the Company's Annual Report for the year ended 30 June 2011 lodged with the ASX, the Company's equity interests were \$49,983,000. As a result, an asset is "substantial" if it is valued at \$2,499,150 or more. Pursuant to the Share Purchase Agreement, the purchase price for the Subject Shares is \$6,465,000 less the amount that is equal to 50% of the difference between the value of the Properties as stated in the Company's accounts for the year ended 30 June 2011 and the balance of the Property Finance Facility outstanding as at the Completion Date (**Net Purchase Price**). As such, the Company's interests in the Subject Shares are a substantial asset for the purposes of the ASX Listing Rules. Additionally, based on Pactum's accounts as at 30

June 2011 the carrying value of Properties held by were \$3,450,000 and as a result, the Properties are a substantial asset for the purposes of the ASX Listing Rules.

For the purposes of ASX Listing Rule 10.1, Arrovest is a related party of the Company as the entity is controlled by A.M. Perich, R Perich and M.R. Perich who are all directors of the Company.

Accordingly, shareholder approval is being sought for the purposes of ASX Listing Rule 10.1 for the Transaction. When shareholder approval is sought for the purpose of ASX Listing Rule 10.1 the information provided to shareholders in relation to that proposed approval must include a report of the proposed acquisition from an independent expert. Accompanying this Explanatory Statement is an Independent Expert's Report in Annexure A prepared by Lawler Corporate Finance. That report concludes that the proposed Transaction, including the Share Purchase Agreement and transfer of the Properties, are fair and reasonable to the non-associated shareholders.

1.8 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act regulates the provision of financial benefits to related parties by a public company. Section 208 of the Corporations Act prohibits a public company giving a financial benefit to a related party unless one of the exceptions to Section 208 applies or shareholders have approved the giving of that benefit to the related party.

A "financial benefit" is defined in the Corporations Act in broad terms and includes a public company buying assets from a related party.

For the purpose of this meeting, a "related party" includes an entity controlled by the Directors of the Company. Given Arrovest is controlled by A.M. Perich, R Perich and M.R. Perich, who are directors of the Company, the proposed acquisition involves the provisions a financial benefit to a related party of the Company. In accordance with the voting exclusion statement included in the Notice of Meeting, any votes cast by Arrovest and its associates on Resolution 1 will be disregarded.

Section 210 of the Corporations Act provides that a company does not need to obtain shareholder approval to give a financial benefit to a related party if the giving of the financial benefit would be reasonable in the circumstances if the related party and the entity were dealing at arm's length (or on terms less favourable than arm's length).

Notwithstanding the above, the Board is of the view that it is prudent to seek shareholder approval under Section 208 of the Corporations Act for the Transaction which includes acquisition of Subject Shares from Arrovest transfer of the Properties by Pactum to Arrovest or an associate of Arrovest is proposed to be made for nominal consideration.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must:

- obtain the approval of members in the way set out in Sections 217 to 227; and
- give the benefit within 15 months after the approval.

In accordance with the requirements of Chapter 2E, and in particular with Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed Transaction:

- the related parties to whom the financial benefit will be given is Arrovest and Arrovest's associates which include A.M. Perich, R Perich and M.R. Perich all of whom are directors of the Company;
- the Company will acquire through its wholly owned subsidiary Nutrition Ventures a 50% interest in the share capital of Pactum not already held by Nutrition Ventures and the Company will through its indirect 50% interest in Pactum consent to the transfer the Properties to Arrovest or an associate of Arrovest;
- the financial benefit being provided by the Company to Arrovest under Resolution 1 is the consideration being paid to Arrovest for its 50% interest in Pactum and the Property Value for which nominal consideration is given. The value of the consideration being received by Arrovest is detailed in section 7 of the Independent Expert's Report;
- the transfer of the Properties will not adversely effect Pactum's ability to carry on business. Pactum has not been reliant on the Properties for potential inflows of cash to support its operations. It is proposed that Pactum will enter into a Lease arrangement with the transferee of the Properties (being Arrovest or an associate of Arrovest) to ensure that Pactum can maintain its operations and facilities on the Properties on a long term basis. The transfer of the Property also provides for a reduction in Pactum debt facilities and

transfers any potential long term requirement for property upgrades or material improvements to a facility that has been established for over 25 years.

- The impact of the transaction relating to the Property on the net assets of Pactum as at 30 June 2011 is summarised as follows:

Year ended 30 June 2011	Pre	Post
Net Assets	\$2.8m	\$1.8m

Note: Net Assets have then been reduced for value of the Property at \$3.45m and the related loan of \$2.52m as at 30 June 2011.

- A.M. Perich, R Perich and M.R. Perich decline to make a recommendation to Shareholders in relation to Resolution 1 due to their material personal interest in the outcome of this resolution; and
- the independent Directors, P.R. Gunner, G.H. Babidge, M.Miles and R.J.F. Macleod (together the **Independent Directors**), recommend that Shareholders vote in favour of Resolution 1 as they are of the view that the terms of the Transaction, including the acquisition of Subject Shares by Nutrition Ventures, a wholly owned subsidiary of the Company, and the transfer of the Properties is fair and reasonable. No Independent Director has an interest in the outcome of the proposed resolution other than as a shareholder of the Company. The Independent Directors are not aware of any other information that would be reasonably required by shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 1.
- Additional information in relation to Resolution 1 is included in the Independent Expert's Report and each shareholder should read that report in its entirety before making a decision on how to vote.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Company will disregard any votes cast on Resolution 1 by and on behalf of Arrovest and any associate of Arrovest. However, the Company need not disregard a vote that is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

2. RESOLUTION 2 – GRANT OF 2,500,000 OPTIONS TO RORY J F MACLEOD

The Employee Share Option Plan allows the Company to grant options over shares to all directors (excluding Ron and Tony Perich) and permanent full time or part time employees, or their respective nominees, of a company in the group (**Group Companies**), which includes related bodies corporate of the Company and a body corporate in which the Company has voting power of 20% or more, whom the Board determines to be eligible to participate.

The Employee Share Option Plan contains customary and usual provisions dealing with matters such as administration of the plan, variation of plan rules, and termination or suspension of the plan. A summary of the main provisions of the Employee Share Option Plan is provided below.

Eligibility: Under the plan, the Board may, in its absolute discretion, determine which eligible persons will be offered the opportunity to participate in the plan. Eligible persons for the purpose of the plan are employees of a Group Company and executive or non-executive directors of the Company, excluding Ron Perich and Tony Perich. These eligible executive and non-executive directors of the Company are P.R. Gunner, G.H. Babidge, M.Miles and R.J.F. Macleod.

Exercise Price: Under the plan, the Board may, in its absolute discretion, determine the exercise price for an option.

Quotation: Quotation of options on ASX will not be sought. However, the Company will apply for quotation of shares issued on the exercise of options.

Lapse: Options lapse on the earliest of:

- a) an exercise of the option;

- b) the end of any period during which the Board stipulated that the option must be exercised, which cannot be more than 5 years from the date of grant of the option;
- c) apart from the circumstances listed directly below in (d), the participant ceasing to be an employee of the Freedom Group 12 months after the date of cessation of employment;
- d) if the participant ceases to be an employee by reason of resignation by the participant or summary dismissal or other dismissal for cause under the participant's employment contract with Group Company and the option was not exercisable when the employee ceased employment with a Group Company;
- e) apart from the circumstances listed directly below in (f), the participant ceasing to be director of the Company 12 months after the participant ceased to be a director of the Company (this does not apply if a director continues to be an employee of a Group Company);
- f) if the participant ceases to be a director of the Company by reason of resignation by the participant, and the options was not exercisable when the participant ceased to be a director of the Company (this does not apply if a director continues to be an employee of the Group Company);
- g) the Board becoming aware of circumstances in which the participant acted fraudulently, dishonestly or in a manner in material breach of their obligations to the Company; or
- h) the Company commences to be wound up.

A copy of the Employee Share Option Plan may be inspected during normal office hours at the offices of the Company at 80 Box Road Taren Point NSW 2229.

The terms of issue of the options to be issued to Mr Rory Macleod are set out below.

Subject to approval of the members of the Company, the Board has agreed to grant Mr Rory J F Macleod, Group Executive Director, up to 2,500,000 options under the plan (**Options**) and in consequence of exercise of those options, the acquisition of shares by Mr Rory J F Macleod. The grant of options to Mr Rory Macleod is part of the overall employee remuneration policy of the Company. (Please see page 11 of the Company's 2011 Annual Report for more information on the Company's remuneration policy). Mr Rory J F Macleod either directly or indirectly currently holds 182,775 ordinary shares, 6,666 convertible redeemable preference shares and 6,666 ordinary share options in the Company.

The Options to be granted to Mr Rory J F Macleod are not subject to any performance conditions. The Options are not transferable, transmissible, assignable or chargeable, except on the death of Mr Rory J F Macleod or with the prior written approval of the Board.

Each Option entitles the holder to subscribe for 1 fully paid share in the Company. The Options will be granted to Mr Rory J F Macleod as soon as practicable after the date of this meeting but, in any event, not later than the date which is 12 months from the date of this meeting for nil consideration.

The Options will vest annually in equal proportions over three successive years. The first tranche of options will vest 1 year from the date of grant and the remaining tranches on the following two anniversaries of that date as set out in the table below.

Tranche	Number of options	Exercise Period	Exercise Price
Tranche 1	833,333	1 year from the date of grant until 5 years from the date of the grant	\$0.40
Tranche 2	833,333	2 years from the date of grant until 5 years from the date of the grant	\$0.40
Tranche 3	833,334	3 years from the date of grant until 5 years from the date of the grant	\$0.40

The Board considered the Option grant to Mr Rory J F Macleod as part of the overall employee remuneration policy of the Company. The initial review by the Board of the remuneration policy of the Company and the proposed issue of Options commenced in July 2011 and was completed in December 2011.

During this time, the average share price of the Company during the month of July 2011 was \$0.32 and the average share price of the Company for the 6 month period 1 July 2011 to 31st December 2011 was \$0.37. The exercise price of the Option is therefore a 25% premium to the average share price of the Company during the month of July 2011 and a 8.1% premium to the average share price of the Company for the 6 month period 1 July 2011 to 31st December 2011.

The Company has valued the proposed Option grant to Mr Rory J F Macleod using the Binomial Method, consistent with its approach to valuing prior option issues under the plan. The value of each Option (subject to the assumptions detailed below) is \$0.122, which equates to a total valuation of the Option grant of \$305,000 or \$101,666 per annum over the proposed vesting period of 3 years.

Using the Binomial Method, the key assumptions for valuing the Options are as follows:

Option Type	Call
Exercise Term	5 Years
Stock Price	\$0.46 (being price of the stock at the time of formal resolution of the Board for the proposed issue of Options)
Exercise Price	\$0.40
Volatility	20.0%
Dividend Yield	2.5% per annum for ordinary shares
Risk Free Rate	5.0%

The assumptions detailed above are not an indication or forecast of the Company's expectation of stock price performance, volatility, risk free rate or dividend yield. The valuation of the Options for accounting standards in future years may vary from the valuation detailed above.

Disposal of the Company's shares once released from the Employee Share Option Plan will be subject to the Company's share trading policies from time to time. The Option holder cannot participate in new issues without exercising the Option. Additionally, the rights of the Option holder must be changed to comply with the ASX Listing Rules applying to reorganisations of capital at the time of a reorganisation. The Options once exercised will represent approximately 3% of the current shareholding of the Company.

The Options will not attract dividends and voting rights until the Options are exercised and shares are allotted whether or not the shares are subject to non-disposal restrictions.

The following options have previously been issued under the plan to directors of the Company and their associates:

	Number of options	Acquisition Price	Exercise Price
Geoffrey Babidge	1,700,000	Nil	\$0.50
Ben Bootle	900,000	Nil	\$0.50

A further issue of 300,000 options was made to Peter Nathan, a senior employee. Note all the options granted above, other than Peter Nathan have now lapsed.

Rory J F Macleod was prior to his appointment as a Director and in his capacity as a senior employee issued 1,700,000 options for nil consideration with an exercise price of \$0.50 in accordance with the Employee Share Option Plan. These options have now lapsed.

There are no loans relating to the acquisition of shares under the Employee Share Option Plan. The funds raised on the exercise of the Options are to be used for the general purposes of the Company.

Mr Rory J F Macleod remuneration for the period to 30 June 2011 and his holding of shares as set out in the Remuneration Report of the 2011 Annual Report on page 13 comprised of \$259,800 in short-term employee benefits, \$15,199 in post employment benefits and \$43,680 in share based payments. Copies of the 2011 Annual Report are available at the Company's website.

Requirements for approval

Shareholder approval of the participation of Mr Rory J F Macleod in the Employee Share Option Plan and his acquisition of Options as detailed above and of shares on exercise of those options is sought for all purposes under the Corporations Act and the ASX Listing Rules including the following:

- Under ASX Listing Rule 10.14, an entity must not issue securities to a related party (such as a Director or a company controlled by a Director) under an employee incentive scheme without the approval of shareholders. Accordingly, approval of shareholders is sought for the purpose of ASX Listing Rule 10.14 to enable the Company to make grants of Options, and subsequently issue and allot shares to, Mr Rory J F Macleod.
- Under Section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a board or managerial office in the company or a related body corporate if it is approved by shareholders or an exemption applies. Accordingly, approval is also sought for any benefit which Mr Rory J F Macleod may receive under the Employee Share Option Plan if, for example, he is totally and permanently disabled.
- Under Section 208 of the Corporations Act, a company may only give a related party a financial benefit where such benefit has been approved by shareholders or an exemption applies. Accordingly, the Board is of the

view that it is prudent to seek shareholder approval under Section 208 of the Corporations Act for the issue of Options to Mr Rory J F Macleod. In accordance with the requirements of Chapter 2E, and in particular Section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Options to Mr Rory J F Macleod:

- the related parties to whom the financial benefit will be given is Mr Rory J F Macleod who is a director of the Company;
- the financial benefit being provided by the Company to Mr Rory J F Macleod under Resolution 2 is the grant of Options with an exercise price of \$0.40 which at the time of consideration of the grant of Options was above the average trading value of the Company's shares on the ASX for the 6 months ended 31st December 2011;
- Mr Rory J F Macleod declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the resolution; and
- Directors, P.R. Gunner, G.H. Babidge, M.Miles, A.M. Perich, R.Perich and M.R. Perich, recommend that Shareholders vote in favour of Resolution 2 as the Board believes that the Options proposed to be granted to Mr Rory Macleod are appropriate to aligning key executive performance with long term performance and growth of the Company. The Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 2.

Voting

Note that a voting exclusion applies to Resolution 2 in the terms set out in the Notice of Meeting. In particular, the Company will disregard any votes cast on by and on behalf of Resolution 2 by a director of the Company (except one who is ineligible to participate in any employee incentive scheme in relation to the Company), and an associate of that director. However, the Company need not disregard a vote that is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

GLOSSARY

Arrovest means Arrovest Pty Ltd ACN 117 953 205.

Board means the board of Directors of the Company.

Company means Freedom Foods Group Limited ABN 41 002 814 235.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Employee Share Option Plan means the Company's Employee Share Option Plan established and approved on 30 November 2006.

Group means the related bodies corporate of the Company and the Company.

Group Companies means includes related bodies corporate of the Company and a body corporate in which the Company has voting power of 20% or more.

Independent Directors means P.R. Gunner, G.H. Babidge, M.Miles and R.J.F. Macleod.

Lease means the lease of the Properties to be entered into between Arrovest or its nominee and Pactum.

LPC means Leppington Pastoral Company Pty Ltd

Meeting means the General Meeting the subject of the Notice.

Notice means the notice of General Meeting which accompanies this Explanatory Statement.

Nutrition Ventures means Nutrition Ventures Pty Ltd (ACN 089 982 392).

Pactum means Pactum Australia Pty Ltd (ACN 112 913 336).

Perich Group means the group of entities under the control of Anthony Perich and Ronald Perich who are also Directors. Arrovest and LPC form part of the Perich Group.

Properties mean the following freehold properties: Lot 1 in Strata Plan 31555 being that property described within folio identifiers 1/SP31555 and CP/SP31555.

Property Finance Facility means the Commercial Bill Facility with Westpac Banking Corporation with a current outstanding value of \$2,485,000 as at 1 December 2011.

Property Value means the value of the Properties as determined by a Third Party Property Valuer.

Restricted Voter means the Key Management Personnel and their Closely Related Parties.

Resolution means a resolution proposed pursuant to the Notice.

Share Purchase Agreement means the share purchase agreement between Arrovest, Nutrition Ventures and Pactum dated on or around 27th March 2012.

Subject Shares means shares constituting 50% of the issued share capital in Pactum as held by Arrovest and being acquired by Nutrition Ventures.

Third Party Property Valuer means LandMark White (NSW) Pty Ltd (ACN 102 262 359).

Annexure A – Independent Expert Report

PROXY FORM

Freedom Foods Group Limited ("Freedom")

ABN 41 002 814 235

Name Address 1

Name Address 2

Name Address 3

Name Address 4

Appointment of Proxy

If appointing a proxy to attend the General Meeting on your behalf please complete the form and submit it in accordance with the directions on the reverse of the page.

I/We _____ of _____ being a shareholder/shareholders of Freedom pursuant to my/our right to appoint not more than two proxies, appoint:



The Chairman of the Meeting
(mark with an "X")

OR

Write here the name of the person you are appointing if this person is someone other than the Chairman of the Meeting.

Write here the name of the person you are appointing as a second proxy (if any).

or failing him/her, (if no proxy is specified above), the Chairman of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the General Meeting to be held at 80 Box Road, Taren Point NSW 2229 and at any adjournment of that meeting.

This proxy is to be used in respect of _____ % of the ordinary shares I/we hold.



If the Chairman of the Meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote in respect of a resolution, please mark this box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxyholder will be disregarded because of that interest. If you wish to direct your proxy how to vote with respect to the proposed resolution, please indicate the manner in which your proxy is to vote by placing an "X" in the appropriate box below, otherwise your proxy will vote or abstain from voting as he/she thinks fit.

The Chair of the Meeting intends to vote undirected proxies in favour of the resolutions.

Voting directions to your Proxy – please mark X to indicate your directions

RESOLUTION	For	Against	Abstain *
1. Pactum Transaction	☐	☐	☐
2. Grant of 2,500,000 options to Rory Macleod	☐	☐	☐

**If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.*

PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Executed in accordance with section 127 of the Corporations Act:

Individual or Shareholder 1

Joint Shareholder 2

Joint Shareholder 3

Sole Director & Sole Company Secretary

Director

Director/ Company Secretary

Dated this _____ day of _____ 2012

Contact Name

Contact Business Telephone / Mobile

INSTRUCTIONS FOR COMPLETING PROXY FORM

1. Completion of a proxy form will not prevent individual shareholders from attending the General Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the General Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the General Meeting.
2. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes.
3. A proxy need not be a shareholder of the Company.
4. If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.
5. Should any resolution, other than those specified in this Notice, be proposed at the meeting, a proxy may vote on that resolution as they think fit.
6. If a representative of a company shareholder is to attend the Meeting, a properly executed original (or certified copy) of evidence of appointment. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment to including any authority under which it is signed.
7. If a representative as power of attorney of a shareholder is to attend the meeting, a properly executed original (or certified copy) of the appropriate power of attorney under which they have been authorised should be produced for admission to the General Meeting.

8. **Signing Instructions**

You must sign this form as follows in the spaces provided:

- Individual:** Where the holding is in one name, the holder must sign.
- Joint Holding:** Where the holding is in more than one name, all of the shareholders should sign.
- Power of Attorney:** If you are signing under a Power of Attorney, you must lodge an original or certified photocopy of the appropriate Power of Attorney with your completed Proxy Form.
- Companies:** Where the company has a Sole Director who is also the Sole Company Secretary this form must be signed by that person.
- If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone.
- Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

9. **Lodgement of a Proxy**

This Proxy Form (and any power of attorney under which it is signed) must be received at the address below not later than 6pm on Tuesday 24 April 2012 (48 hours before the commencement of the Meeting).

Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Postal address: Company Secretary
80 Box Road, Taren Point, NSW 2229

Fax number: (02) 9525 5406



Freedom Foods Group Limited

Independent Expert's Report

13 March 2012

Disclosure regarding a change in circumstances

This Report replaces our Report dated 9 February 2012.

This Report dated 13 March 2012, was issued subsequent to changes in the terms relating to the Pactum Transaction as outlined in this Report. We note that these changes did not materially impact on our valuation conclusions or our overall conclusions in relation to the Pactum Transaction

13 March 2012

The Independent Directors
Freedom Foods Group Limited
80 Box Road
TARREN POINT NSW 2229

Dear Sirs,

INDEPENDENT EXPERT'S REPORT

PROPOSED ACQUISITION OF THE REMAINING 50% EQUITY INTEREST OF PACTUM AUSTRALIA PTY LIMITED AND TRANSFER OF PROPERTIES

Introduction

Freedom Foods Group Limited ("**FFG**" or the "**Company**") is an Australian based public company listed on the Australian Securities Exchange ("**ASX**"). As at 30 November 2011, the Company had a market capitalisation of \$32.5 million.

FFG is a diversified food company operating within the health and wellness sectors. The Company owns, manufactures and distributes food and beverage products under a suite of brands including Freedom Foods, Crunchola, Norganic, Australia's Own, Paramount and Brunswick. The Company also holds a strategic interest of 27.5% in New Zealand listed company A2 Corporation Limited ("**A2 Corporation**").

In addition, the Company holds a 50% interest in contract packaging provider, Pactum Australia Pty Limited ("**Pactum**"). Pactum manufactures and packages ultra high temperature ("**UHT**") beverages for a range of customers including "private labels" of the major supermarket groups in Australia as well as proprietary brands under FFG's "So Natural" and "Australia's Own" brands.

Pactum Transaction

It is proposed that:

- FFG, through a wholly-owned subsidiary Nutrition Ventures Pty Limited ("**Nutrition Ventures**"), will acquire from its major shareholder, Arrovest Pty Limited ("**Arrovest**"), the remaining 50% equity interest in Pactum which it does not already own; and
- the properties currently owned by Pactum ("**Properties**") on which its factory is sited and from which it conducts its business, will be transferred to Arrovest and leased back to Pactum under a long-term lease ("**Lease**"),

(together the "**Pactum Transaction**").

The amount payable by FFG in relation to the Pactum Transaction will comprise:

- a) a cash amount of \$6,465,000; less
- b) an amount that is equal to the outstanding balance of the loan from Leppington Pastoral Company Pty Limited ("**LPC**") to Pactum; and
- c) an amount that is equal to 50% of the difference between the value of the Properties as stated in Pactum's accounts for the year ended 30 June 2011 and the balance of the Property Finance Facility outstanding as at the Completion Date,

(together the "**Purchase Price**").

Arrovest is the largest shareholder in FFG with a relevant interest of 66.61% in the ordinary shares of the Company as at the date of this Report.

The Pactum Transaction is subject to the approval of various resolutions set out in the Notice of General Meeting ("**Notice of Meeting**") accompanying this Report by the relevant shareholders of FFG that are not precluded from voting ("**Non-associated Shareholders**") and certain regulatory and other conditions being satisfied.

Details of the Pactum Transaction are set out in the Explanatory Statement accompanying the Notice of Meeting to be sent to respective shareholders (the "**Documents**").

Requirement for an Independent Expert's Report

ASX Listing Rules Requirements

As at the date of this Report, Arrovest held 66.61% of the ordinary shares on issue by FFG. Certain directors and shareholders of Arrovest are also directors of FFG.

Based on FFG's 30 June 2011 audited financial statements, the Company's equity interests were \$49.9 million. ASX Listing Rule 10.1 prohibits an entity from acquiring a substantial asset from, or disposing of a substantial asset to, a related party without the approval of holders of the entity's ordinary securities other than those involved in the transaction (i.e. the Non-associated Shareholders). ASX Listing Rule 10.4 extends this requirement to associates of a related party.

A substantial asset is defined by ASX Listing Rule 10.2 as an asset with a value of 5% or more of the equity interests of the entity. On this basis, the assessed value of the Consideration of \$5.61 million represents 11.2% of the net assets of \$49.9 million, which means that shareholders not associated with Arrovest are required to approve the Pactum Transaction.

In addition, Lawler Corporate Finance Pty Limited ("**LCF**" or "**us**", "**we**" or "**our**") note that the carrying value of land and buildings held by Pactum as at 30 June 2011 was \$3.45 million and total plant and equipment was \$5.4 million. On the basis that the plant and equipment are not fixtures (and thus ownership runs with that of the land), the amount of \$3.45 million represents 7.0% of the equity interests of \$49.9 million and this aspect of the proposal also requires approval by Non-associated Shareholders under ASX Listing Rule 10.1.

Where approval is required under ASX Listing Rule 10.1 and/or 10.4, ASX Listing Rule 10.10.2 states that the notice of meeting must be accompanied by a report on the transaction from an independent expert stating whether or not, in the expert's opinion, the transaction is fair and reasonable to the holders of the entity's ordinary securities who are entitled to vote on the matter.

The Listing Rules do not define the terms "fair" and "reasonable". However, Regulatory Guide 111 *Content of Expert Reports* ("**RG 111**") issued by the Australian Securities and Investments Commission ("**ASIC**") set out definitions of the terms (refer below).

Corporations Act Requirements

Section 208 of Chapter 2E of the Corporations Act 2001 (Cth) ("**Corporations Act**") prohibits a public company from providing a financial benefit to a related party without obtaining prior approval of the public company's shareholders, unless the arrangement is on arm's length terms.

The term "financial benefit" is defined widely and includes transactions that are on arm's length terms.

Sections 218, 219 and 221 of the Corporations Act require a public company wishing to obtain shareholder approval with respect to a related party transaction, to provide such shareholders with all information that would reasonably be required by members in order to enable them to decide whether or not it is in the public company's interest to approve the related party transaction.

Whilst the above sections of the Corporations Act do not explicitly state that an expert opinion is required in relation to a proposed transaction such as the Pactum Transaction, Section 219 of the Corporations Act and ASIC Regulatory Guide 76 Related Party Transactions ("**RG 76**") states that it is the obligation of directors to provide shareholders with full and proper disclosure.

This obligation may be satisfied by commissioning an independent expert to report on whether the proposed transaction is "fair" and "reasonable" to the non-associated shareholders, as those terms are defined in RG 111.

Summary of Conclusions

In summary, our opinion is that the Pactum Transaction is "**fair**" and "**reasonable**" to the Non-associated Shareholders as a whole.

Our reasons for reaching these conclusions are set out below.

Fair

We have assessed the fair market value of the 50% equity interest in Pactum on a control basis to be between \$6.55 million and \$8.27 million.

We have assessed the fair market value of the Consideration to be \$5.79 million.

As the assessed fair market value of the 50% equity interest in Pactum exceeds the assessed fair value of the Consideration, in our opinion, the Pactum Transaction is "fair" to the Non-associated Shareholders of FFG, according to RG 111 guidelines.

A summary of our assessment is set out in the following table:

Table 1: Fairness Assessment

	Low	High	Average
<u>WHAT IS BEING PAID</u>			
Unadjusted Purchase Price	6,465,000	6,465,000	6,465,000
Less: Repayment of Related Party Loan	(445,372)	(445,372)	(445,372)
Less: Purchase Price Adjustment	(482,711)	(482,711)	(482,711)
Purchase Price	5,536,918	5,536,918	5,536,918
Add: 50% Net Interest in the Properties	257,500	257,500	257,500
Fair Market Value of the Consideration	5,794,418	5,794,418	5,794,418
<u>WHAT IS BEING ACQUIRED</u>			
Fair market value of 50% of the equity interest in Pactum Australia Pty Limited	6,552,932	8,272,695	7,398,188
Fair / (Unfair)	758,514	2,478,278	1,603,771

Source: The Share Purchase Agreement, Special Purpose Annual Report and Trial Balance of Pactum for the year ended 30 June 2011, Management Accounts of Pactum for the five months ended 30 November 2011, LandMark White Property Valuation Report, LCF analysis

In assessing the fair market value of the 50% equity interest in Pactum and the Consideration, LCF has adopted a valuation date of 30 November 2011 ("**Valuation Date**").

LCF notes that there has been a time lapse since the Valuation Date to the date of this Report. LCF has reviewed Pactum's trading results for the months of December 2011 and January 2012 and confirms that actual results achieved for these months were in-line with those budgeted by Pactum.

In addition, LCF has reviewed all other valuation parameters up to the date of this Report to confirm that there has been no material change that would impact on our valuation since 30 November 2011.

Based on our review, we confirm that trading results and changes to other valuation parameters since 30 November 2011 would not have any material impact on our valuation of Pactum since the Valuation Date.

Reasonable

In accordance with RG 111, as it is our opinion that the Pactum Transaction is "fair" we are also of the opinion that it is "Reasonable".

Nevertheless, we have also considered various factors that we believe Non-associated Shareholders should consider when deciding whether or not to accept the Pactum Transaction.

A summary of the matters that we have considered are set out below.

Advantages of the Pactum Transaction

In our opinion, the Pactum Transaction has a number of potential positive implications for the Non-associated Shareholders of FFG, including:

Opportunity for FFG to fully consolidate the financial performance of Pactum

FFG currently holds 50% of the equity interests in Pactum.

Upon completion of the Pactum Transaction, FFG will hold 100% of the equity interests in Pactum enabling FFG to exercise full control and participate in 100% of the cash flows of Pactum.

Disposal of non-core assets and associated debt

FFG currently hold a 50% indirect interest in the Properties held by Pactum.

The Pactum Transaction is conditional on the Properties (and associated debt) being transferred from Pactum to Arrovest. While the operations of the business undertaken by Pactum are carried out at the Properties, Pactum is not in the business of property investment and the Properties are considered non-core assets.

Upon completion of the Pactum Transaction, FFG:

- will no longer be exposed to investment risks associated with the holding of commercial real estate;
- will have reduced debt to the value of approximately \$2.485 million from its balance sheet; and
- will still have access to the Properties via a long-term lease back arrangement with Arrovest to be negotiated on arm's length terms.

Disposal Costs

The transfer of the Properties to Arrovest will enable Pactum/FFG to divest of the Properties with considerably lower transaction costs than what may otherwise have been incurred should Pactum have disposed of the Properties to a third party.

Disadvantages of the Pactum Transaction

In our opinion, the Pactum Transaction has a number of potential negative implications for the Non-associated Shareholders of FFG, including:

Funding of the Pactum Transaction

As set out in the Explanatory Statement, the Company intends to fund the purchase of the remaining 50% equity interest in Pactum which it does not already own through a loan to be provided by the Perich Group on the following terms:

- FFG must repay the loan within twelve (12) months of the Completion Date; and
- interest on the loan is payable on a monthly basis at an interest rate of 10% per annum.

FFG currently intends that repayment of the loan will be made from existing funds and a potential extension of finance facilities prior to the loan end date. FFG notes that it retains flexibility to fund medium to long term capital commitments in its core activities through realisation of part or all of its strategic investments.

As at the date of this Report, FFG had yet to finalise what sources of funds will be utilised to repay the loan from the Perich Group. Accordingly, LCF has been unable to assess the impact of the eventual funding option to be utilised by the Company.

However, the means of funding does not necessarily detract from the assessment of the fairness and reasonableness of the terms of the Pactum Transaction as set out in this Report. Also, we believe that it is reasonable to expect that the FFG Directors will act rationally and reasonably in deciding upon the funding and that the chosen method would be that assessed to be the most advantageous to FFG at the time.

Additional Cash Outgoings

Upon transfer of the Properties to Arrovest and entering into the Lease, Pactum will be required to pay to Arrovest rent at fair market rates. In addition, FFG will be required to make interest payments in relation to the loan from the Perich Group as detailed above.

These rent and interest payments will represent additional cash outgoing to Pactum and FFG, respectively.

Loss of control of business premises

Upon completion of the Pactum Transaction, except to the extent permitted under the lease back arrangement with Arrovest, FFG will no longer exercise control over the Properties currently owned and occupied by Pactum.

Whilst we note that Arrovest will continue to have an interest in maintaining the premises for use by Pactum (i.e. through its, and its associates' interests in FFG), Arrovest will ultimately have control over the Properties and there is no guarantee that any future actions of Arrovest will not have an adverse effect on the operations of Pactum.

Implications for Non-associated Shareholders of Rejecting the Pactum Transaction

Set out below are the key implications for Non-associated Shareholders of FFG of rejecting the Pactum Transaction. In our opinion, in the event the Pactum Transaction was rejected, Non-associated Shareholders of FFG would be subject to the following issues:

- FFG will continue to hold only a 50% equity interest in Pactum. Accordingly, FFG will not obtain full control of Pactum and will not be entitled to participate in any increased share of cash flows generated by Pactum;

- FFG will continue to maintain a 50% interest in the Properties currently owned and occupied by Pactum. Accordingly, FFG will continue to be exposed to the investment risks associated with owning commercial real estate, however, it will not lose control over the Properties;
- Should Pactum wish to dispose of the Properties in the future, Non-associated Shareholders may not benefit from reduced transactions costs which are available to Pactum/FFG by divesting the Properties to a Arrovest, being a related party; and
- Non-associated Shareholders of FFG will not be subjected to the uncertainty regarding the funding arrangements which the Company will utilise to fund the Pactum Transaction.

Other matters

Summary

This section sets out a summary of our conclusions. You should read our Report in full, which accompanies the Documents, which sets out in full the purpose, scope, sources of information, basis of evaluation, limitations, analysis and our findings.

Fair market value

For the purposes of our opinion, the term “fair market value” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm’s length.

Special value

We have not considered special value in forming our opinion as to whether the Pactum Transaction is “fair”. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair market value. This premium represents the value to the particular potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

Valuation Date

The valuation assessment and our opinion is as at 30 November 2011 (“**Valuation Date**”).

Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. LCF reserves the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date that subsequently becomes known to LCF.

Scope

The scope of the procedures undertaken in preparing the Report does not include verification work nor constitute an audit in accordance with Australian Auditing and Assurance Standards.

The Report was prepared in accordance with APES 225 *Valuation Services* issued by the Accounting Professional and Ethical Standards Board Limited.

Investors' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed, at an aggregate level. LCF has not considered the effect of the Pactum Transaction on the particular circumstances of individual Non-associated Shareholders. Some individual Non-associated Shareholders may place a different emphasis on various aspects of the Pactum Transaction from that adopted in this Report. Accordingly, individual Non-associated Shareholders may reach different conclusions as to whether or not the Pactum Transaction is fair and reasonable in their individual circumstances. As the decision of individual Non-associated Shareholders in relation to the Pactum Transaction may be influenced by their particular circumstances (including their taxation position), Non-associated Shareholders are advised to seek their own independent advice.

Sources of Information

Appendix 1 identifies the information referred to, and relied upon, by LCF during the course of preparing this Report and forming our opinion.

Use of Report

This report has been prepared at the request of and for the benefit of the Directors of FFG and for the benefit of the Non-associated Shareholders of FFG. The Report was not prepared for any purpose other than that stated in this Report.

LCF does not accept any responsibility to any person other than the Directors and Non-associated Shareholders of FFG or for the use of the Report outside the stated purpose without the written consent of LCF. Except in accordance with the stated purpose, no extract, quote or copy of our Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

The statements and opinions contained in this Report are given in good faith and are based upon LCF's consideration and assessment of information provided by the Directors, executives and management of FFG and Pactum.

LCF has provided its consent to the Report accompanying the Documents. Apart from the Report, LCF is not responsible for the contents of the Documents, or any other document or announcement associated with the Pactum Transaction. LCF acknowledges that its Report may be lodged with regulatory bodies.

Approval or rejection of the Pactum Transaction is a matter for individual Non-associated Shareholders based on their expectations as to the value and future prospects of FFG and Pactum, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Non-associated Shareholders should carefully consider the Documents. Non-associated Shareholders who are in doubt as to the action they should take in relation to the Pactum Transaction should consult their professional adviser.

Capitalised and abbreviated terms used in this Report have the meanings set out in the Glossary in **Appendix 2**.

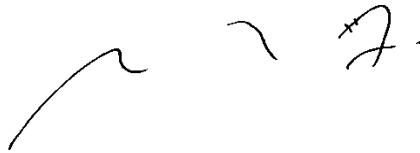
Financial Services Guide

A financial services guide is attached to this Report.

Yours faithfully



Peter Cornell
Director



Vince Fayad
Director

Table of Contents

1	The Pactum Transaction	1
2	Scope and Limitations	2
	2.1 PURPOSE OF THE REPORT	2
	2.2 SCOPE	2
	2.3 LIMITATIONS.....	2
	2.4 BASIS OF ASSESSMENT.....	5
3	Profile of Freedom Foods Group Limited	7
	3.1 BACKGROUND	7
	3.2 ACTIVITIES.....	7
	3.3 DIRECTORS.....	9
	3.4 HISTORICAL INCOME STATEMENTS	10
	3.5 HISTORICAL STATEMENTS OF FINANCIAL POSITION	11
	3.6 HISTORICAL STATEMENTS OF CASH FLOW	12
	3.7 OWNERSHIP	13
4	Profile of Pactum Australia Pty Limited	18
	4.1 BACKGROUND	18
	4.2 ACTIVITIES.....	18
	4.3 DIRECTORS AND SENIOR MANAGEMENT	20
	4.4 FINANCIAL INFORMATION	21
	4.5 OWNERSHIP	24
5	Industry Overview.....	25
	5.1 INTRODUCTION.....	25
	5.2 CONTRACT PACKING	25
	5.3 UHT INDUSTRY	27
	5.4 COMPETITORS.....	29
6	Valuation of Pactum Australia Pty Limited	31
	6.1 VALUATION SUMMARY	31
	6.2 APPROACH	31
	6.3 SELECTION OF FUTURE MAINTAINABLE EARNINGS	31
	6.4 CAPITALISATION MULTIPLE	33
	6.5 VALUATION CALCULATION	36
	6.6 VALUATION CROSS-CHECK	37
7	Valuation of the Consideration Offered	39
	7.1 APPROACH	39
	7.2 VALUATION OF THE CONSIDERATION	39
	7.3 CONCLUSION	40

8	Assessment of the Pactum Transaction.....	41
8.1	APPROACH	41
8.2	FAIR	41
8.3	REASONABLE	41
8.4	OVERALL CONCLUSION.....	43
9	Qualifications, Independence and Disclaimer	44
9.1	QUALIFICATIONS.....	44
9.2	INDEPENDENCE.....	44
Appendix 1	Sources of Information.....	46
Appendix 2	Glossary of terms.....	48
Appendix 3	Valuation methods	50
Appendix 4	Comparable Listed Company Market Trading Analysis.....	52
Appendix 5	Comparable Transactions Analysis.....	54
Appendix 6	Comparable IPOs Analysis	55
	Financial Services Guide	56

1 The Pactum Transaction

Freedom Foods Group Limited ("**FFG**" or the "**Company**") is a diversified food and beverage company operating within the health and wellness sectors in Australia. The Company owns, manufactures and distributes food and beverage products under a suite of brands including Freedom Foods, Crunchola, Norganic, Australia's Own, Paramount and Brunswick. The Company also holds a strategic interest of 27.5% in New Zealand listed company A2 Corporation Limited ("**A2 Corporation**").

In addition, FFG holds a 50% interest in contract packaging provider, Pactum Australia Pty Limited ("**Pactum**"). Arrovest owns the remaining 50% equity interest in Pactum.

Pactum manufactures and packages ultra high temperature ("**UHT**") beverages for a range of customers including the major supermarket groups in Australia as well as the proprietary brands under Freedom Foods "So Natural" and "Australia's Own" brands.

Pactum also owns properties located at 80 Box Road, Taren Point, New South Wales ("**Properties**"). Pactum's factory is sited on the Properties.

FFG, through a wholly-owned subsidiary Nutrition Ventures Pty Limited ("**Nutrition Ventures**"), wishes to acquire the remaining 50% equity interest in Pactum which it does not already own. In addition, on or before the completion of the acquisition, the Properties will be transferred to Arrovest (or its nominee) who will enter into a lease back agreement with Pactum on arm's length terms ("**Lease**") (together the "**Pactum Transaction**").

The Pactum Transaction is conditional on the following taking place:

- Shareholders of FFG who are entitled to vote on the Pactum Transaction ("**Non-associated Shareholders**"), vote in favour of the Pactum Transaction;
- on or before the Completion Date;
 - a) the Properties have been transferred from Pactum to Arrovest (or its nominee);
 - b) the Property Finance Facility has been novated and the Charge has been discharged; and
 - c) Pactum and Arrovest (or its nominee), having entered into the Lease.

The amount payable by FFG in relation to the Pactum Transaction is as follows:

- a cash amount of \$6,465,000; less
- an amount that is equal to the outstanding balance of the loan from Leppington Pastoral Company Pty Limited ("**LPC**") to Pactum; less
- an amount that is equal to 50% of the difference between the value of the Properties as stated in Pactum's accounts for the year ended 30 June 2011 and the balance of the Property Finance Facility outstanding as at the Completion Date.

(together the "**Purchase Price**").

In addition, as the Pactum Transaction includes the Properties and the Property Finance Facility being transferred from Pactum to Arrovest, we are of the view that 50% of the net fair market value of the Properties and the Property Finance Facility will also form part of the consideration (being FFG's existing share in the Properties and the Property Finance Facility).

The Purchase Price plus 50% of the net fair market value of the Properties and the Property Finance Facility is defined herein as the "**Consideration**".

The Pactum Transaction is set out in detail in section 1 of the Explanatory Statement.

2 Scope and Limitations

2.1 Purpose of the Report

The Report is to accompany the Notice of Meeting and Explanatory Statement (together the “**Documents**”) to be provided to the shareholders of FFG and is prepared to assist the Directors in fulfilling their obligation to provide Shareholders with full and proper disclosure to enable them to assess the merits of the Pactum Transaction and to decide whether to agree by resolution to the Pactum Transaction.

2.2 Scope

The scope of the procedures we undertook in forming our opinions was limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute a review, audit or other assurance engagement in accordance with Australian Auditing and Assurance Standards.

The assessment of whether the Pactum Transaction is fair and reasonable necessarily involves determining the “fair market value” of various securities, assets and interests.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. There is therefore no indisputable value, and we normally express our opinion as falling within a likely range.

2.3 Limitations

2.3.1 Reliance on Information

This Report is based upon financial and other information provided by FFG and Pactum. Lawler Corporate Finance Pty Limited (“**LCF**” or “**us**”, “**we**” or “**our**”) has considered and relied upon this information. LCF believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion. The procedures adopted by LCF in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not LCF’s role to undertake, and LCF has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Pactum Transaction. LCF understands that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary. LCF does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors and/or their advisors.

An opinion as to whether a corporate transaction is “fair” and/or “reasonable” is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that LCF advises that it is not in a position, nor is it practical for LCF, to undertake such an extensive verification exercise.

It is understood that, except where noted, the accounting information provided to LCF was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by FFG and Pactum in previous accounting periods.

In accordance with normal practice, prior to finalising the Report, we confirmed facts with the client. This was undertaken by means of providing the client with a draft report. LCF obtained a representation letter from the client confirming that, to the best knowledge of the client, the information provided to, and relied upon by, LCF was complete and accurate, and that no significant information essential to the Report was withheld.

The client indemnified LCF and Lawler Partners and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided to LCF by the client, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.3.2 Prospective Financial Information

In preparing the Report, LCF had regard to prospective financial information for the financial year ending 30 June 2012 in relation to Pactum ("**Prospective Financial Information**"). Lawler Corporate Finance understands that the Prospective Financial Information has been prepared as part of the ongoing management processes of the Pactum.

For the purposes of our Report, LCF understands and has assumed that the Prospective Financial Information:

- has been prepared fairly and honestly, on a reasonable basis and is based on the best information available to the management and directors of Pactum and within the practical constraints and limitations of such information; and
- does not reflect any material bias either positive or negative.

We understand that the Prospective Financial Information has been based on assumptions concerning future events and market conditions and while prepared with due care and attention and the directors consider the assumptions to be reasonable, future events and conditions are not accurately predictable and the assumptions and outcomes are subject to significant uncertainties. Actual results are likely to vary from the Prospective Financial Information and any variation may be materially positive or negative. Accordingly, neither the directors of FFG, Pactum nor LCF guarantee that the Prospective Financial Information or any other prospective statement contained in the Report or otherwise relied upon will be achieved.

For present purposes, LCF has not been engaged to undertake an independent review of the Prospective Financial Information in accordance with Australian Auditing or Assurance standards, and has not undertaken such a review. However in order to disclose and to rely on the Prospective Financial Information in this Report, LCF is required to satisfy itself that the Prospective Financial Information has a reasonable basis.

Set out below are some of the factors that, in our opinion, support a conclusion that the Prospective Financial Information has a reasonable basis:

- a material portion of the Prospective Financial Information incorporates established trends in the businesses and current arrangements in place, for example:
 - Prospective Financial Information largely reflects an established history of operations, sales and profitability of the businesses; and/or
 - Prospective Financial Information reflects contractual or other forms of written arrangements in place to establish some surety as to future revenues;
- Prospective Financial Information is not based on business models that have yet to be proven and/or anticipated arrangements with customers, suppliers, or other parties that have yet to be confirmed;
- the reporting and budgeting processes of Pactum has been in place for some time and involves regular reporting of actual performance to budget variances, management follow up, input from senior management and that process itself is under continuous review;
- Prospective Financial Information is based on detailed models that are designed to be driven by specific key inputs such as production rates, production efficiency, etc;
- Prospective Financial Information has been endorsed by the management and directors of Pactum; and
- Prospective Financial Information makes appropriate allowance for known contingencies.

In order to ascertain the above, the scope of LCF's work in this regard has comprised the following:

- obtained details of the Prospective Financial Information and the process by which this information was prepared;
- determined the composition of the Prospective Financial Information;
- discussed with management of Pactum the basis on which the Prospective Financial Information was formulated and where possible on a "desktop" level, undertaking evaluation of such information, by reference to past trading performance, available evidence and/or other documentation provided;
- reviewed any assumed growth over historical earnings, determining the source of growth;
- enquired if the Prospective Financial Information is adopted by the directors of Pactum;
- investigated previous forecasting history and experience;
- reviewed the most recently available monthly management accounts; and
- considered the relevant industry trends and the position of Pactum within its respective industry.

2.3.3 Assumptions

In forming our opinion, we made certain assumptions, including:

- other than as publicly disclosed, all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts are in good standing, and will remain so and there is no alleged or actual material breach of the same or dispute in relation thereto (including, but not limited to, legal proceedings), and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding;
- that matters such as retention of key personnel and ownership of assets are in good standing, and will remain so;
- any public information used in relation to FFG and Pactum and any other publicly available information relied on by us, is accurate and not misleading and up to date;
- information in relation to the Pactum Transaction that is distributed to Shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects;
- the legal mechanisms required to implement the Pactum Transaction are valid and effective; and
- if the Pactum Transaction is implemented, it will be implemented in accordance with the draft transaction documents provided to us.

2.4 Basis of assessment

2.4.1 The tests to be applied

In preparing this Report we considered the Regulatory Guides issued by ASIC and in particular, Regulatory Guide 76 *Related Party Transaction* ("**RG 76**") and Regulatory Guide 111 *Content of Expert Reports* ("**RG 111**").

The "fair" and "reasonable" tests to be applied will be the type of opinion required in relation to both sections 218, 219 and 221 of the Corporations Act and ASX Listing Rule 10.10.2.

2.4.2 Fair and Reasonable

RG 111 indicates that, in the contents of a "control transaction", the words "fair" and "reasonable" establish two distinct criteria:

- is the offer "fair"; and
- is it "reasonable".

Fair

Under RG 111, the Pactum Transaction will be "fair" if the fair market value of the Consideration is equal to or less than the fair value of the securities of Pactum being acquired by FFG. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

We have assessed the above as follows:

- In the case of the Consideration:
 - a) as the Purchase Price is cash, payable on the Completion Date, we have adopted its face value; and
 - b) in the case of the Properties, we have taken 50% of its fair market value as determined by an independent property valuer, less 50% of the Property Finance Facility outstanding as at 30 November 2011.
- The value of 50% of the Pactum securities being acquired by FFG has been determined on a control basis and on the assumption that the transfer of the properties to Arrovest has occurred.

Reasonable

Under RG 111, the Pactum Transaction will be “reasonable” if it is fair (RG 111.12). It might also be “reasonable” if, despite being “not fair”, the expert believes that there are sufficient reasons for security holders to accept the Pactum Transaction in the absence of any better opportunities at the time of voting.

RG 111 indicates that when deciding whether an offer is reasonable, an expert might consider factors such as the following:

- the bidder’s pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- the liquidity of the market in the target’s securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to the bidder;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made.

3 Profile of Freedom Foods Group Limited

3.1 Background

FFG is an Australian based public company listed on the Australian Securities Exchange ("**ASX**"). As at 30 November 2011, the Company had a market capitalisation of approximately \$32.5 million.

FFG is a diversified food and beverage company operating within the health and wellness sectors. The Company owns, manufactures and distributes food and beverage products under a suite of brands including Freedom Foods, Crunchola, Norganic, Australia's Own, Paramount and Brunswick. The Company also holds a strategic interest of 27.5% in New Zealand listed company A2 Corporation and a 75% equity interest in Thorpedo Foods Group Pty Limited.

In addition, the Company holds a 50% interest in contract packaging provider, Pactum. Pactum manufactures and packages UHT beverages for a range of customers including the major supermarket groups in Australia as well as the proprietary brands under Freedom Foods "So Natural" and "Australia's Own" brands.

3.2 Activities

The Company was originally known as Australian Natural Foods Holdings Pty Limited before changing its name to So Natural Foods Australia Limited in 1999, then to Freedom Nutritional Products Limited in 2007 before changing to its current name in 2010.

The Company specialises in the manufacturing of allergen free food and beverage products including breakfast cereals, biscuits, snack bars, soy and rice beverages, frozen prepared foods, branded dairy milk products, other long-life beverages and canned seafood such as sardines, salmon and tuna. These products are marketed under various consumer brands.

In 2009, FFG established a specialised "free from" factory in Stanbridge in the New South Wales Riverina. This factory is one of only a few around the world that is free from wheat, barley, triticale, sesame seed and nuts ensuring that the Company can be confident when stating that its products are "free from" certain ingredients.

3.2.1 Freedom Foods Business

The Freedom Foods business unit is the main operating division of the Company and includes a portfolio of well known brands including Freedom Foods, Crunchola, Norganic, Australia's Own and So Natural.

This business unit was originally a manufacturer of mostly organic soy and rice beverages which were marketed through the So Natural and Australia's Own brands and helped establish specific health sections in Australian supermarkets as a one-stop shop for people seeking "free from" foods.

In 2003, the Company acquired 100% of Freedom Foods Pty Limited along with its range of muesli and fruit bars, snacks, cereals and spreads.

In 2007, the Company acquired 100% of the Cookie Man business and 100% of Norganic Foods Australia Pty Limited which enable the Company to expand its product range into biscuits, cereals, mayonnaise and wraps.

During FY2011, the Freedom Foods business unit contributed \$26.26 million in revenues and \$3.25 million in profit (before shares services, finance, depreciation and income tax expenses) to the Company, representing 58.02% of the Company's total operating revenue and 59.3% of the Company's operating profit (before shares services, finance, depreciation and income tax expenses) respectively.

3.2.2 Specialty Seafood Business

The speciality seafood business unit was established by FFG when it acquired 100% of Paramount Seafoods Pty Limited ("**Paramount Seafoods**") in June 2003.

At the time, Paramount Seafoods was the number three canned seafood brand by volume in the Australian retail trade with an additional small market position in New Zealand. The acquisition was a strategic entry into canned seafood market which was experiencing strong growth and was considered complimentary to the Company's existing range of products.

The acquisition also allowed FFG to establish key alliances within the canned seafood market which are still maintained to this day.

In 2005, FFG acquired the Brunswick Seafood brand in Australia and New Zealand. At the time, The Brunswick Seafood brand held a market leadership position in the sardine segment of the Australian and New Zealand grocery market.

The speciality seafood business unit has continued to perform strongly for the Company. In FY2011 its Paramount brand was the number two proprietary brand in the salmon category in Australia while its Brunswick brand was the number one brand in Australia and New Zealand.

During FY2011, the speciality seafood business unit contributed \$18.91 million in revenues and \$3.98 million in profit (before shares services, finance, depreciation and income tax expenses) to the Company, representing 41.79% of the Company's total operating revenue and 72.6% of the Company's operating profit (before shares services, finance, depreciation and income tax expenses) respectively.

3.2.3 Interest in Pactum Australia Pty Limited

Pactum was established in March 2005 as a 50/50 joint venture with LPC (who's share was later acquired by Arrovest).

The joint venture acquired the beverage manufacturing assets of So Natural with the intention to provide contract packaging services to the FFG group and other third parties.

During FY2011, FFG's share of profits from its investment in Pactum contributed \$0.73 million to the after tax net profits of the Company.

Further details regarding Pactum can be found at Section 4 of this Report.

3.2.4 Interest in A2 Corporation Limited

A2 Corporation is listed on the alternative market of the New Zealand Stock Exchange and is a manufacturer and marketer of its own A2 Milk brand of dairy products in Australia and New Zealand.

FFG holds a 27.5% equity interest (26.4% fully diluted) in A2 Corporation. As at 30 November 2011, A2 Corporation had a market capitalisation of approximately NZ\$152 million.

During FY2011, FFG's share of profits from its investment in A2 Corporation contributed \$0.295 million to the after tax net profits of the Company.

3.3 Directors

The Directors of FFG are as follows:

Mr P.R. Gunner – Non-Executive Chairman: Mr Gunner was appointed as a Director of FFG in April 2003 and Chairman in July 2006. He is also the Chairman of the Remuneration and Nomination Committee. Mr Gunner is former chairman and CEO of Orlando Wyndham Wine Group and is also the current deputy chairman of Viterro Inc and a director of Australian Vintage Limited.

Mr R.J.F. Macleod – Group Executive Director, CFO and Company Secretary: Mr Macleod was appointed as a Director of FFG in May 2008 and has been with FFG group for over eight years. Mr Macleod is responsible for strategic and corporate development, finance and administration. He was a former senior director, corporate finance for UBS in Australia and Europe where he gained extensive experience in strategy and commercial development, mergers and acquisitions and corporate analysis.

Mr G.H. Babidge – Non-Executive Director: Mr Babidge was appointed as a Director of FFG in January 2002 and has extensive public company experience within the food industry. Mr Babidge is currently the managing director of A2 Corporation and is a former managing director of FFG, former CEO of the major milling and baking group, Bunge Defiance and was also a former managing director of National Foods Limited.

Mr A.M. Perich – Non-Executive Director: Mr Perich was appointed as a Director of FFG in July 2006. He is also joint managing director of Arrovest, LPC and various other entities associated with the Perich Group. Outside of the Perich Group, Mr Perich holds a number of other directorships which include MRC Biotech Limited, Greenfields Narellan Holdings, East Coast Woodshavings Pty Limited, Breeders Choice Woodshavings Pty Limited, Austral Malaysian Mining Limited, Pulai Mining Sdn Bhd (Malaysia) and Inghams Health Research Institute. Mr Perich a member of the Narellan Chamber of Commerce, Narellan Rotary Club, Urban Development Institute of Australia, Urban Taskforce, Property Council of Australia and is a past president of Narellan Rotary Club and the Dairy Research at Sydney University. He is also a member of the Order of Australia.

Mr R. Perich – Non-Executive Director: Mr Perich was appointed as a Director of FFG in April 2005 and is a member of the Company's Audit, Risk and Compliance Committee and the Remuneration Committee. He is also joint managing director of Arrovest, LPC and various other entities associated with the Perich Group. Mr Perich was also a former director of United Dairies Limited.

Mr M. Miles – Non-Executive Director: Mr Miles was appointed as a Director of FFG in November 2006. He is also the Chairman of the Audit, Risk and Compliance Committee and is a member of the Remuneration and Nomination Committee. Mr Miles is a former vice president of Carlton and United Breweries and the Foster's Group, a former director of Carlton United Breweries and its subsidiaries and a former chairman of South Pacific Distilleries in Fiji. He is also a member of Brewing and Distilling Asia Pacific.

Mr M.R. Perich – Non-Executive Director: Mr Perich was appointed as an alternative Director of FFG in March 2009. He is also a director of Arrovest, LPC and various other entities associated with the Perich Group. Mr Perich was a former director of Pactum, is a director of Australian Dairy Conference, is affiliated with NSW Farmers Association (Dairy Section), Future Dairy Steering Group, Intensive Agriculture Consultative Committee, Dairy Research Foundation and Graduate Member of the Australian Institute of Company Directors.

3.4 Historical Income Statements

The historical audited consolidated income statements of FFG for the years ended 30 June 2009, 2010 and 2011, are summarised in the table below.

Table 2: FFG Historical Consolidated Income Statements

Year Ended 30 June \$'000	2011 (Audited)	2010 (Audited)	2009 (Audited)
Revenue from sale of goods	45,353	44,443	49,388
Cost of sales	(31,262)	(30,676)	(34,874)
Gross Profit	14,091	13,767	14,514
<i>Gross Profit Margin</i>	<i>3107%</i>	<i>30.98%</i>	<i>29.39%</i>
Other income	403	465	654
Marketing Expenses	(2,042)	(1,558)	(1,872)
Selling and distribution expenses	(5,338)	(4,862)	(5,392)
Administrative expenses	(3,160)	(3,741)	(3,916)
Loss on disposal of non-current assets	-	(250)	-
Profit before depreciation, income tax, finance costs, and equity accounted investments	3,954	3,821	3,988
Depreciation	(1,092)	(1,004)	(453)
Profit before income tax, finance costs, and equity accounted investments	2,862	2,817	3,535
Finance Costs	(1,529)	(1,031)	(1,247)
Profit on sale of A2DP shares	3,884	-	-
Impairment of goodwill	(1,778)	-	-
Unrealised fair value mark-to-market of derivative financial instruments	-	-	(706)
Write-off of non-recurring legal expenses and unrecoverable amounts	(326)	-	-
Share of profit of joint ventures accounted for using the equity method	841	1,308	212
Share of profit of associates accounted for using the equity method	295	-	-
Profit before tax	4,249	3,094	1,794
Income tax benefit/(expense)	138	263	(474)
Profit for the year	4,387	3,357	1,320
Basic earnings per share (cents per share)	5.67	5.00	2.40
Diluted earnings per share (cents per share)	4.99	5.00	2.40

Source: Annual Reports of Freedom Foods for FY2009, FY2010 and FY2011

3.5 Historical Statements of financial position

The historical audited consolidated statements of financial position of FFG as at 30 June 2009, 2010 and 2011 is presented in the table below.

Table 3: FFG Historical Consolidated Statements of Financial Position

As at 30 June \$'000	2011 (Audited)	2010 (Audited)	2009 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	182	34	762
Trade and other receivables	10,097	9,362	10,247
Other financial assets	-	784	1,078
Inventories	5,349	7,121	6,853
Current tax assets	-	151	-
Prepayments	665	610	637
Assets classified as held for sale	-	4,141	-
Total Current Assets	16,293	22,203	19,577
Non-Current Assets			
Investments in associates	11,440	1,152	3,535
Deferred tax assets	3,401	2,038	1,958
Property, plant and equipment	24,095	22,431	15,323
Goodwill	5,214	6,992	6,992
Other intangible assets	16,274	16,274	16,274
Total Non-Current Assets	60,424	48,887	44,082
TOTAL ASSETS	76,717	71,090	63,659
LIABILITIES			
Current Liabilities			
Trade and other payables	5,579	7,252	7,493
Borrowings	10,357	15,576	9,558
Other liabilities	53	-	-
Other tax liabilities	-	-	72
Provisions	855	868	667
Total Current Liabilities	16,844	23,696	17,790
Non-Current Liabilities			
Trade and other payables	504	1,064	1,686
Borrowings	7,995	5,766	13,742
Deferred tax liability	1,261	47	17
Provisions	130	254	263
Total Non-Current Liabilities	9,890	7,131	15,708
TOTAL LIABILITIES	26,734	30,827	33,498
NET ASSETS	49,983	40,263	30,161
EQUITY			
Issued capital	39,288	33,637	27,019
Reserves	1,006	919	792
Retained earnings	9,689	5,707	2,350
TOTAL EQUITY	49,983	40,263	30,161

Source: Annual Reports of Freedom Foods for FY2009, FY2010 and FY2011

3.6 Historical Statements of Cash Flow

The historical audited consolidated cash flow statements of FFG for the years ended 30 June 2009, 2010 and 2011 are summarised in the table below.

Table 4: FFG Historical Consolidated Statements of Cash Flow

Year Ended 30 June \$'000	2011 (Audited)	2010 (Audited)	2009 (Audited)
Cash Flows from Operating Activities			
Receipts from customers	44,143	45,082	51,802
Payments to suppliers and employees	(40,061)	(40,982)	(46,483)
Cash generated from operations	4,082	4,100	5,319
Interest paid	(1,612)	(1,338)	(1,595)
Income tax refund	152	9	(423)
Receipt from government grants	75	-	47
Net Cash Generated by Operating Activities	2,697	2,771	3,348
Cash Flows from Investing Activities			
Proceeds from disposal of property, plant and equipment	-	19	34
Payments for property, plant and equipment	(2,460)	(7,225)	(8,426)
Acquisition of business assets	-	-	(1,062)
Investment in equity interest	(812)	-	-
Investment in jointly controlled entity	-	(10)	-
Costs associated with sale of joint venture	(383)	-	-
Interest received	-	-	10
Dividends paid	(359)	-	-
Loan from related party	-	-	4,500
Advance (to)/from joint venture	(356)	294	(371)
Net Cash Used in Investing Activities	(4,370)	(6,922)	(5,315)
Cash Flows from Financing Activities			
Proceeds from issue of equity instruments of the company	5,825	2,332	-
Payment of share issue costs	(192)	(215)	-
Proceeds from borrowings	11,108	4,362	3,547
Repayment of borrowings	(13,520)	(3,023)	(1,975)
Dividends paid	-	-	(527)
Net Cash Provided by Financing Activities	3,221	3,456	1,045
Net increase/(decrease) in cash and cash equivalents	1,548	(695)	(922)
Cash and cash equivalents at the beginning of the financial year	(1,366)	(671)	251
Cash and Cash Equivalents at the end of the Financial Year	182	(1,366)	(671)

Source: Annual Reports of Freedom Foods for FY2009, FY2010 and FY2011

3.7 Ownership

3.7.1 Overview

As at the date of this Report, FFG had the following securities on issue:

Table 5: Issued Securities of FFG

Description	Number
Fully paid ordinary shares	77,557,160
Convertible redeemable preference shares	19,414,800
Unlisted options	19,361,362
Employee share options	300,000

Source: ASX announcement dated 29 December 2011

Further details regarding each of the above securities on issue is set out below.

3.7.2 Top Twenty Ordinary Shareholders of Freedom Foods

Presented below are the top twenty ordinary shareholders of FFG as at 31 August 2011 as presented in the FFG FY2011 Annual Report.

Table 6: Top 20 Ordinary Shareholders of FFG as at 31 August 2011

#	Ordinary Shareholder	Number of Ordinary Shares Held	% Held of Ordinary Capital
1	Arrovest Pty Ltd	51,465,265	66.41%
2	Telunapa Pty Limited	12,750,000	16.45%
3	National Nominees Limited	1,153,235	1.49%
4	East Coast Rural Holdings Pty Limited	640,494	0.83%
5	Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	510,732	0.66%
6	Mr Stephen Francis Higgs & Mrs Rosemary Jean Higgs	434,615	0.56%
7	Mr Lawrence Lip & Mrs Sabina Lip	313,475	0.40%
8	Mr Terence Edward Morris	274,910	0.35%
9	Mr Lawrence Rose & Mrs Jennifer Rose	259,184	0.33%
10	Bond Street Custodians Limited	230,000	0.30%
11	Mr Michael Andris Bracka & Mrs Janine Elizabeth Bracka	220,436	0.28%
12	Mr Melvyn Miles & Mrs Joanna Miles	210,110	0.27%
13	Australian Food Holdings Pty Limited	207,754	0.27%
14	Mr Legh Davis & Mrs Helen Davis	200,000	0.26%
15	Mr Robert John Perry & Mrs Jennifer Joy Perry	200,000	0.26%
16	Anisam Pty Limited	192,308	0.25%
17	Economic Consultancy Services Pty Limited	192,308	0.25%
18	Moorebank Property Management Pty Limited	187,747	0.24%
19	Connaught Consultants (Finance) Pty Limited	184,991	0.24%
20	Navarra Investments Pty Ltd ATF RIMT Super Fund	182,775	0.24%
	Total Top 20 Shareholders	70,010,339	90.34%

Source: Annual Report of Freedom Foods for FY2011

3.7.3 Top Twenty Convertible Redeemable Shareholders of Freedom Foods

Presented below are the top twenty holders of convertible redeemable preference shares ("CRPS") of FFG as at 31 August 2011 as presented in the FFG FY2011 Annual Report.

Table 7: Top 20 holders of CRPS of FFG as at 31 August 2011

#	Convertible Redeemable Preference Shareholder	Number of CRPS Held	% Held
1	Arrovest Pty Ltd	15,995,142	82.39%
2	Mr Stephen Francis Higgs & Mrs Rosemary Jean Higgs	1,599,999	8.24%
3	Mr Perry Richard Gunner & Mrs Felicity Jane Gunner	159,604	0.82%
4	Mr Lawrence Lip & Mrs Sabina Lip	150,000	0.77%
5	Mr Alexander MacDonald	133,333	0.69%
6	Dr John Warwick Cox	100,000	0.52%
7	Mr Lawrence Rose & Mrs Jennifer Rose	80,995	0.42%
8	Mr Melvyn Miles & Mrs Joanna Miles	64,584	0.33%
9	Australian Food Holdings Pty Limited	63,860	0.33%
10	Mr Robert John Perry & Mrs Jennifer Joy Perry	62,500	0.32%
11	Connaught Consultants (Finance) Pty Limited	57,929	0.30%
12	Mr Michael Andris Bracka & Mrs Janine Elizabeth Bracka	50,391	0.26%
13	Mr Legh Davis & Mrs Helen Davis	40,869	0.21%
14	Mr Richard James Wishart & Mrs Jilliam Rosemary Wishart	40,625	0.21%
15	Mr Steven Kalyk & Mrs Mirjana Kalyk	36,835	0.19%
16	Mr Ralph Stuart Bruce & Mrs Christine Ann Bruce	35,920	0.19%
17	Mr Matthew John	34,720	0.18%
18	Mrs Kathleen Alice O'Shea	33,300	0.17%
19	Mr Robert William Owen & Mrs Yvonne Owen	31,559	0.16%
20	Mr Kenneth Francis Smith & Mrs Margaret Lorraine Smith	31,250	0.16%
	Total Top 20 CRPS Shareholders	18,803,415	96.85%

Source: Annual Report of Freedom Foods for FY2011

The CRPS are perpetual with no maturity, but are redeemable after three years at the option of the Company. The dividend rate is 9.0% per annum. It is a preferred, discretionary and non-cumulative dividend and CRPS holders have no claim or entitlement in respect of a non-payment.

CRPS are convertible into fully paid ordinary shares in the Company on the basis that each CRPS is convertible at the selection of the CRPS holder into one ordinary share. There is no limit with which the CRPS must be converted. No additional consideration is payable on conversion.

Notwithstanding the right of holders of CRPS to convert at any time, all CRPS will convert to ordinary shares automatically on the occurrence of certain trigger events involving a change in control of the Company.

From the date that is three years from the date of issue of the CRPS, the Company may redeem the CRPS at its option for the payment per CRPS of the higher of (i) \$0.30 and (ii) an amount determined by the Board of the Company with reference to the value of a CRPS as determined by an independent expert appointed by the board of FFG.

3.7.4 Unlisted Options

The unlisted options were issued by the company under a prospectus dated 16 November 2010. The offer entitled investors to one option for every CRPS held.

No amounts were paid or became payable by the option holder on receipt of the option.

The unlisted options carry no right (without exercising the option) to participate in any rights issue which may be offered by FFG to its Shareholders. Option holders have no rights to dividends.

Unlisted options may be exercised at any time from the date of issue to the date of their expiry. There are no vesting conditions attached to the unlisted options.

The following unlisted options were in existence as at the date of this Report:

Table 8: Unlisted Options

Option Details	Number	Issue Date	Expiry Date	Exercise Price
Unlisted options	19,361,362	17/02/2011	Three (3) years from the date of issue	\$0.40
Total	19,361,362			

Source: Prospectus issued by Freedom Foods on 16 November 2010, Appendix 3B lodged by Freedom Foods on 17 February 2011 and 29 December 2011, management of Freedom Foods

3.7.5 Employee Share Options

Senior employees are eligible to participate in the employee share option plan under which executives are issued options to acquire shares in the Company. Each employee share option converts into one ordinary share of the Company on exercise.

No amounts are paid or payable by the option holder on receipt of the option. Employee share options carry neither rights to dividends nor voting rights.

Options may be exercised at any time from the date of vesting to the date of their expiry. There are no vesting conditions attached to these options other than continuing employment within the Company.

The following employee share options were in existence as at the date of this Report:

Table 9: Employee Share Options

Option Series	Number	Expiry Date	Exercise Price	Fair Value at Grant
Series 5 - Issued 26 April 2007	300,000	26/04/2012	\$0.50	\$0.10
Total	300,000			

Source: Annual Report of Freedom Foods for FY2011, management of Freedom Foods

3.7.6 Major Investors

Arrovest

Arrovest is an Australian private company and is 100% owned and controlled by the Perich Group.

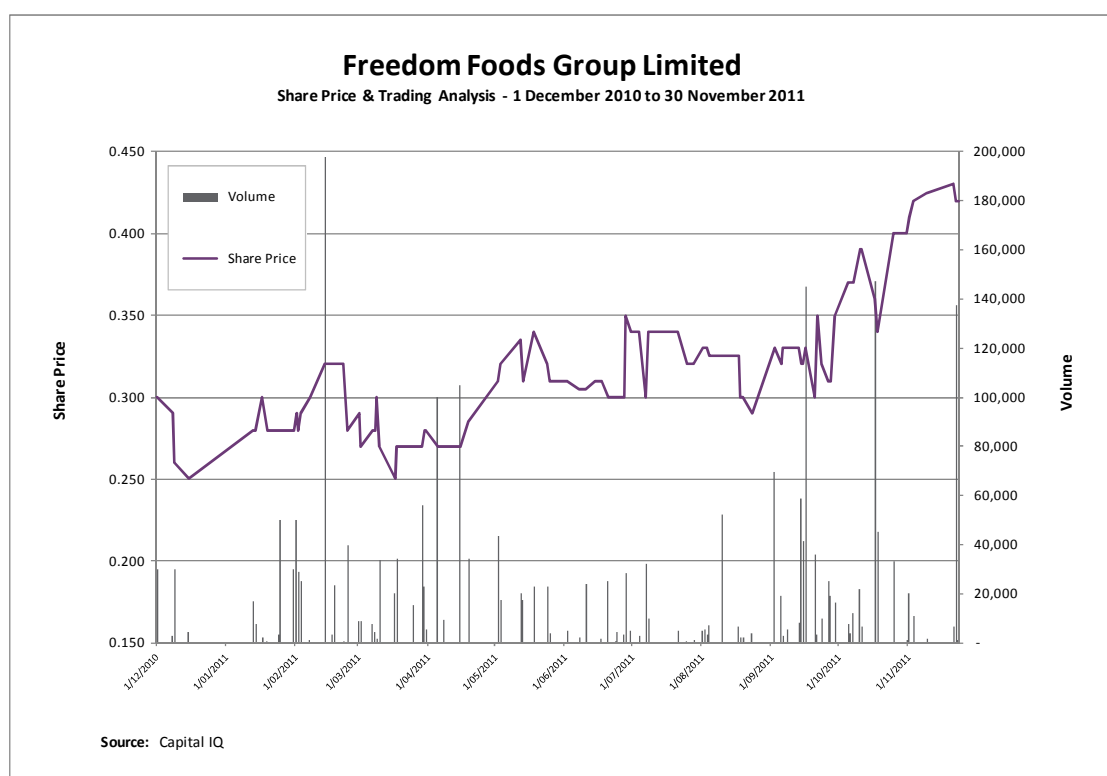
Brothers Anthony Perich and Ronald Perich control the Perich Group which has interests in a diversified range of ventures including agriculture, food and beverages, property development, biotech and mining.

Both Anthony Perich and Ronald Perich are also directors of FFG and Pactum.

3.7.7 Freedom Foods Security Trading Analysis

Set out below is a chart setting out movements in the share price and trading volumes pertaining to the ordinary shares of FFG during the period 1 December 2010 to 30 November 2011.

Figure 1 FFG Share Price and Trading Volumes



During the period 1 December 2010 to 30 November 2011, we note that the trading volumes of FFG shares have been low when compared to those of larger listed companies on the ASX.

For the period 1 December 2010 to 30 November 2011, the total number of FFG shares traded was 2,324,290, representing approximately 3.00% of the total number of shares on issue by FFG during the period. Trading volumes in this range indicate that FFG's shares are illiquid.

Set out below is a summary of the trading volumes, volume weighted average trading prices (“**VWAP**”) and turnover of FFG’s securities during the period 1 December 2010 to 30 November 2011:

Table 10: FFG Trading Analysis

Period	Volume	Value	VWAP	Shares on Issue	Turnover
1 Month	177,390	74,390	0.419	77,496,600	0.23%
3 Months	917,830	325,840	0.355	77,496,600	1.18%
6 Months	1,158,830	402,740	0.348	77,496,600	1.50%
12 Months	2,324,290	740,900	0.319	77,477,743	3.00%

Source: Capital IQ

4 Profile of Pactum Australia Pty Limited

4.1 Background

Pactum is an Australian based private company which was incorporated on 9 March 2003. Pactum became a joint venture arrangement in April 2005 between FFG and LPC to provide packaging and processing services to FFG, LPC and other third parties. As in the case of Arrovest, LPC is 100% owned and controlled by Perich Group.

Pactum was originally incorporated as Contract Beverage Packers of Australia Pty Limited; however the company changed to its current name in September 2011.

The initial joint venture agreement provided for Pactum to provide manufacturing and packaging of soy and rice products on behalf of FFG at cost as well as providing manufacturing and packaging of dairy milk products on behalf LPC at cost.

In August 2006, the 50% equity interest held by LPC was transferred to Arrovest.

In April 2007, the joint venture agreement was altered to provide for the transfer of certain dairy milk contracts from LPC to Pactum with 75% of the profits from these contracts to be retained by LPC.

In May 2007 the company acquired its current premises at 80 Box Road, Taren Point for \$3.5 million.

In July 2008, the business model was changed by agreement between FFG and LPC to allow the transfer to Pactum of the remaining 75% of profits from the dairy milk contracts transferred to Pactum in April 2007 as well as all profits relating to the non-proprietary soy and rice contracts of FFG.

4.2 Activities

Pactum manufactures and packages UHT beverages and liquid food products for Freedom Foods' "So Natural" and "Australia's Own" brands, private label brands of the major supermarket groups in Australia and on behalf of other food brands including Massell, Podravka and True Organic.

At the time of this Report, Pactum's sole offering in the UHT space are single one litre aseptic cartons. The following diagram outlines a selection of Pactum's UHT product range:

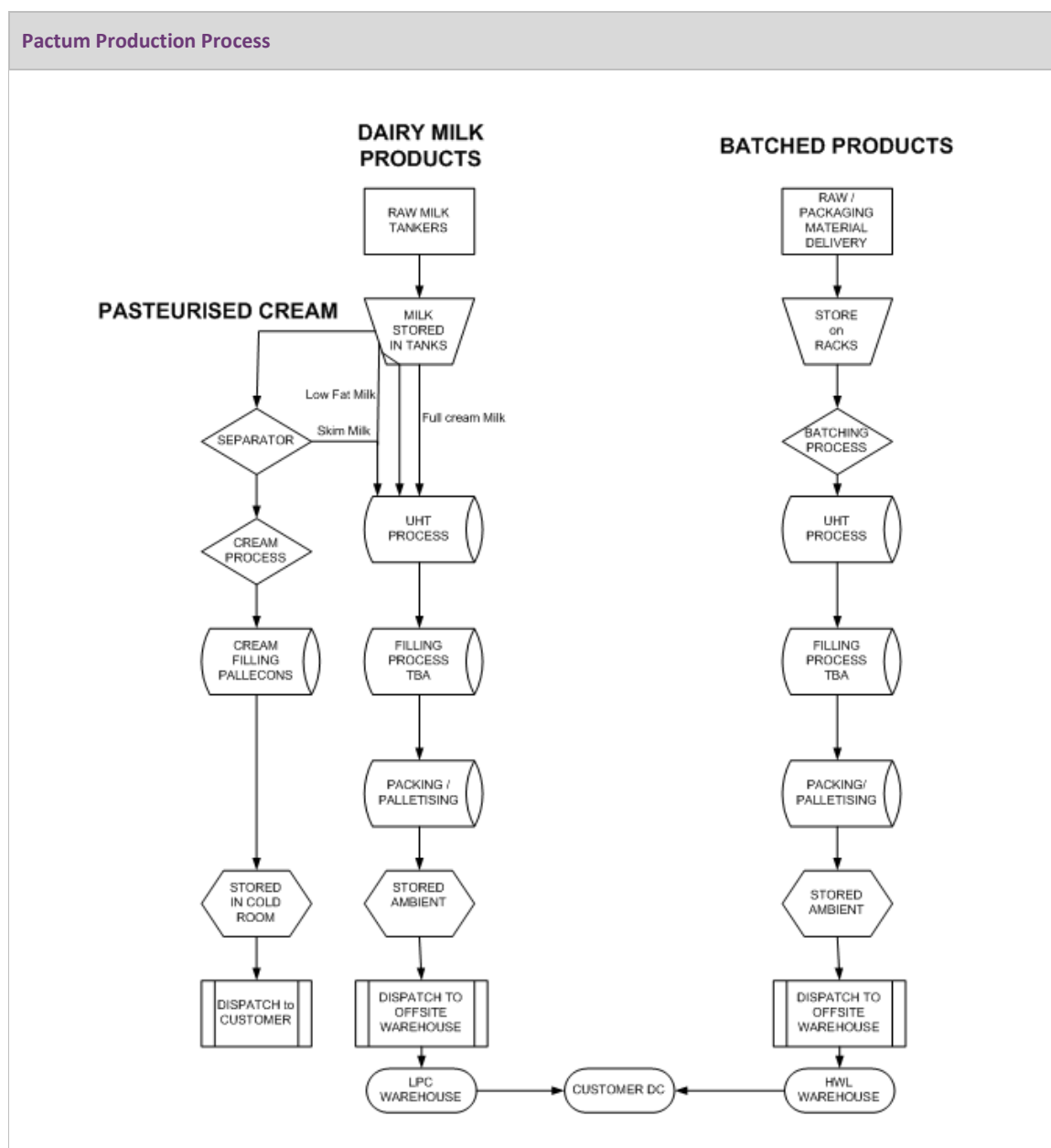
Figure 2 Pactum's UHT Product Range



Source: Pactum Management

The following diagram sets out the production process carried out by Pactum:

Figure 3 Pactum Production Process



Source: Pactum Management

Pactum currently produces approximately 36 million litres of UHT beverages and liquid foods per annum.

We have been advised by management of Pactum, that the current output is approaching the maximum capabilities of existing facilities. In order to combat this approaching limitation, Pactum is looking at new ways to expand its product mix to maximise profits.

4.2.1 Proposed 3rd Line Business

We have been advised that Pactum is currently implementing an expansion strategy in order to diversify its UHT packaging offering which incorporates the following options:

- 200ml, 250ml and 330ml single and portion pack aseptic cartons;
- the expansion into non-dairy products; and
- the possible expansion into overseas markets.

4.3 Directors and Senior Management

4.3.1 Directors

The Directors of Pactum are as follows:

Mr R.J.F. Macleod – Executive Director, CFO and Company Secretary: Refer to section 3.3 of this Report for information regarding Mr Macleod.

Mr G.H. Babidge – Non-Executive Director: Refer to Section 3.3 of this Report for information regarding Mr Babidge.

Mr A.M. Perich – Non-Executive Director: Refer to Section 3.3 of this Report for information regarding Mr Perich.

Mr R. Perich – Non-Executive Director: Refer to Section 3.3 of this Report for information regarding Mr Perich.

4.3.2 Senior Management

The senior management of Pactum are as follows:

Amine Haddad – CEO: Mr Haddad was appointed as general manager of Pactum in March 2008 and has over 28 years sales, product and management experience. Prior to joining Pactum, Mr Haddad held several senior management positions including seven years at Tetra Pak Pty Ltd as sales and marketing director and three years at MBF Limited as general manager of sales and marketing. He also held senior positions at Dunstan Baby Language Pty Ltd, Katies (part of the Coles/Myer group), Blackmores Pty Ltd, Unilever Pty Ltd and Johnson & Johnson Pty Ltd. Mr Haddad holds a Master of Commerce from the University of New South Wales.

Mark Harrison – Engineering Manager: Mr Harrison joined Pactum in April 2008 as the company's engineering manager. Prior to joining Pactum, Mr Harrison held several management positions at Cleantec (a division of Campbell's Chemicals), Dalbarb Australia, Air Technology Group and Australasian Compressed Air Services Pty Ltd.

Mark Gauci – Operations Manager: Mr Gauci joined Pactum in October 2010 as the company's operations manager. Mr Gauci has extensive experience within manufacturing and operations. Prior to joining Pactum, he held various management positions including Salmat and McCormick Foods Australia Pty Ltd.

Steve Hoang – Technical Manager: Mr Hoang joined Pactum in 2003 as the company's technical manager. Prior to joining Pactum, Mr Hoang held senior positions at Big Sister Foods Pty Ltd, Keith Harris & Co Ltd, Uncle Toby's, Meadow Lea Foods and White Wings Foods. Mr Hoang holds a Bachelor of Science.

4.4 Financial Information

4.4.1 Historical Statements of financial position

Set out below are the historical unaudited statements of financial position of Pactum as at 30 June 2009 and 30 June 2010, the audited statement of financial position of Pactum as at 30 June 2011, and the statement of financial position as at 30 November 2011 as set out in Pactum's management accounts:

Table 11: Pactum Historical Statements of Financial Position

As at	30-Nov-2011 (Management)	30-Jun-2011 (Audited)	30-Jun-2010 (Unaudited)	30-Jun-2009 (Unaudited)
ASSETS				
Current Assets				
Cash and bank balances	88,341	291,132	818,072	30,981
Trade and other receivables	4,909,660	6,946,036	6,539,366	4,984,715
Inventories	3,958,515	3,711,410	3,236,099	2,689,563
Other assets	1,158,284	278,382	64,254	77,461
Total Current Assets	10,114,800	11,226,960	10,657,791	7,782,720
Non-Current Assets				
Property, plant and equipment	9,340,794	8,906,203	9,637,056	9,199,466
Deferred tax assets	1,021	-	247,022	590,474
Total Non-Current Assets	9,341,815	8,906,203	9,884,078	9,789,940
TOTAL ASSETS	19,456,615	20,133,163	20,541,869	17,572,660
LIABILITIES				
Current Liabilities				
Trade and other payables	5,862,664	6,440,609	6,914,127	5,985,063
Borrowings	4,644,731	5,439,545	5,414,577	5,133,361
Current tax liabilities	250,501	282,622	61,933	-
Other	-	94,589	839,210	-
Total Current Liabilities	10,757,896	12,257,365	13,229,847	11,118,424
Non-Current Liabilities				
Borrowings	4,754,737	4,899,139	5,954,548	6,047,506
Deferred tax liability	449,228	158,314	-	-
Total Non-Current Liabilities	5,203,965	5,057,453	5,954,548	6,047,506
TOTAL LIABILITIES	15,961,861	17,314,818	19,184,395	17,165,930
NET ASSETS	3,494,754	2,818,345	1,357,474	406,730
EQUITY				
Issued capital	1,306,503	1,306,503	1,306,503	1,306,503
Retained earnings	2,188,251	1,511,842	50,971	(899,773)
TOTAL EQUITY	3,494,754	2,818,345	1,357,474	406,730

Source: Special Purpose Annual Reports of Pactum for FY2011, Pactum Management Accounts for the Five Months ended 30 November 2011

4.4.2 Historical & Forecast Income Statements

Set out below is a summary of the historical unaudited income statements of Pactum for the years ended 30 June 2009 and 2010, the audited income statement of Pactum for the year ended 30 June 2011 and the forecast income statement for the year ending 30 June 2012 incorporating actual results for the five months to 30 November 2011:

Table 12: Pactum Historical & Forecast Income Statements

Year Ended 30 June	Jul '11 to Nov '11 (Actual)	2011 (Audited)	2010 (Unaudited)	2009 (Unaudited)
Revenue from sale of goods	13,736,048	33,102,255	28,758,623	22,904,153
Other income	10,995	43,884	74,592	58,885
Total Overhead Expenses		(9,531,407)	(8,393,133)	(6,848,856)
Profit before tax	966,308	2,086,896	1,356,128	158,070
Income tax benefit/(expense)	(289,893)	(626,025)	(405,386)	(8,984)
Profit for the year	676,415	1,460,871	950,742	149,086

Source: Special Purpose Annual Reports of Pactum for FY2011, Pactum Management Accounts for the Five Months ended 30 November 2011, Pactum Budget for FY2012

4.4.3 Historical Statements of Cash Flow

Set out below is a summary of the historical unaudited cash flow statement of Pactum for the year ended 30 June 2010, the audited cash flow statement of Pactum for the year ended 30 June 2011 and the cash flow statement for the five months ended 30 November 2011 as set out in Pactum's management accounts:

Table 13: Pactum Historical Statements of Cash Flow

Year Ended 30 June	Jul '11 to Nov '11 (Actual)*	2011 (Audited)	2010 (Unaudited)	2009 (Unaudited)*
Cash Flows from Operating Activities				
Receipts from customers	n/a	36,005,811	30,079,834	n/a
Payments to suppliers and employees	n/a	(33,949,108)	(28,101,533)	n/a
Cash generated from operations	n/a	2,056,703	1,978,301	n/a
Interest paid	n/a	(567,921)	(582,295)	n/a
Taxation paid	n/a	(405,336)	(343,453)	n/a
Net Cash Generated by Operating Activities	n/a	1,083,446	1,052,553	n/a
Cash Flows from Investing Activities				
Payments for property, plant and equipment	n/a	(579,945)	(1,561,327)	n/a
Net Cash Used in Investing Activities	n/a	(579,945)	(1,561,327)	n/a
Cash Flows from Financing Activities				
(Repayment)/proceeds of borrowings	n/a	(1,030,441)	1,295,865	n/a
Net Cash Provided by Financing Activities	n/a	(1,030,441)	1,295,865	n/a
Net increase/(decrease) in cash and cash equivalents	n/a	(526,940)	787,091	n/a
Cash and cash equivalents at the beginning of the financial year	n/a	818,072	30,981	n/a
Cash and Cash Equivalents at the end of the Financial Year	n/a	291,132	818,072	n/a

* Pactum Australia Pty Limited did not prepare a Statement of Cash Flows for the year ended 30 June 2009 and the Five Months Ended 30 November 2011

Source: Special Purpose Annual Reports and Trial Balances of Pactum for FY2009, FY2010 and FY2011

4.4.4 Review of Historical & Forecast Financial Information

As can be seen from Table 13 above, revenue improved substantially over FY2009 to FY2011. Pactum is forecasting a slightly lower income in FY2012 when compared to FY2011.

We also note that net profits after tax have improved substantially over FY2009 to FY2011 and are expected to improve further in FY2012 when compared to FY2011.

Set out below is a summary of factors and initiatives undertaken by Pactum which have contributed to the strong improvement in financial performance between FY2009 and FY2011 and the subsequent forecast performance in FY2012:

- during FY2010 and FY2011, Pactum increased productivity through improved efficiencies, increased capital expenditure, improved training and the implementation of a new management team with a clear focus on key performance indicators to address previous efficiency issues;
- during FY2010 and FY2011, Pactum added additional volume through contracts for dairy, liquid stocks and rice milk;
- the increased volumes from dairy contracts resulted in higher outputs of cream which was coupled by increases in cream prices;
- during FY2010 and FY2011, Pactum's new management team focused on reducing waste, improving shift patterns resulting in less overtime and focus on casual usage, increasing available plant running time to meet increases in demand and focused on key supply agreements in order to reduce overhead expenses;
- strong cash flows have resulted in the repayment of debt which have contributed to a reduction in finance costs over the years;
- the slight decrease in expected revenue for FY2012 is attributable to the fact that Pactum is currently operating at maximum production capacity. In addition, management have factored in longer production shut downs when compared to prior years due to the potential anticipated additional disruption to operations as a result of implementing the 3rd line business; and
- Pactum has a number of blue chip customers. We note that the top three major customers of Pactum accounted for over 85% of turnover during the year ended 30 June 2011 and this has been reasonably consistent over the last three years.

4.4.5 Review of FY2012 Forecast

In order to assess the reasonableness and reliability of the FY2012 forecast for Pactum, we have compared the forecast for the period 1 July 2011 to 30 November 2011 with actual results for the same period. Our analysis is set out below:

Table 14: Actual Vs. Forecast Analysis

	Jul '11 to Nov '11 (Actual)	Jul '11 to Nov '11 (Budget)	Variance (\$)	Variance (%)
Revenue from sale of goods	13,736,048	14,069,548	(333,500)	-2.37%
Total Overhead Expenses	(3,974,022)	(3,839,155)	(134,867)	3.51%
Profit before tax	933,168	881,210	51,958	5.90%
Income tax benefit/(expense)	(289,893)	(264,363)	(25,530)	9.66%
Profit for the year	643,275	616,847	26,428	4.28%

Source: Pactum Management Accounts for the Five Months ended 30 November 2011, Pactum Budget for FY2012

As can be seen from the above table, actual results achieved by Pactum for the five months ended 30 November 2011 have not differed materially to budgeted results for the same period and in fact, actual results have slightly exceeded the budgeted results.

During the five months ended 30 November 2011, while actual revenue achieved by Pactum was below that budgeted for the same period, actual net profit after tax exceeded that budgeted for the five months ended 30 November 2011.

Overall, net profit after tax for the five months ended 30 November 2011 exceeded that budgeted by approximately \$0.03 million (or 4.28%).

4.5 Ownership

As at the date of this Report, Pactum had the following securities on issue:

Table 15: Issued Securities of Pactum

Shareholder	Class	Number Held	% Held
Freedom Foods Group Limited	Ordinary	653,251	50%
Arrovest Pty Limited	Ordinary	653,251	50%
Total		1,306,502	100%

Source: ASIC Historical Company Extract, 1 December 2011

We have been advised by management of FFG that prior to the completion of the Pactum Transaction, FFG will transfer its holding in Pactum to its wholly-owned subsidiary, Nutrition Ventures.

Apart from the ordinary shares detailed above, there are no other securities on issue by Pactum as at the date of this Report.

Details regarding FFG and Arrovest can be found in Section 3 and Section 3.7.6 of this Report respectively.

5 Industry Overview

5.1 Introduction

While packaging, in some form, has been in existence for centuries, the growth in its usage has been particularly rapid in the second half of the twentieth century in industrialised and developed countries and, more recently, in many developing countries.

Packaging has evolved from a relatively small range of heavy, rigid containers made of wood, glass and steel to a broad array of rigid, semi-rigid and flexible packaging options increasingly made from specialised lightweight materials. Today, packaging is produced more quickly and efficiently than ever before. It is generally lighter in weight, uses less material and is easier to open, dispense from, reseal, store and dispose.

The value of packaging produced in Australia is estimated to be between \$10 billion and \$10.5 billion. By international standards the Australian market is extremely small, however it is an essential component of our modern life style.

This industry includes a range of companies that mainly pack goods in bottles, cans, cartons, plastic sachets or bags on a contract fee basis. We refer to these companies as contract packing operators. The performance in the contract packing industry is affected by conditions in manufacturing, wholesaling and processing industries, the participants of which constitute the customers for contract packing operators, and is dependent on the underlying industries.

We have focused our industry analysis on two different sections, mainly the contract packing industry in general to understand the key drivers of the industry including the impact of private labels, and the long life or UHT products industry.

5.2 Contract Packing

5.2.1 Key Industry Drivers

Drivers in the industry include the following:

- **Electronic business processes:** The increasing implementation of packaging optimisation software will dovetail with developments in logistics technology to increase total pack efficiency. Deliveries within the logistics chain will become increasingly complex, with direct store delivery, central warehousing, distribution centres, product picking and robotic scanning.
- **Supply chain management:** All companies in the supply chain are under constant pressure to drive down costs, including the cost of packaging. At every point in the supply chain, costs are added. Reducing those costs, simplifying the supply chain and increasing efficiency is now a major goal. Economies and competitive advantage are to be gained from a more integrated, collaborative, co-operative and long-term approach to the supply chain by the companies involved.

- **Convenience packaging:** Consumers are demanding a wider range of products and greater segmentation (by size, flavour etc) within those products. Convenient and quick preparation foods providing smaller/single serve portions are in demand. Pre-cut, pre-portioned, smaller, ready-to-consumer products are increasingly popular, reflecting the importance of convenience to today's consumers. Convenience packaging goes beyond the essential purpose of preserving and protecting the product. Consumers want conveniently packaged food products that can be quickly made into meals without sacrificing quality. This is obvious in the range of products displayed in supermarkets, microwavable products, salad kits, zippered pouches and modified atmosphere packaging to name a few, that extend shelf-life and maintain freshness. A by-product of this demand will be an increase in the amount of packaging per food unit.
- **Marketability:** Packaging sells products. Many of the trends listed above, lifestyle changes, greater product differentiation, competitive pressures etc, are putting an even greater premium on the look, sales appeal and quality of retail packaging. Greater versatility of product presentation will also be called for as an expression of the increasingly diverse and sophisticated demands of consumers. There will be an increasing demand for higher quality graphics and promotional links between graphics and advertising.
- **Ageing population:** The proportion of the elderly (over 65 years) is expected to increase to 22% of the population in the first half of the century. The 'greying' of the Australian population will increase the emphasis on the provision of easy-opening systems, consistent with 'tamper evident' closures. Readability of labels for the aged and visually impaired will also require attention in the designing and labelling of packaging. Given their numbers and affluence, marketing will reflect this changing composition of the population.

5.2.2 Private Labels

ALDI entered the Australian supermarket industry in 2001. This signalled a turning point for private label goods in Australia. Prior to this, private label goods were regarded as being of lower quality, with only a limited range of products and offered little to entice the consumer. ALDI offers private label goods across 95% of its product lines.

The introduction of ALDI forced competitors to rethink their private label strategies and as a result, the private label segment has experienced significant growth over the five years to 2010-11 and now accounts for approximately 23% of the grocery market.

Milk is one of the major private label product segments being pursued by the major supermarket chains in Australia. At the beginning of 2011, the country's major supermarkets, Coles and Woolworths, aggressively discounted their generic milk brands by nearly 33%, to \$1.00 a litre. Consumers have embraced the economy and value offered by generic milk, particularly over the past two years as the economic climate has been typified by recessive spending and increasingly discerning consumer habits. Private label milk sales increased strongly over the past decade, growing from 25% of total supermarket volume in 1999-00 to 50.3% in 2009-10.

Set out below is a table summarising supermarket milk sales between branded and private label products:

Table 16: Supermarket Milk Sales – Branded vs. Private Labels

	2008/09		2009/10		2010/11*	
	Litres (million)	Price Per Litre	Litres (million)	Price Per Litre	Litres (million)	Price Per Litre
Branded milk						
Regular whole	152	\$1.86	148	\$1.83	152	\$1.82
Reduced fat	178	\$2.10	185	\$2.03	183	\$2.04
No fat	59	\$2.14	59	\$2.07	54	\$2.05
Flavoured	67	\$3.71	74	\$3.71	83	\$3.64
UHT	86	\$1.90	112	\$1.61	120	\$1.56
Total branded milk	542	\$2.20	578	\$2.11	591	\$2.11
Total branded milk (%)	48.4%		49.7%		48.6%	
Private label						
Regular whole	357	\$1.18	359	\$1.12	369	\$1.07
Reduced fat	167	\$1.35	177	\$1.30	205	\$1.14
Low fat	3	\$1.64	4	\$1.63	5	\$1.42
Flavoured	3	\$2.12	5	\$2.01	5	\$1.98
UHT	46	\$1.19	40	\$1.15	41	\$1.13
Total Private Label Milk	577	\$1.24	584	\$1.19	625	\$1.11
Total Private Label Milk (%)	51.6%		50.3%		51.4%	
Total Milk	1,119	\$1.71	1,162	\$1.65	1,216	\$1.60

* prospective information

Source: Synovate Aztec

5.3 UHT Industry

The most common UHT product is milk, but the process is also used for other liquid foods such as fruit juices, cream, soy milk, yogurt, wine, soup and stock. Set out below is an overview of the UHT process and UHT industry.

5.3.1 UHT Process

The basis of UHT is the sterilisation of food before or after packaging, by heating it for an extremely short period at high temperature, and filling into pre-sterilised containers in a sterile atmosphere.

Milk that is processed in this way using temperatures exceeding 135°C, permits a decrease in the necessary holding time (to 2-5 seconds) enabling a continuous flow operation. For heat-sensitive product such as milk or stock, direct heating where the product is heated by direct contact with steam of potable or culinary quality is the preferred method. The main advantage of direct heating is that the product is held at the elevated temperature for a shorter period of time.

Advantages of UHT milk and liquid food products include:

- the reduction in process time due to higher temperatures and the minimal come-up and cool-down time leads to a higher quality product;
- product shelf life is greater than six months without refrigeration;
- processing conditions are independent of container size, thus allowing for the filling of large containers for food-services or sale to food manufacturers; and
- cost of packaging, storage and transportation are reduced and laminated packaging allows for use of graphics on packaging for marketing purposes.

The disadvantages of UHT milk and liquid food products mainly relate to the difficulty of the UHT process and constitute a barrier to entry in this industry. Barriers to entry include:

- complex equipment and plant are needed to maintain a sterile atmosphere during the processing and packaging processes and can be costly; and
- sterility must be maintained throughout the processing and packaging process. Accordingly, specialist expertise and skills are required to ensure that correct procedures and controls are implemented and maintained by operators.

5.3.2 Demand Determinants

While fresh milk is still far more popular than long-life milk in Australia, there are certain advantages to buying long-life milk which are contributing to a trend of growing demand including:

- Long-life milk does not need refrigeration until it is opened which is an important factor in remote areas. Long-life milk can remain unopened for up to six to nine months;
- The ability of UHT milk to last opened without refrigeration may also be a boon to reducing our carbon footprint. In 2007, the UK Department of Environment, Food and Rural Affairs circulated a discussion paper proposing an initiative to encourage consumers to switch from fresh milk to UHT. The aim was to cut greenhouse gas emissions by ensuring 90% of milk would not need refrigeration by 2020; and
- One of the main demand determinants is the public opinion which still thinks that the use of UHT has an impact on taste and on their balanced diet. With several studies showing that this has no nutritional impact and no chemicals are added, UHT milk could be accounting for more than 90% of milk consumed as this is already the case in a large number of European countries.

5.3.3 UHT Milk Outlook

UHT milk has seen large success in much of Europe, where across the continent as a whole seven out of ten Europeans drink UHT milk regularly.

This differs considerably to Australia where fresh milk is still the preferred choice of consumers. However, with growing consumer awareness of the benefits of long-life milk, UHT milk is gaining market share.

In 2009-10, UHT milk sales increased by 8% from 195 million litres to 211 million litres over the year before, and accounted for 9.3% of total milk sales for the same period and the demand is expected to increase in the years to follow.

5.4 Competitors

The contract packing services industry has a low level of concentration. According to the Australian Bureau of Statistics' Business Count Register, there are a number of small players contributing to industry revenue, with a large proportion of industry establishments employing less than 19 people. It is also estimated that the level of concentration has been declining in the last five years, and is expected to remain low as competition remains strong with the proliferation of specialised and niche packaging.

The main competitors of Pactum as identified by management are set out in the table below:

Table 17: Main Competitors of Pactum

Name	Location	Products	Description
Murray Goulburn Co-Operative	Brunswick, Victoria	Dairy Products Ingredients Retail Brands UHT	Murray Goulburn Co-Operative Co. Limited, along with its subsidiaries, processes, manufactures, and supplies dairy products in Australia and internationally. It offers milk, butter, cheese, milk powder, and liquid cheddar cheese. The company also provides food ingredients, proteins and nutritional supplements and natural milk minerals, soft butter spread and UHT milk products. Murray Goulburn acquired Classic Foods in 2006.
Classic Foods	Edith Creek, Tasmania	UHT	Tasmanian based Classic Foods is Australia's leading co-packer of UHT food and beverage products including soups, desserts and specialised liquid dairy products.
Harvey Fresh (1994) Ltd	Harvey, Western Australia	Fruit Juice Dairy Products UHT Concentrate Water Wines	Harvey Fresh was established in 1986 as a Fruit Juice factory. Today it has grown into a large company operating two factories, a juice factory and a dairy factory, and more recently since 1999, a winery producing wines under the Harvey River Bridge Estate and Joseph River labels.
Pureharvest	Drouin, Victoria	Soy, Rice, Oat, Almond Milk Cakes Fruit Juice	Pureharvest was established in 1979 in Prahran, Victoria. The first products produced by Pureharvest were bulk whole beans and grains distributed to health food stores in Victoria and the company became one of the largest suppliers of seeds and grains to the bakery trade. In 1982 Pureharvest started importing and distributing soy milk and rice cakes in Australia. The company also distributed bio-dynamic rice in the country and played a key role in financing the first organic rice crop grown in Australia.
Vitasoy	Hong-Kong	Soy, Rice, Oat Milk	Vitasoy International Holdings Limited, together with its subsidiaries, engages in the manufacture and sale of food and beverages. Its products include soymilk, tea, water, juice, tofu, rice milk, pasta, and soy related products. The company offers soy drink and tofu under the VITASOY brand name, teas, juice, wellness drinks, distilled water, and dairy-milk products under the VITA brand name.

Name	Location	Products	Description
Australian Health and Nutrition Association Ltd (Sanitarium)	Berkeley Vale, New South Wales	Soy Products UHT	Australian Health and Nutrition Association Ltd, trading as Sanitarium Health Food Company, manufactures and distributes health and vegetarian food products. It offers cereals, soy products, spreads, and snacks. The company also provides nutrition education, consumer consultation, food news, and product development services. In addition, it operates food shops and vegetarian cafes. The company exports its products to the United Kingdom, Asia, the United States, and the South Pacific.
Campbell's Australia	Silverwater, New South Wales	Liquid Stocks	Campbell's Australia is a subsidiary of Campbell Soup Company which together with its subsidiaries, engages in the manufacture and marketing of branded convenience food products worldwide. The company offers condensed and ready-to-serve soups, broth and stocks, pasta and Mexican sauces, canned poultry, juices and beverages, and tomato juices.
Nippy's	Waikerie, South Australia	Fruit Juice Flavoured Milk Iced Coffee Water Use of Portion Packs	In the early 1930's, founding member Alic Knispel started growing and packing citrus at Moorook in the Riverland of South Australia. The Knispel family now owns three juicing facilities in South Australia, one located in Moorook alongside the family orchards, the second is located at Waikerie on the River Murray and the third facility is at Regency Park.

Source: Pactum management, websites of competitors

6 Valuation of Pactum Australia Pty Limited

6.1 Valuation Summary

Based on the following analysis, we conclude that in our opinion, the fair market value of 100% of the issued shares of Pactum as at 30 November 2011 falls within the range of \$13.11 million to \$16.55 million. This value assumes that the Properties and the Property Finance Facility have been transferred from Pactum for no consideration paid to Pactum.

We have assessed the fair market value of the 50% equity interest in Pactum which FFG does not already own to fall within the range of \$6.55 million to \$8.27 million which represents a pro-rata 50% proportion of the 100% value.

LCF notes that there has been a time lapse since the Valuation Date to the date of this Report. LCF has reviewed Pactum's trading results for the months of December 2011 and January 2012 and confirms that actual results achieved for these months were in-line with those budgeted by Pactum.

In addition, LCF has reviewed all other valuation parameters up to the date of this Report to confirm that there has been no material change that would impact on our valuation since 30 November 2011.

Based on our review, we confirm that trading results and changes to other valuation parameters since 30 November 2011 would not have any material impact on our valuation of Pactum since the Valuation Date.

6.2 Approach

In our selection of an appropriate methodology to estimate the fair market value of the 50% equity interest in Pactum which FFG does not already own, we have considered common market practice and the valuation methodologies recommended by RG 111, which are summarised in **Appendix 1**.

Our estimate of the fair market value of the issued shares of Pactum has been assessed using the capitalisation of future maintainable earning method. We crosschecked our estimate of the fair market value of Pactum using multiple of revenue method. Our valuation has not been prepared on the basis of the existence of a special purchaser. This has been considered in our assessment of whether the Pactum Transaction is reasonable.

Our assessment of the fair market value of the issued shares of Pactum is set out below.

6.3 Selection of Future Maintainable Earnings

Future maintainable earnings ("**FME**") is the assessed level of sustainable earnings, in real terms, that can be expected to be derived by the existing operations of a business regardless of short term fluctuations and excludes any one off profits or losses.

In our opinion, the appropriate earnings to adopt in valuing most businesses and companies is EBITDA as it most accurately reflects the return generated by a business and ignores factors that may not be relevant to the actual earning capacity of a business such as the following:

- interest costs, which reflect the method of financing the business and which vary between businesses, and interest revenue, that reflects earnings on surplus assets;
- effective tax rates, that reflect both the tax regimes in different countries and different tax positions of, and the tax planning measures implemented by businesses;

- historical costs of fixed assets at the time of their acquisition and different accounting policies, that will affect annual depreciation charges; and
- amortisation charges in respect of intangible assets that discriminate against companies that have accomplished business growth by acquisition of other companies as supposed to those that have organically grown their businesses.

Our estimate of FME of Pactum has been determined after consideration of the following:

- Pactum's normalised historical earnings, in particular, FY2010, FY2011 and the five months to 30 November 2011;
- Pactum's forecast normalised earnings for the seven months ending 30 June 2012;
- growth prospects and the effect of changes and trends in the industry that may impact on earnings; and
- a SWOT analysis of Pactum and the effectiveness of Pactum's competitive strategy in managing any threats.

The following table summarises the historical and forecast results, along with any normalisation adjustments that have been identified for FFG for FY2009, FY2010, FY2011 and FY2012:

Table 18: Normalised EBITDA results of Pactum

Year Ended 30 June	Note	2012 (Actual/Budget)	2011 (Audited)	2010 (Unaudited)	2009 (Unaudited)
Profit for the year		1,564,978	1,460,871	950,742	149,086
EBITDA Adjustments:					
Less: Interest income	1	-	-	-	-
Add: Finance costs	1	623,440	567,921	582,299	719,707
Add: Income tax expense / (benefit)	1	670,706	626,025	405,386	8,984
Add: Depreciation and amortisation expense	1	1,381,595	1,310,798	1,214,315	1,161,100
EBITDA		4,240,719	3,965,615	3,152,742	2,038,877
Normalisation Adjustments:					
Add: Notional Margin from Freedom Foods Production	2	1,598,618	1,370,820	1,167,922	964,840
Less: Market rent payable on the Properties	3	(357,765)	(344,005)	(330,774)	(318,052)
NORMALISED EBITDA		5,481,572	4,992,430	3,989,890	2,685,665

Source: Special Purpose Annual Reports and Trial Balances of Pactum for FY2009, FY2010 and FY2011, management accounts of Pactum for the five months ended 30 November 2011, Pactum budget for FY2012, LandMark White Property Valuation Report, LCF analysis

Note 1: Interest income, finance costs, income tax expense or benefit and depreciation and amortisation charges have been added back to the profit for the year in order to derive the EBITDA results for Pactum.

Note 2: We have been advised by management of Pactum that sales revenue and costs of production in to relation Freedom Foods production output is not recognised in the income statements of Pactum, but rather attributed to a loan account.

On the basis that we are assessing the fair market value of Pactum on an arm's length basis, we have taken up an adjustment to reflect the net profit which would otherwise have been attributable to Pactum had the following occurred:

- Pactum recognised sales relating to Freedom Foods production output at values similar to those derived from the production of similar products for third parties;

- Pactum recognised costs of production relating to Freedom Foods production output at values similar to those derived from the production of similar products for third parties; and
- Pactum incurred additional distribution expenses in relation to Freedom Foods production output. Freedom Foods is currently responsible for distribution of its products, however we have assumed on the basis of fair market value on arm's length terms, that Pactum would be responsible for such distribution at rates similar to those incurred in relation to similar products produced for third parties.

Note 3: We have taken up an adjustment for the market rent payable on the Properties occupied by Pactum.

Based on the above analysis, we have estimated the EBITDA FME of Pactum to be \$5.20 million. This estimate has regard to the historical and future performance of Pactum plus an allowance for the potential negative and positive factors that may influence the future earnings of Pactum and takes into account potential longer production shut downs when compared to prior years as discussed in Section 4.4.4 of this Report.

6.4 Capitalisation Multiple

The appropriate earnings multiple is usually assessed by collecting market evidence with respect to the earnings multiples of companies with operations that are broadly comparable to those of the entity being valued.

Such multiples are derived from:

- share market prices of broadly comparable listed companies (usually reflecting a non-controlling interest status);
- prices achieved in mergers and acquisitions of broadly comparable companies (usually reflecting a controlling interest status); and
- initial public offering ("**IPO**") prices of shares in broadly comparable companies (where available) (usually reflecting a non-controlling interest status).

In selecting appropriate comparable companies, we had regard to listed Australian and international companies that provide similar products and services to Pactum.

6.4.1 Comparable Listed Companies

We have selected a range of broadly comparable listed companies that operate in the food manufacturing, processing and packaging industries. Set out in **Appendix 4** are descriptions of the operations of the identified companies. Stock market trading parameters for the companies are also set out in **Appendix 4**.

We note the following in relation to the identified comparable listed companies:

- all of the identified comparable listed companies participate in the dairy industry, including fresh and UHT milk; and
- each of the comparable listed companies identified, whilst having contract packing operations, also have more diversified operations to that of Pactum. In addition to contract packing services, the comparable listed companies also participate agriculture, food manufacturing and processing, marketing and sales operations as well as having a portfolio of own brands.

Our selection of comparable companies has produced FY2011 enterprise multiples that range between 3.34 and 6.08 times EBITDA, with an average and a median of 4.62 and 4.54 times EBITDA respectively (refer to **Appendix 4**). These multiples are based on

market trading in minority parcels of shares and represent values determined on a non-controlling interest basis.

The capitalisation rate should reflect the growth prospects of the business, the quality of its earnings and the risks of the business. In order to ascertain the appropriate multiple range to apply to Pactum, we have undertaken a limited review of the characteristics of the companies that we consider most comparable. We have identified differences in the characteristics of those companies and their range of operations.

It is also noted that where future earnings are expected to grow, that prospective earnings multiples will be less than historical earnings multiples.

Set out below is a summary of our analysis in this regard:

Table 19: Factors considered in comparing the selected comparable listed companies

Factor	Explanation	Impact on Pactum Multiple (Discount / Premium)
Size of the business	We note that the market capitalisation of three of the four comparable listed companies fall within the range of AU\$200 million to \$AU\$250 million with revenues falling between AU\$500 million and AU\$950 million. We note that these comparable listed companies have market capitalisations and revenues considerable higher than those of Pactum. Larger companies are generally valued at higher earnings multiples which reflect the benefits of size particularly in relation to market power, control over prices and costs, depth of management, diversity of customers and general operational and financial robustness. In addition, larger listed companies may trade at higher earnings multiples because of the liquidity of their shares and the likelihood of greater interest in the shares from a wider base of investors (e.g. institutions or foreign investors).	Discount
Marketability	A discount for marketability is generally applied to private companies as minority parcels of shares in unlisted companies are valued at a discount to minority parcels of shares in comparable listed companies. An unlisted share of a closely-held company in which trading is infrequent (and which therefore lacks negotiability) is less attractive than a similar listed stock which has ready negotiability of shares and therefore liquidity.	Discount
Growth Opportunities	A company which is expected to grow more strongly will tend to have a higher earnings multiple for a given level of earnings than one which is expected to experience slower growth. As detailed in Section 4 of this Report, Pactum's earnings appear to be reaching maturity. This is supported by the fact that Pactum's packing facilities are currently operating at full capacity. Management are current investigating initiatives to enlarge the packing options (i.e. the Third Line) in order to increase sales and margins. We have made an allowance for the growth potential arising from the option to undertake the third line in the multiple adopted, rather than in the future maintainable earnings adopted.	Discount to Neutral

Factor	Explanation	Impact on Pactum Multiple (Discount / Premium)
Diversity	A company which has a greater diversity in the products and services it offers will tend to have a higher earnings multiple for a given level of earnings which reflects the lower revenue risk of having more than a single product or service offering. As detailed in Section 4.2 of this Report, Pactum currently only offers one product (i.e. one litre UHT cartons). While we note that Pactum currently services milk and other, mainly cooking stocks, liquid food products, the operations of the comparable listed companies are more diversified.	Discount
Customer Risk	Pactum's revenue is derived from a range of blue chip customers providing both branded and private label services. We are of the view that the customer risk attributable to Pactum would not materially differ from that of the comparable listed companies and accordingly, such risk is inbuilt into the starting multiple.	Neutral
Key Person Risk	Pactum's success is largely driven by the innovation and product development and marketing efforts of its management and key personnel. Where there is only a small number of key personnel, key person risk is increased and may have a negative impact on the earnings multiple of a company. As detailed in Section 4.3 of this Report, Pactum has a broad executive and management team. In addition, we note that Pactum has the strong support of management from its major shareholders. We are of the view that the key person risk attributable to Pactum would not materially differ from that of the comparable listed companies.	Neutral

Source: LCF analysis

6.4.2 Merger & Acquisition Multiples

We have reviewed a number of transactions relating to acquisitions of business with operations similar to Pactum. The multiples are based on historical earnings as reported as at the date of the relevant transaction. A summary of comparable transactions is set out in **Appendix 5**.

As there is limited data available on recent sufficiently comparable transactions, we have placed limited reliance on these multiples.

6.4.3 Initial Public Offering Multiples

We have also considered recent IPO activity. Multiples for IPO activity are based on historical earnings as reported at the date of the IPO.

We were only able to identify one sufficiently comparable IPO transaction, being the IPO of Bega Cheese Limited in August 2011. Details of the identified IPO transaction are set out in **Appendix 6**.

On the basis that the operations of Bega Cheese Limited are significantly more diversified than those of Pactum as well as the size of the Bega Cheese business being considerable larger than that of Pactum, we have placed limited reliance on the multiples observed in relation to the IPO of Bega Cheese Limited.

6.4.4 Multiple Applicable to Pactum

Based on our analysis above, we have arrived at an EBITDA multiple range of 3.25 times to 3.70 times applicable to the selected Pactum EBITDA FME to produce an enterprise value of Pactum. In our opinion, this multiple range reflects:

- the multiples of companies broadly comparable to Pactum adjusted for the factors set out in Section 6.4.1; and
- the higher multiple makes allowance for the current volatile market conditions due to weak investors' sentiment in relation to equities in light of the US and European sovereign credit issues at the time of writing this Report.

6.5 Valuation Calculation

The value of the issued shares of Pactum as at 30 November 2011 has been determined as follows:

Table 20: Equity valuation of Pactum

	Low	High	Average
Selected Future Maintainable Earnings	5,200,000	5,200,000	5,200,000
Multiplied by selected EV/EBITDA Multiple	3.25	3.70	3.475
Enterprise Value	16,900,000	19,240,000	18,070,000
Less: Interest-bearing liabilities as at 30 November 2011	(6,609,468)	(6,609,468)	(6,609,468)
Equity Value (Minority Basis)	10,290,532	12,630,532	11,460,532
Control Premium	20.00%	25.00%	22.50%
Equity Value (Control Basis)	12,348,638	15,788,165	14,039,152
Add: Surplus Assets as at 30 November 2011			
Cash and bank balances	88,341	88,341	88,341
Net related party loans receivable	668,884	668,884	668,884
Equity Value as at 30 November 2011	13,105,863	16,545,390	14,796,377
50% Equals	6,552,932	8,272,695	7,398,188

Source: Management accounts of Pactum for the five months ended 30 November 2011, LCF analysis

6.5.1 Premium for Control

Our assessment of the earnings multiple range applicable to Pactum has been derived predominately from the multiples observable from trades of minority parcels of shares in listed entities. Accordingly, the trading prices reflect a non-controlling interest value. The interest being valued represents a controlling interest in Pactum. When valuing a controlling interest, an appropriate allowance should be made for a premium for control.

Empirical evidence on premiums for control indicates that these premiums tend to range between 25% and 40% above non-controlling interest trading price values in respect of equity values. Premiums would be less in respect of enterprise values where gearing exists. The level of gearing impacts on the premium on EBITDA multiples based on equity trading prices reflecting a non-controlling interest value, which are usually less than control premiums paid in respect of non-controlling interest trading price value in respect of equity values.

Having regard to this, we have applied to the equity value a premium for control in the case of Pactum in the range of 20% to 25%.

6.5.2 Capital Expenditure & Working Capital Requirements

Pactum requires a certain level of working capital to maintain the level of earnings set out in Section 6.3.

Based on discussions with management of Pactum and a review of Pactum's working capital as at 30 November 2001, FY2012 forecasts, Pactum's historical levels of working capital and working capital levels of comparable listed companies, we have assessed that the level of working capital available to Pactum as at 30 November 2011 falls within an acceptable range.

Accordingly, we have not made an adjustment to reflect any surplus or deficiencies in working capital for Pactum as at 30 November 2011.

6.5.3 Surplus Assets & Liabilities

Surplus assets are assets which form part of an entity but do not contribute to the business earnings or cash flow generation capacity of that entity. These are assets that, if sold, would not impact on the revenue or profit generating capacity of the active business undertaken.

Assets and liabilities that do not form part of the business undertaking must be valued separately. Such assets are considered to be 'surplus' to the business undertaking, but nevertheless represent value that should be reflected in the overall value of the entity as they could be sold separately and the cash added to the value of the business.

In determining the value of surplus assets and liabilities to add back in the case of Pactum, we have taken into consideration balances of cash held and loans to related parties.

We have excluded in our determination of surplus assets and liabilities, the fair market value of the Properties and the associated Property Finance Facility on the basis that the Properties and the Property Finance Facility will be transferred to Arrovest as part of the Pactum Transaction. No consideration will be received by either FFG or Pactum in relation to this transfer although the transfer has been factored into the Pactum Transaction arrangements between FFG and Arrovest.

6.6 Valuation Cross-Check

We have performed a valuation cross check based on the revenue multiple of the Pactum business on a stand-alone basis. Our estimate of the revenue multiple of Pactum has been determined after consideration of:

- Pactum's FY2011 normalised EBITDA earnings;
- Pactum's FY2012 forecast normalised EBITDA earnings; and
- Historical revenue multiples of comparable listed companies.

We have assessed the revenue multiple of Pactum for the years ending 30 June 2011 and 2012 to be a mid-point of 0.55 times for both years. Set out below is our assessment:

Table 21: Pactum's Implied Revenue Multiple Analysis

	Low	High	Average
Implied Multiples			
Revenue (FY2011)	33,102,255	33,102,255	33,102,255
Implied EV/Revenue Multiple (FY2011)	0.51	0.58	0.55
Revenue (FY2012 - Budget)	32,760,884	32,760,884	32,760,884
Implied EV/Revenue Multiple (FY2012 - Budget)	0.52	0.59	0.55
Multiples of Comparable Listed Companies	0.27	0.44	0.36

Source: Capital IQ, LCF analysis

We note that the assessed revenue multiples of Pactum are slightly higher than the revenue multiples observed of comparable listed companies. We believe this is appropriate given that Pactum has an EBITDA margin considerably higher than those observed for comparable listed companies.

7 Valuation of the Consideration Offered

7.1 Approach

As set out in Section 1 of this Report, the Purchase Price offered by FFG in relation to the Pactum Transaction of the remaining 50% equity interest in Pactum which it does not already own comprises the following:

- a cash amount of \$6,465,000; less
- an amount that is equal to the outstanding balance of the loan from LPC to Pactum; less
- an amount that is equal to 50% of the difference between the value of the Properties as stated in Pactum's accounts for the year ended 30 June 2011 and the balance of the Property Finance Facility outstanding as at the Completion Date.

In addition, as set out in Section 1 of this Report, the Pactum Transaction includes the Properties and the Property Finance Facility being transferred from Pactum to Arrovest.

Accordingly, we are of the view that 50% of the net fair market value of Properties (consisting of the Properties and the Property Finance Facility) will also form part of the Consideration (being FFG's existing share in the Properties and Property Finance Facility which it is giving up).

7.2 Valuation of the Consideration

Set out below is our assessment of the Consideration payable by FFG in relation to the Pactum Transaction of the remaining 50% equity interest in Pactum which it does not already own:

Table 22: Valuation of the Consideration

	Note	Low	High	Average
WHAT IS BEING PAID				
Unadjusted Purchase Price		6,465,000	6,465,000	6,465,000
Less: Repayment of Related Party Loan	Note 1	(445,372)	(445,372)	(445,372)
Less: Purchase Price Adjustment	Note 1	(482,711)	(482,711)	(482,711)
Purchase Price		5,536,918	5,536,918	5,536,918
Add: 50% Net Interest in the Properties	Note 2	257,500	257,500	257,500
Fair Market Value of the Consideration		5,794,418	5,794,418	5,794,418

Source: The Share Purchase Agreement, Special Purpose Annual Report and Trial Balance of Pactum for the year ended 30 June 2011, Management Accounts of Pactum for the five months ended 30 November 2011, LandMark White Property Valuation Report, LCF analysis

Note 1: As set out in Section 7.1 above, the Purchase Price consists of a cash payment of \$6.465 million, less an amount that is equal to the outstanding balance of the loan from LPC to Pactum, less an amount which is equal to 50% of the difference between the value of the Properties as stated in Pactum's accounts for the year ended 30 June 2011 and the balance of the Property Finance Facility as at the Completion Date.

As at 30 November 2011, the outstanding balance of the loan from LPC to Pactum was \$445,372.

As at 30 June 2011, the book value of the Properties was \$3,450,421. For the purposes of this Report, we have taken the balance of the Property Finance Facility as at 30 November 2011 which amounted to \$2,485,000.

The difference between these balances amounts to \$965,421 with 50% of this difference amounting to \$482,711.

Note 2: As set out in Section 7.1 above, we are of the view that 50% of the net fair market value of Properties (consisting of the Properties and the Property Finance Facility) will also form part of the Consideration (being FFG's existing share in the Properties and Property Finance Facility which it is giving up).

LandMark White prepared a valuation of the Properties ("**LandMark White Property Valuation**") for the purposes of assisting in negotiations associated with the Pactum Transaction and is dated 2 December 2011.

The LandMark White Property Valuation assessed the fair market value of the Properties as at 2 December 2011 to be \$3,000,000. We have adopted this value for the purposes of our analysis as at 30 November 2011.

As at 30 November 2011, the balance of the Property Finance Facility amounted to \$2,485,000.

Accordingly, the net value of the Properties after taking away the amount owing on the Property Finance Facility amounts to \$515,000 with 50% of the net value amounting to \$257,500.

LCF notes that there has been a time lapse since the Valuation Date to the date of this Report. LCF has reviewed Pactum's trading results for the months of December 2011 and January 2012 and confirms that actual results achieved for these months were in-line with those budgeted by Pactum.

In addition, LCF has reviewed all other valuation parameters up to the date of this Report to confirm that there has been no material change that would impact on our valuation since 30 November 2011.

Based on our review, we confirm that trading results and changes to other valuation parameters since 30 November 2011 would not have any material impact on our valuation of the Consideration since the Valuation Date.

7.3 Conclusion

Based on our assessment above, we are of the view that the fair value of the Consideration amounts to \$5.79million.

8 Assessment of the Pactum Transaction

8.1 Approach

We have been requested to prepare a Report advising whether, in our opinion, the Pactum Transaction is fair and reasonable with respect to the Non-associated Shareholders of FFG as a whole.

We have assessed whether the Pactum Transaction is fair to the Non-associated Shareholders by comparing the fair market value of the Consideration being offered by FFG to the fair market value of the 50% equity interest in Pactum to be acquired by FFG.

In order to assess whether the Pactum Transaction is reasonable, we considered whether the Pactum Transaction is “fair” and if it is not, whether we consider that there are sufficient reasons for the Non-associated Shareholders of FFG to accept the Pactum Transaction. This assessment has largely been undertaken by considering whether in our opinion, the advantages of the Pactum Transaction sufficiently outweigh its disadvantages for the Non-associated Shareholders of FFG.

8.2 Fair

As set out in Section 6 of this Report, we have assessed the fair market value of the 50% equity interest in Pactum on a control basis to be between \$6.55 million and \$8.27 million.

As set out in Section 7 of this Report, we have assessed the fair market value of the Consideration to be \$5.79 million.

As the assessed fair market value of the 50% equity interest in Pactum exceeds the assessed fair value of the Consideration, in our opinion, the Pactum Transaction is “fair” to the Non-associated Shareholders of FFG, according to RG 111 guidelines.

8.3 Reasonable

In accordance with RG 111, as it is our opinion that the Pactum Transaction is “fair” we are also of the opinion that it is “reasonable”.

Nevertheless, we have also considered various factors that we believe Non-associated Shareholders should consider when deciding whether or not to accept the Pactum Transaction.

A summary of the matters that we have considered are set out below.

Advantages of the Pactum Transaction

In our opinion, the Pactum Transaction has a number of potential positive implications for the Non-associated Shareholders of FFG, including:

Opportunity for FFG to fully consolidate the financial performance of Pactum

FFG currently holds 50% of the equity interests in Pactum.

Upon completion of the Pactum Transaction, FFG will hold 100% of the equity interests in Pactum enabling FFG to exercise full control and participate in 100% of the cash flows of Pactum.

Disposal of non-core assets and associated debt

FFG currently hold a 50% indirect interest in the Properties held by Pactum.

The Pactum Transaction is conditional on the Properties (and associated debt) being transferred from Pactum to Arrovest. While the operations of the business undertaken by Pactum are carried out at the Properties, Pactum is not in the business of property investment and the Properties are considered non-core assets.

Upon completion of the Pactum Transaction, FFG:

- will no longer be exposed to investment risks associated with the holding of commercial real estate;
- will have reduced debt to the value of approximately \$2.485 million from its balance sheet; and
- will still have access to the Properties via long-term lease back arrangement with Arrovest to be negotiated on arm's length terms.

Disposal Costs

The transfer of the Properties to Arrovest will enable Pactum/FFG to divest of the Properties with considerably lower transaction costs than what may otherwise have been incurred should Pactum have disposed of the Properties to a third party.

Disadvantages of the Pactum Transaction

In our opinion, the Pactum Transaction has a number of potential negative implications for the Non-associated Shareholders of FFG, including:

Funding of the Pactum Transaction

As set out in the Explanatory Statement, the Company intends to fund the purchase of the remaining 50% equity interest in Pactum which it does not already own through a loan to be provided by the Perich Group on the following terms:

- FFG must repay the loan within twelve (12) months of the Completion Date; and
- Interest on the loan is payable on a monthly basis at an interest rate of 10% per annum.

FFG currently intends that repayment of the loan will be made from existing funds and a potential extension of finance facilities prior to the loan end date. FFG notes that it retains flexibility to fund medium to long term capital commitments in its core activities through realisation of part or all of its strategic investments.

As at the date of this Report, FFG had yet to finalise what sources of funds will be utilised to repay the loan from the Perich Group. Accordingly, LCF has been unable to assess the impact of the eventual funding option to be utilised by the Company.

However, the means of funding does not necessarily detract from the assessment of the fairness and reasonableness of the terms of the Pactum Transaction as set out in this Report. Also, we believe that it reasonable to expect that the FFG Directors will act rationally and reasonably in deciding upon the funding and that the chosen method would be that assessed to be the most advantageous to FFG at the time.

Additional Cash Outgoings

Upon transfer of the Properties to Arrovest and entering into the Lease, Pactum will be required to pay to Arrovest rent at fair market rates. In addition, FFG will be required to make interest payments in relation to the loan from the Perich Group as detailed above.

These rent and interest payments will represent additional cash outgoing to Pactum and FFG respectively.

Loss of control of business premises

Upon completion of the Pactum Transaction, except to the extent permitted under the lease back arrangement with Arrovest, FFG will no longer exercise control over the Properties currently owned and occupied by Pactum.

Whilst we note that Arrovest will continue to have an interest in maintaining the premises for use by Pactum (i.e. through it's, and its associates' interests in FFG), Arrovest will ultimately have control over the Properties and there is no guarantee that any future actions of Arrovest will not have an adverse effect on the operations of Pactum.

Implications for Non-associated Shareholders of Rejecting the Pactum Transaction

Set out below are the key implications for Non-associated Shareholders of FFG of rejecting the Pactum Transaction. In our opinion, in the event the Pactum Transaction was rejected, Non-associated Shareholders of FFG would be subject to the following issues:

- FFG will continue to hold only a 50% equity interest in Pactum. Accordingly, FFG will not obtain full control of Pactum and will not be entitled to participate in any increased share of cash flows generated by Pactum;
- FFG will continue to maintain a 50% interest in the Properties currently owned and occupied by Pactum. Accordingly, FFG will continue to be exposed to the investment risks associated with owning commercial real estate, however, it will not lose control over the Properties;
- Should Pactum wish to dispose of the Properties in the future, Non-associated Shareholders may not benefit from reduced transactions costs which are available to Pactum/FFG by divesting the Properties to Arrovest, being a related party.
- Non-associated Shareholders of FFG will not be subjected to the uncertainty regarding the funding arrangements which the Company will utilise to fund the Pactum Transaction.

8.4 Overall Conclusion

In our opinion, for the reasons stated above, the Pactum Transaction is **"fair" and "reasonable"** to the Non-associated Shareholders of FFG.

9 Qualifications, Independence and Disclaimer

9.1 Qualifications

LCF is the licensed corporate advisory arm of Lawler Partners. LCF provides advice in relation to all aspects of valuations and its personnel have extensive experience in the valuation of corporate entities.

Mr Peter Cornell B.Com, LLB, is a Director of LCF. Mr Cornell has been actively involved in the preparation of this Report.

Mr Cornell has over 30 years experience in law, business valuation, corporate planning and corporate advisory activities. He has had extensive experience in the areas of preparation and review of independent expert's reports, litigation support activities, business feasibility studies, financial investigations, business valuations and due diligence reviews.

Mr Vince Fayad B.Bus, CA, is a Director of LCF. Mr Fayad has been actively involved in the review of this Report.

Mr Fayad has over 30 years experience in a number of specialist corporate advisory activities including company valuations, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, advising on independence expert reports, preparation of information memoranda and other corporate investigations.

Mr Nick Navarra B.Bus, CA is a Manager of LCF. Mr Navarra assisted Messrs Cornell and Fayad and was actively involved in the preparation of this Report.

Mr Navarra has over 11 years experience in accounting, audit and corporate advisory activities including business, company and intangible asset valuations, the preparation of independent expert's reports, due diligence reviews, litigation support activities, capital raisings and the provision of advice in relation to merger, acquisition and divestment transactions.

Based on their experience, Messrs Cornell, Fayad and Navarra are considered to have the appropriate experience and professional qualifications to provide the advice offered.

9.2 Independence

LCF is not aware of any matter or circumstance that would preclude it from preparing this report on the grounds of independence, either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

LCF does not have any shareholding in, or other relationship with FFG, Pactum or Arrovest (including any of their related parties or associates) that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Pactum Transaction.

LCF considers itself to be independent in terms of ASIC Regulatory Guide 112 *Independence of Experts* ("**RG 112**"), issued by ASIC.

LCF will receive a fee based on the time spent in the preparation of this Report in the amount of approximately \$37,500 (plus GST and disbursements). LCF will not receive any fee contingent upon the outcome of the Pactum Transaction.

Drafts of this Report were provided to the Directors of FFG and Pactum for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the drafts of the Report. However, our approach, valuation method and overall conclusions were not affected by the circulation of the draft reports.

Appendix 1 Sources of Information

In preparing this Report we have had access to and relied upon the following principal sources of information:

- Annual Reports of Freedom Foods Group Limited for the years ended 30 June 2009 to 30 June 2011;
- Trail Balance of Pactum Australia Pty Limited for the year ended 30 June 2009;
- Special Purpose Annual Reports of Pactum Australia Pty Limited for the years ended 30 June 2010 and 30 June 2011;
- FY2012 budget of Pactum;
- Pactum monthly management accounts for years ended 30 June 2009 to 30 June 2011 and the seven months ended 31 January 2012;
- Draft Notices of General Meeting and Explanatory Statement;
- Copy of the draft share purchase agreement between Arrovest Pty Limited, Nutrition Ventures Pty Limited (being a subsidiary of Freedom Foods Group Limited) and Pactum Australia Pty Limited;
- Property valuation report prepared by LandMark White in relation to 80 Box Road, Taren Point, NSW and dated 2 December 2011;
- Information available on the website of Freedom Foods Group Limited, www.freedomfoods.com.au;
- Publicly available information available from the ASX and/or ASIC regarding Freedom Foods Group Limited, Pactum Australia Pty Limited, Arrovest Pty Limited and other comparable listed companies including various ASX announcements and ASIC company extracts;
- Publicly available information on comparable companies published by Capital IQ and Thompson Reuters;
- IbisWorld Industry Report, *"Contract Packing Services in Australia"*, February 2011;
- IbisWorld Industry Report, *"Milk and Cream Processing in Australia"*, December 2011;
- IbisWorld Industry Report, *"Supermarkets and Other Grocery Stores in Australia"*, December 2011;
- Information available from the website of Dairy Australia, www.dairyaustralia.com.au;
- Information available from industry news website Food Processing, www.foodprocessing.com.au;
- Information available from the website of the World Packaging Organisation, www.worldpackaging.org;
- Information available from the website of the Global Packaging Association of Australia, www.pca.org.au;
- European Consumer Response publication, *"Packaging in the Sustainable Agenda: A Guide for Corporate Decision Makers"*, 2009;

- The Consumer Goods Forum publication, *"A Global Language for Packaging and Sustainability: A Framework and a Measurement System for our Industry"*, June 2010; and
- other publicly available information.

In addition to the above, LCF has had various discussions with the management of Freedom Foods Group Limited and Pactum Australia Limited regarding the nature and prospects of their respective businesses and financial position.

Appendix 2 Glossary of terms

Set out below is a glossary of terms used in this Report.

Table 23: Glossary

Term	Definition
\$	Australian dollar
A2 Corporation	A2 Corporation Limited Freedom Foods Group Limited holds a 27.5% equity interest in A2 Corporation Limited
Arrovest	Arrovest Pty Limited (ACN 117 953 205) Arrovest Pty Limited is the major shareholder of Freedom Foods Group Limited and is the vendor of the 50% equity interest of Pactum Australia Pty Limited subject of to the Pactum Transaction. Arrovest Pty Limited is part of the Perich Group
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
ASX Listing Rules	Australian Securities Exchange Listing Rules
Completion Date	The date on which the Pactum Transaction is settled
Consideration	The amount payable by Freedom Foods Group Limited to Arrovest Pty Limited in relation to the Pactum Transaction consisting of the following: - The Purchase Price; plus - 50% of the fair market value of the Properties less the Property Finance Facility
Corporations Act	Corporations Act 2001 (Cth)
CRPS	Convertible Redeemable Preference Shares on issue by Freedom Foods
DCF	Discounted cash flow
Documents	Notices of Meeting and Explanatory Statement
EBITDA	Earnings before interest, tax, depreciation and amortisation
Explanatory Statement	Explanatory Statement to be issued in relation to the Pactum Transaction
FME	Future maintainable earnings
FOS	Financial Ombudsman Service Limited
FFG or the Company	Freedom Foods Group Limited (ACN 002 814 235)
Freedom Foods	The Freedom Foods business division of Freedom Foods Group Limited
FSG	Financial Services Guide
FY2009	Financial year ended 30 June 2009
FY2010	Financial year ended 30 June 2010
FY2011	Financial year ended 30 June 2011
FY2012	Financial year ending 30 June 2012
IER	Independent Experts Report
IPO	Initial Public Offering
LandMark White Property Valuation	The property valuation report prepared in relation to 80 Box Road, Taren Point NSW by LandMark White and dated 2 December 2011
LPC	Leppington Pastoral Co. Pty Limited (ACN 000 420 404) Leppington Pastoral Co. Pty Limited forms part of the Perich Group and was the original holder of the 50% equity interest in Pactum Pty Limited which is currently held by Arrovest Pty Limited
Non-associated Shareholders	Shareholders of Freedom Foods Group Limited who are not associated with Arrovest Pty Limited and any other associated parties of Arrovest Pty Limited. Non-associated Shareholders are the only shareholders of Freedom Foods Group Limited who are entitled to vote in relation to the Pactum Transaction
Notice of Meeting	Notice of meeting to be issued in relation to the Pactum Transaction
NPV	Net present value
Nutrition Ventures	Nutrition Ventures Pty Limited (ACN 089 982 392) Nutrition Ventures Pty Limited is a wholly-owned subsidiary of Freedom Foods Group Limited
Pactum	Pactum Australia Pty Limited (ACN 112 913 336)

Term	Definition
Pactum Transaction	The acquisition by Freedom Foods Group Limited of the remaining 50% equity interest in Pactum Australia Pty Limited which it does not already own and the transfer of the Properties and the Property Finance Facility to Arrowvest Pty Limited
Paramount Seafoods	Paramount Seafoods Pty Limited (070 130 120) Paramount Seafoods Pty Limited is a wholly-owned subsidiary of Freedom Foods Group Limited
Perich Group	The group of entities under the control of Anthony Perich and Ronald Perich who are also directors of Freedom Foods Group Limited and Pactum Australia Pty Limited. Arrowvest Pty Limited and Leppington Pastoral Co. Pty Limited form part of the Perich Group.
Properties	The property located at 80 Box Road, Taren Point, New South Wales 2229
Property Finance Facility	The finance facility in relation to the Properties which is to be novated to Arrowvest along with the Properties on or before the Completion Date.
Purchase Price	The amount payable by Freedom Foods Group Limited to Arrowvest Pty Limited in relation to the Pactum Transaction consisting of the following: - A cash component amounting to \$6,175,000; less - an amount that is equal to 50% of the difference between the value of the Properties as stated in Pactum's accounts for the year ended 30 June 2011 and the balance of the Property Finance Facility outstanding as at the Completion Date.
Report	This Independent Expert Report prepared by LCF and dated 9 February 2012
RG 76	ASIC Regulatory Guide 76 <i>Related Party Transactions</i>
RG 111	ASIC Regulatory Guide 111 <i>Content of Expert Reports</i>
RG 112	ASIC Regulatory Guide 112 <i>Independence of Experts</i>
Share Purchase Agreement	The share purchase agreement between Arrowvest and Freedom Foods Group Limited for the acquisition of the remaining 50% interest in Pactum which Freedom Foods Group Limited does not already own.
Shareholders	Shareholders of Freedom Foods Group Limited
SWOT	Strengths, weaknesses, opportunities and threats
UHT	Ultra High Temperature
Valuation Date	30 November 2011

Source: LCF

Appendix 3 Valuation methods

In conducting our assessment of the fair market value of Pactum, the following commonly used business valuation methods have been considered:

Discounted Cash Flow Method

The discounted cash flow ("**DCF**") method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value ("**NPV**").

DCF is appropriate where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy;
- earnings or cash flows are expected to fluctuate significantly from year to year;
- the business or asset has a finite life;
- the business is in a 'start up' or in early stages of development;
- the business has irregular capital expenditure requirements;
- the business involves infrastructure projects with major capital expenditure requirements; or
- the business is currently making losses but is expected to recover.

Capitalisation of Future Maintainable Earnings Method

This method involves the capitalisation of estimated future maintainable earnings by an appropriate multiple. Maintainable earnings are the assessed sustainable profits that can be derived by the vendor's business and excludes any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

Net Realisable Value of Assets

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- separating the business or entity into components which can be readily sold, such as individual business units or collection of individual items of plant and equipment and other net assets; and
- ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- *orderly realisation*: this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is

wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;

- *liquidation*: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- *going concern*: the net assets on a going concern basis estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding company. Adjustments may need to be made to the book value of assets and liabilities to reflect their going concern value.

The net realisable value of a trading company's assets will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses that are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the company's value could exceed the realisable value of its assets.

Security Market Trading History

The application of the price that a company's shares trade on the ASX is an appropriate basis for valuation where:

- the shares trade in an efficient market place where 'willing' buyers and sellers readily trade the company's shares; and
- the market for the company's shares is active and liquid.

Constant Growth Dividend Discount Model

The dividend discount model works best for:

- firms with stable growth rates;
- firms which pay out dividends that are high and approximate free cash flow to equity;
- firms with stable leverage; and
- firms where there are significant or unusual limitations to the rights of Investors.

Special Value

Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the fair market value. This premium represents the value to the potential acquirer of potential economies of scale, reduction in competition or other synergies arising from the acquisition of the asset not available to likely purchases generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchases.

Appendix 4 Comparable Listed Company Market Trading Analysis

Set out below is a summary of the comparable listed companies identified together with corresponding financial data and multiples analysis:

Company	Code	Description	Currency	Market Cap as at 30 Nov 2011 (\$ Million)	Net Surplus Assets / (Liabilities) as at 30 June 2011	Enterprise Value as at 30 Nov 2011 (\$million)	Working Capital as a % of Revenue	Debt to Capital Ratio	Operating Revenue (\$million)	Historical EV / Revenue Multiple	Historical EBITDA (\$million)	Historical EV / EBITDA Multiple
Australian Listed Companies												
Bega Cheese Limited	ASX BGA	Bega Cheese Limited engages in the receiving, manufacturing, and distribution of dairy and associated products primarily in Australia. It provides natural, processed, and kid snacking products. The company offers assorted dairy based products, including cheddar cheese, grated cheese, mozzarella cheese, cream cheese, cheddar and colby cheese snacks, and infant nutritional powders, as well as general dairy commodities, such as milk powders, butter, and whey powders. It also provides nutritional food products comprising infant formula and milk biologics, such as lactoferrin and colostrum. In addition, the company operates as a contract packer of natural cheddar and processed cheddar cheese products for corporations. It contract packs private proprietary brands, supermarket house brands, and QSR raw material inputs as well as products for other dairy companies into their own brands. It sells its products to approximately 50 different countries, including the Middle-East, South East Asia, North Asia, Central and South America, and the Pacific Islands. The company, formerly known as The Bega Co-operative Society Ltd., was founded in 1899 and is based in Bega, Australia.	AUD	212.87	(58.71)	271.58	12.72%	35.33%	931.69	0.29	44.70	6.08
FFI Holdings Limited	ASX FFI	FFI Holdings Limited operates as a food processing company in Western Australia. The company manufactures various chocolate products, including cooking chocolate, hazelnut spreads, chocolate coated confectionery, sugar confectionery, and cake decorations. The company incorporates products manufactured under supermarkets' own brands labels and also its own proprietary retail brand name, Nemar. The company is also involved in processing, packaging, and distributing a range of fruit and nut products for the confectionery, snack foods, and home cooking needs market sectors under the Olympic, Prepact, and Golden Popcorn brand names. In addition, the company engages in processing and manufacturing apple products, baker's fillings, chocolate, specialty chocolate compounds and cake decoration toppings for the bakery and pastry cooks industries. Further, the company is involved in the manufacture and wholesale of fresh sausages, bacon, and other processed meat products. The company was founded in 1979 and is headquartered in Jandakot, Australia.	AUD	26.81	13.13	13.68	17.61%	5.17%	31.25	0.44	4.09	3.34
Warrambool Cheese and Butter Factory Company Holdings Limited	ASX WCB	Warrambool Cheese and Butter Factory Company Holdings Limited, together with its subsidiaries, engages in the manufacture, processing, and sale of dairy products in Australia and internationally. The company produces dairy commodities such as cheese, including cheddar, low fat cheddar, skim milk, gouda, romano, and swiss style cheeses, skim milk powder and buttermilk powder for use in recombined milk, bakery products, confectionery, infant formula, and dairy desserts and whey protein concentrate, which is used in health products, sports drinks and nutritional health bars as a binding ingredient in food processing, and as a meal replacement or supplement. It also offers butter products, including salted butter, unsalted butter, and butter blended with sugar or coconut oil for use in bakery products, biscuit making, and confectionery, cream products such as pasteurised, concentrated, and frozen cream, fresh homogenized and pasteurized milk under the Sungold brand, flavored milks under FM and Great Ocean Road Premium names and food supplements under the Enprocal and Pro10Active brands. The company markets its products to wholesale and retail customers. Warrambool Cheese and Butter Factory Company Holdings Limited was founded in 1888 and is headquartered in Allansford, Australia.	AUD	212.09	9.32	202.77	13.77%	13.28%	503.61	0.40	40.93	4.95

Company	Code	Description	Currency	Market Cap as at 30 Nov 2011 (\$ Million)	Net Surplus Assets / (Liabilities) as at 30 June 2011	Enterprise Value as at 30 Nov 2011 (\$million)	Working Capital as a % of Revenue	Debt to Capital Ratio	Operating Revenue (\$million)	Historical EV / Revenue Multiple	Historical EBITDA (\$million)	Historical EV / EBITDA Multiple
International Listed Companies												
Clover Industries Ltd	JSE: CLR	Clover Industries Limited, through its subsidiaries, engages in the manufacture, distribution, marketing, and sale of dairy products and non-alcoholic beverages in South Africa. The company provides pasteurized milk, cream and long-life UHT milk, juices and dairy mixes, condensed milk, desserts, butter, yoghurt, and fermented products. It also offers ice-cream, cheese, milk powders, milk/whey mixtures, ice tea, fruit drinks, and mineral water. In addition, it involves in testing dairy products; and finance and property ownership businesses. The company was formerly known as National Co-operative Dairies Limited and changed its name to Clover Industries Limited in November 2003. Clover Industries Limited was founded in 1898 and is based in Roodepoort, South Africa.	ZAR	2,041.88	286.22	1,755.65	4.23%	20.91%	6,538.64	0.27	425.82	4.12
AVERAGE							12.08%	18.67%		0.35		4.62
MEDIAN							13.24%	17.09%		0.35		4.54

Source: Capital IQ, publicly available information, LCF analysis

Appendix 5 Comparable Transactions Analysis

Set out below is a summary of the comparable transactions identified together with corresponding financial data and multiples analysis:

Bidder	Interest Acquired	Target Description	Effective Date	Currency	Purchase Price (\$million)	Historical Operating Revenue (\$million)	Historical Implied Equity Value / Revenue Multiple	Historical EBITDA (\$million)	Historical Implied Equity Value / EBITDA Multiple
FFI Holdings Limited	100.00%	Long established Western Australian based business specialising in the processing, packaging and distributin of a range of retail food products.	Mar-07	AUD	0.60	1.50	0.40	n/a	n/a
Bega Cheese Limited	13.00%	Refer to Appendix 4	Dec-10	AUD	17.45	503.61	0.27	40.93	3.28
Various (Public Entitlement Offer)	14.29%	Refer to Appendix 4	Dec-10	AUD	19.24	503.61	0.27	40.93	3.29
AVERAGE							0.31		3.28

Source: Capital IQ, publicly available information, LCF analysis

Appendix 6 Comparable IPOs Analysis

Set out below is a summary of the comparable IPOs identified together with corresponding financial data and multiples analysis:

Issuer	Interest Offered	Issuer Description	Effective Date	Currency	Funds Raised (\$million)	Historical Operating Revenue (\$million)	Historical Implied Equity Value / Revenue Multiple	Historical EBITDA (\$million)	Historical Implied Equity Value / EBITDA Multiple
<i>Australian Listed Companies</i>									
Bega Cheese Limited	14.45%	Refer to Appendix 4	Aug-11	AUD	36.70	942.82	0.27	53.43	4.76
AVERAGE							0.27		4.76

Source: Capital IQ, publicly available information, LCF analysis

Financial Services Guide

13 March 2012

What is a Financial Services Guide?

This Financial Services Guide ("**FSG**") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided in the form of an independent expert report by Lawler Corporate Finance Pty Limited (ABN 65 097 893 957) ("**Lawler Corporate Finance**"). The use of "we", "us" or "our" is a reference to Lawler Corporate Finance as the holder of Australian Financial Services Licence ("**AFSL**") No. 295872.

The contents of this FSG include:

- who we are and how we can be contacted;
- what services we are authorised to provide under our AFSL;
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide;
- details of any potential conflicts of interest; and
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by the Directors of Freedom Foods Group Limited ("**FFG**") to prepare an Independent Expert's Report providing our opinion as to whether a proposal to acquire the remaining 50% equity interest in Pactum Australia Pty Limited ("**Pactum**") which it does not already own and the transfer of properties ("**Properties**") from Pactum to Arrovest Pty Limited ("**Arrovest**") (together the "**Pactum Transaction**") is fair and reasonable to the Non-Associated Shareholders of FFG (the "**Report**").

The Pactum Transaction is set out in the Explanatory Statement accompanying the Notice of General Meeting to be dated on or around the date of our Report. You are not the party or parties who engaged us to prepare the Report. We are not acting for any person other than the party or parties who engaged us. We are required by law to give you an FSG because our Report is being provided to you. You may contact us using the details located below.

Lawler Corporate Finance provides services primarily in the area of corporate finance and is partly owned by partners of the Australian partnership of Lawler Partners. Lawler Partners and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services. Our directors may be partners in the partnership of Lawler Partners.

The financial product advice in our Report is provided by Lawler Corporate Finance and not by the partnership of Lawler Partners.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the partnership of Lawler Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- Provide financial product advice for the following classes of financial products:
 - deposit and payment products limited to:
 - basic deposit products;
 - deposit products other than basic deposit products;

- debentures, stocks or bonds issued or proposed to be issued by a government;
- interests in managed investment schemes excluding investor directed portfolio services; and
- securities

Information about the general financial product advice we provide

The financial product advice provided in our Report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our Report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we recommend you obtain and read carefully the relevant offer document provided by the issuer of the financial product. The purpose of the offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

We charge fees for providing Reports. Fees are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Our fees are usually determined on an hourly basis, however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Neither Lawler Corporate Finance, nor its directors and officers, receive any commissions or other benefits arising directly from providing Reports to you. The remuneration paid to our directors and staff reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

The estimated fee for this Report is \$37,500 (exclusive of GST and out-of-pocket expenses).

Responsibility

The liability of Lawler Corporate Finance is limited to the contents of this FSG and our Report referred to in this FSG.

What should you do if you have a complaint?

If you have any concerns regarding our Report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

AFS Compliance Manager

Lawler Corporate Finance Pty Limited

GPO Box 5446

SYDNEY NSW 2001

Telephone: +61 2 9008 1404 Fax: +61 2 8346 6099

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service ("FOS"). FOS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry.

Complaints may be submitted to FOS at:

Financial Ombudsman Service

GPO Box 3

Melbourne VIC 3001

Telephone: (03) 9613 7366 Fax: (03) 9613 6399

Internet: <http://www.fos.org.au>

If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia ("**ICAA**"). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants

GPO Box 9985

Sydney NSW 2001

Telephone: +61 2 9290 1344 Fax: +61 2 9262 1512

Specific contact details for lodging a complaint with the ICAA can be obtained from their website at <http://www.charteredaccountants.com.au/The-Institute/Member-complaints-and-discipline/How-to-make-a-complaint.aspx>

The Australian Securities and Investments Commission ("**ASIC**") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630

Email: info@asic.gov.au

Internet: <http://www.asic.gov.au/asic/asic.nsf>