Freedom Foods Group Limited

ABN 41 002 814 235

NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting
Thursday 30 November 2017

Time of Meeting
12.00 noon

Place of Meeting
The Grace Sydney. Level 2, 77 York St, Sydney, NSW 2000. The Wilarra Room

A Proxy Form is enclosed
Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the Annual 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 ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Freedom Foods Group Limited ABN 41 002 814 235 ("Company") will be held at 12.00 noon on Thursday 30 November 2017 at offices of The Grace Sydney. Level 2, 77 York St, Sydney, 2000 for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

AGENDA

ITEMS OF BUSINESS

Financial Reports

To receive and consider the Financial Report of the Company for the year ended 30 June 2017, together with the Directors Report and the Auditor's Report as set out in the Annual Report.

1. Resolution 1 – Non Binding Resolution to adopt Remuneration Report

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

"*That the Remuneration Report as set out in the Annual Report for the year ended 30 June 2017 be adopted.*"

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

> The Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote by a Restricted Voter as a proxy if the vote is not cast on behalf of a Restricted Voter and either:
>
> (a) it is cast by the Restricted Voter as a proxy appointed by writing that specifies how the proxy is to vote on the proposed resolution; or
>
> (b) it is cast by the Chairman of the meeting and the appointment of the Chairman as proxy does not specify the way the proxy is to vote on the resolution and expressly authorises the Chairman to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chairman intends to vote any undirected proxies in favour of Resolution 1. Shareholders may also choose to direct the Chairman to vote against Resolution 1 or to abstain from voting.

2. Resolution 2 – Re-election of Ronald Perich as a Director

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

"That, R. Perich, who retires in accordance with clause 93(3) of the Constitution and, being eligible for re-election, be re-elected as a Director."

3. Resolution 3 – Re-election of Trevor Allen as a Director

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

"*That, T. Allen, who retires in accordance with clause* 93(3) *of the Constitution and, being eligible for re-election, be re-elected as a Director.*"

4. Resolution 4 – Sale and leaseback of property to related party in reduction of debt

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

"That for the purposes of Chapter 2E of the Corporations Act 2000, Listing Rule 10.1 of the ASX Listing Rules and for all other purposes, approval is given for the Company to:

(a) sell the land and buildings owned by Freedom Foods Group Ingleburn Pty Limited situated at 8A Williamson Road, Ingleburn, NSW, 2565 (the "Ingleburn Property") to Perich Property Pty Ltd (the "Perich Group") an entity controlled by the Company's majority shareholder, for a price of $75,000,000 (the "Purchase Price");

(b) accept payment of the Purchase Price from the Perich Group by way of a cash settlement; and

(c) enter into a lease agreement under which the Ingleburn Property will be leased by the Perich Group to the Company.

in each case on the terms set out in the Explanatory Memorandum.

Please refer to the accompanying Explanatory Memorandum for more information.

Voting Exclusion

The Company will disregard any votes cast by Arrovest Pty Ltd, Anthony Perich and Ronald Perich and any associate of any of those persons.

However, the Company will not disregard a vote if:

a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
b) 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 Chairman intends to vote all undirected proxies in favour of this resolution. To authorise the Chairman to vote as your proxy in accordance with his intentions, please follow the instructions on the proxy form carefully and mark the appropriate box.

Further, in accordance with the Corporations Act, a Restricted Voter who is appointed as a proxy will not vote on this resolution unless:

- the appointment specifies the way the proxy is to vote on this resolution; or
- the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if the resolution is connected, directly or indirectly, with remuneration of a member of the Key Management Personnel.

Shareholders should note that the Chairman intends to vote any undirected proxies in favour of Resolution 4. Shareholders may also choose to direct the Chairman to vote against Resolution 4 or to abstain from voting.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

For the purposes of Resolutions 1 – 4, the following definitions apply:

Annual Report means the Annual Report of the Company for the year ended 30 June 2017.

Associate has the meaning given in sections 12 and 16 of the Corporations Act. Section 12 is to be applied as if paragraph 12(1)(a) included a reference to the Listing Rules and on the basis that the Company is the "designated body" for the purposes of that section. A related party of a director or officer of the Company or of a Child Entity of the Company is to be taken to be an associate of the director or officer unless the contrary is established.

ASX means ASX Limited (ACN 008 624 691).

ASX Listing Rule means the listing rules of the ASX.

Child Entity has the meaning given to that term in ASX Listing Rule 19.12.

Closely Related Party has the meaning given to that term in the Corporations Act.

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

Constitution means the Company's constitution, as amended from time to time.

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

Explanatory Memorandum means the explanatory memorandum accompanying this Notice.

Directors means the directors of the Company.

Key Management Personnel has the meaning given in the accounting standards as that term is defined in the Corporations Act.

Notice means this Notice of Annual General Meeting.

Resolution means a resolution contained in this Notice.

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

By order of the Board

C. N...

Campbell Nicholas
Company Secretary
27 October 2017

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.
- However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolutions 1 and 4, if the proxy is the Chairman of the Meeting and the appointment expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- 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:

  - Voting Online: www.linkmarketservices.com.au

  Instructions on voting online will be available on both the proxy form and the email broadcast.

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

    By Mail:
    Link Market Services Limited
    Locked Bag A14
    Sydney South NSW 1235

    By Hand:
    Link Market Services Limited
    1A Homebush Bay Drive
    Rhodes NSW 2138; or

  - by faxing a completed proxy form to

    +61 2 9287 0309

  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 (Sydney time) on [28 November 2017]. 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 Annual General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 6pm on 28 November 2017.

Freedom Foods Group Limited
ABN 41 002 814 235

EXPLANATORY MEMORANDUM

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

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. 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 Memorandum.

FINANCIAL REPORT

The first item of the Notice of Annual General Meeting (**AGM**) deals with the presentation of the consolidated annual financial report of the Company for the financial year ended 30 June 2017 together with the Directors' declaration and report in relation to that financial year and the auditor's report on those financial statements. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered. The Company's Annual Report 2017 is available on the ASX's website at www.asx.com.au.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the business, operations and management of the Company.

The Chairman will also provide shareholders a reasonable opportunity to ask the Auditor questions relevant to:

- the conduct of the audit;
- the preparation and content of the independent audit report;
- the accounting policies adopted by the Company in relation to the preparation of accounts; and
- the independence of the auditor in relation to the conduct of the audit.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

In accordance with section 250R(2) of the Corporations Act the Company is required to present to its shareholders the Remuneration Report as disclosed in the Company's 2017 Annual Report for consideration and adoption.

The vote on the Resolution is advisory only and does not bind the Directors or the Company. The Remuneration Report is set out in the Company's Annual Report 2017 and is also available on the ASX's website at www.asx.com.au.

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at the 2017 AGM, and then again at the 2018 AGM, the Company will be required to put a resolution to the Shareholders at the 2018 AGM, to approve calling an extraordinary general meeting (**spill resolution**). If more than 50% of Shareholders vote in favour of the spill resolution, the Company must convene an extraordinary general meeting (**spill meeting**) within 90 days of the 2018 AGM. All of the Directors who were in office when the 2018 Directors' Report was approved by the Board, other than the Managing Director, will immediately before the end of the spill meeting cease to hold office and (if desired) will need to stand for re-election at the spill meeting.

It is noted that at the Company's 2016 AGM, the votes cast against the Remuneration Report was less than 25% and accordingly there will be no need for the Company to put a spill resolution to the Shareholders at this AGM even if at least 25% of the votes cast on Resolution 1 are against adoption of the Remuneration Report.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors, sets out remuneration details for each Director and Key Management Personnel and any service agreements and sets out the details of any share based compensation.

Voting

Please refer to the Notice of Meeting for the voting exclusions that apply to Resolution 1.

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

RESOLUTION 2 – RE-ELECTION OF RONALD PERICH AS A DIRECTOR

Pursuant to Clause 93(3) of the Company's Constitution and ASX Listing Rule 14.4, Ronald Perich, being a Director, retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Ronald was appointed as a Non-executive Director of the Company in April 2005. He is joint Managing Director of Arrovest Pty Limited, Leppington Pastoral Company, one of Australia's largest dairy producers, and various other entities associated with Perich Enterprises Pty Limited. He is also a property developer, farmer and business entrepreneur and former director of United Dairies Limited. He is a member of the Audit, Risk and Compliance Committee and the Remuneration & Nomination Committee.

What majority of votes is required to pass Resolution 2?

Resolution 2 is an ordinary resolution which requires it to be passed by a simple majority of the votes cast by shareholders entitled to vote on the resolution.

Directors' recommendation

The directors recommend you vote in favour of Resolution 2.

RESOLUTION 3 – RE-ELECTION OF TREVOR ALLEN AS A DIRECTOR

Pursuant to Clause 93(3) of the Company's Constitution and ASX Listing Rule 14.4, Trevor Allen, being a Director, retires by way of rotation and, being eligible, offers himself for re-election as a Director.

Trevor was appointed as a Non-executive Director of the Company (independent) in July 2013.

Trevor has 39 years experience in the corporate and commercial sectors, primarily as a corporate and financial adviser to Australian and international public and privately owned companies. Trevor is an independent Non-Executive Director of Peet Limited, where he chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He is an independent Non-Executive Director of Eclipx Group Limited, where he also chairs its Audit and Risk Management Committee and is a member of its Remuneration Committee. He is a non-executive director of Yowie Group Limited and the Chair of Brighte Capital Pty Limited, a start-up company financing residential solar and batteries. Trevor is a consultant to PPB Advisory. Prior to Trevor's Non-Executive roles, he had senior executive positions in the investment banking and corporate advisory sector, including Executive Director – Corporate Finance at SBC Warburg (now UBS) for over 8 years, Director at Baring Brothers Australia for one year and as a Corporate Finance Partner at KPMG for nearly 12 years. At the time of his retirement from KPMG in December 2011, he was the lead partner in its National Mergers and Acquisitions group. From 1997 – 2000 he was Director - Business Development for Cellarmaster Wines, having responsibility for the integration and performance of a number of acquisitions made outside Australia in that period.

What majority of votes is required to pass Resolution 3?

Resolution 3 is an ordinary resolution which requires it to be passed by a simple majority of the votes cast by shareholders entitled to vote on the resolution.

Directors' recommendation

The directors recommend you vote in favour of Resolution 3.

RESOLUTION 4 – SALE AND LEASEBACK OF PROPERTY TO RELATED PARTY IN REDUCTION OF DEBT

Background

The Company currently owns the site located at 8A Williamson Road, Ingleburn, NSW, 2565 (the "Ingleburn Property"). The Company operates from the Ingleburn Property, a state-of-the-art long life (UHT) beverage facility in South West Sydney. Products manufactured from the facility include Plant based beverages including Soy, Rice, Almond beverages and liquid cooking stocks. The facility also has the capability to produce dairy based beverages. Initial installed capacity includes stage 1 UHT carton capacity of 80 million litres per annum. Total installed processing capacity is 180 million litres per annum. The size and capability of the site provides flexibility to increase packaged capacity as and when required as necessary infrastructure to support this expansion has already been build.

The site also includes an integrated warehouse and distribution facility.

Over the next 12 months, the Company will also install a number of additional capabilities including yoghurt processing and a state-of-the-art PET plastic bottle capability for both long life (UHT) and short shelf life (ESL) formats.

The drinking yoghurt category is the fastest growing beverage category in China, with further growth anticipated including from other markets in South East Asia. The Company has significant demand for this product from its existing China based customers including opportunities to sell the product under the Australia's Own and So Natural brands in China. The Company will look to utilise these capabilities for products in Australia including manufacture of plant based yoghurt products.

Installation of both of these new capabilities will commence in January 2018, with a contribution to sales and earnings growth expected from FY 2019.

The facility will also be capable of processing dairy products to allow a two-way redundancy with the Shepparton facility, while providing the opportunity to expand the Company's base in dairy from multiple processing sites as required.

The site has approximately 12,000 square metres of undeveloped covered area available for further expansion in the future. Additionally, further land is available for expansion of the site beyond its current configuration.

The Company intends to leverage the capabilities of the site to become a preeminent Australia based value added beverage manufacturer in the Plant based beverage and dairy beverage categories in Australia and in China and South East Asia.

The Sale and Leaseback Agreement

On 31 August 2017, as announced by the Company to the ASX on that date, the Company and Perich Property Pty Ltd entered into an agreement whereby it was agreed that, subject to shareholder approval, the Company would sell and leaseback its Ingleburn land and buildings for consideration of $75 million. The factory plant and equipment is excluded from the sale. The lease is for a term of 20 years with an option for a further 10 years (the "Sale and Leaseback Agreement"). The leaseback agreement is on similar terms and conditions as the lease agreement the Company has with Perich Group for its Shepparton dairy based UHT operations. This includes a call option to purchase back the Ingleburn Property for fair market value during the term of the lease any time 5 years after the commencement date, expiring on the termination date.

The purpose of the Resolution is to seek shareholder approval for the transaction proposed under the Sale and Leaseback Agreement (the "Transaction").

Reasons for seeking shareholder approval

Related party transaction

Under Chapter 2E of the Corporations Act 2001 ('the Act), a public company cannot give a 'financial benefit' to a 'related party' unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party. A 'financial benefit is defined in the Act in broad terms and includes the disposal of an asset.

The Perich Group is a related entity of the Company because it is an entity controlled by Arrovest Pty Ltd who also has a controlling interest in the Company.

The Transaction includes the following elements and each maybe considered to constitute a "financial benefit" as defined in the Act:

(a) the sale by the Company of the Ingleburn Property to the Perich Group; and

(b) the Company entering into the lease-back of the Ingleburn Property.

Listing Rule 10.1

ASX Listing Rule 10.1 provides that the Company must not dispose of a substantial asset to a related party without shareholder approval. The Ingleburn Property is a substantial asset of the Company.

Shareholder approval

Therefore the non-associated directors of the Company (being all directors other than Anthony Perich and Ronald Perich) have decided to seek shareholder approval for the Transaction under Chapter 2E of the Act and Listing Rule 10.1.

In accordance with the voting exclusion statement applicable to the Resolution, any votes cast by Anthony Perich and Ronald Perich or their associates will be disregarded.

Commercial rationale for the Transaction

The non-associated directors wish to complete the Transaction as:

(a) the proceeds from the sale of the Ingleburn land and buildings of $75 million will be used to repay the Company's debt and will consequently provide ongoing balance sheet flexibility for future growth and development of the Company;

(b) the Transaction will result in a rental expense of $9.6 million per annum (inclusive of outgoings) being incurred each year over the 20 year initial term of the lease. This amount is calculated pursuant to AASB 117 where the rental expense for each year is calculated based upon the average expense over the entire term of the lease. The Company notes that the cash outflow in the first year of the lease is $6.5 million.

This additional expense will however be offset by potential savings totalling $9.7 million being potential interest savings of $7.3 million per annum (based upon projected interest costs of a long term debt facility) and depreciation savings of $2.4 million per annum. This will impact favourably on the earnings per share ("EPS") of the Company;

(c) the Company will recoup the market value of the Ingleburn Property as valued by an independent valuer, Knight Frank, such valuation being attached to this Explanatory Memorandum (the "Valuation Report");

(d) the rental to be charged under the leaseback agreement is equivalent to the market rate assessed in the Valuation Report;

(e) A capital profit on sale (after tax) of $2.3 million will be recognised on the sale of the Ingleburn Property in the year ended 30 June 2018 and as a result, the Transaction will increase the Company's net tangible assets ("NTA"); and

(f) having engaged the services of an independent expert, Lonergan Edwards & Associates Limited (the "Independent Expert"), the Independent Expert has concluded in its attached report (the "IER") that the Transaction is "fair and reasonable" to the non-associated shareholders of the Company.

The Company has entered into the Transaction with the Perich Group because the non-associated directors believe that:

(a) the Company will incur fewer transactions costs (marketing and selling costs, including agents commission) by entering into the Transaction with the Perich Group than it would by looking for a completely independent buyer for the Ingleburn Property;

(b) there would be a shorter lead time associated with selling the Ingleburn Property to the Perich Group than there would be in locating a completely independent buyer for the Ingleburn Property meaning that less interest is paid by the Company to its banking partners in the interim; and

(c) the Company has a strong working relationship with the Perich Group established over many years of being a partner and landlord for a number of its key manufacturing sites. This relationship has resulted in minimal disruption and interference in the Company's operations and flexibility as to opportunities to further develop the site operations. It is the experience of the Company that non related landlords are more likely to seek higher compensation in rental and require further conditions to expansion opportunities. Some of these conditions may lead to delays and or reduced financial returns from these expansion opportunities.

The alternate options available to the Company are to:

(a) incur the transaction costs associated with finding an independent buyer for the Ingleburn Property;

(b) incur the lead times associated with finding an independent buyer while continuing to pay a greater interest charge to the Company's banking partners;

(c) potentially realise less on the sale of the Ingleburn Property given that the Company is recouping the market value of the Ingleburn Property; and

(d) retain the Ingleburn Property and keep paying a higher interest cost to the Company's banking partners resulting in a lower NTA and EPS for the Company than had the Transaction proceeded.

Impact of the Transaction

The advantages and disadvantages to the Company of entering into the Transaction are set out below:

Advantages

The non-associated directors believe that the potential advantages of the Transactions are as follows:

(a) the Transaction enables the Company to use the proceeds to reduce debt and interest costs;

(b) the Company incurs lower transaction costs than selling the Ingleburn Property to an independent third party;

(c) the Company will save more interest costs as finding an independent buyer will have a longer lead time than selling to the Perich Group;

(d) the Company's shareholders (taken as a whole) will benefit from a higher NTA and a higher EPS because:

 (i) the Company's average rental expense of $9.6 million per annum (inclusive of outgoings) for the next 20 years is offset by potential interest (based upon projected interest costs under a long term debt facility) and depreciation savings of some $9.7 million per annum; and
 (ii) a capital profit on sale (after tax) of $2.3 million will be recognised on the sale of the Ingleburn Property for the year ended 30 June 2018.

(e) The Company has established a base rental on the total site inclusive of approximately 12,000 square metres of undeveloped covered area available for further expansion in the future. In the future, the Company may be able to increase its capacities in processing, production and warehousing utilizing the undeveloped covered areas. Any utilisation of this area would be established with no further increase in base rental, thereby providing an opportunity to further increase financial returns from the increase in capacities.

Disadvantages

The non-associated directors believe that the potential disadvantage of the Transaction is that the Company will forgo any future market appreciation of the Ingleburn Property if it doesn't exercise its call option to buy it back. If the Company does exercise this call option to buy back the Ingleburn Property, it may have to pay an amount greater than the Purchase Price.

Property Valuation

As stated above, to determine the value of the Ingleburn Property and the market rental for the Ingleburn Property, the Company commissioned an independent property valuation from Knight Frank (the" Independent Property Valuer").

Page 1 of the Valuation report by the Independent Property Valuer on 10 October 2017 states that:

"This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Valuations. Any party that is not named as a reliance party/ parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property."

Subsequent to the issue of the Valuation Report, the Valuation Report was relied upon with the agreement of the Independent Property Valuer in the IER and the Company requested that the Independent Property Valuer provide its consent for the Valuation Report to be attached to this Explanatory Memorandum to substantiate the conclusions made within the IER.

The Independent Property Valuer provided its consent for the Valuation Report to be attached to the Explanatory Memorandum on the following conditions:

1. the Valuation Report and instruction letter are attached in their entirety;
2. the advised lease terms and conditions adopted in the Valuation Report have not changed in any way including, but not limited to the annual rent, lease term and payment of outgoings; and
3. The Valuation Report has been made available to the shareholders of the Company on the basis that the report contains the information relied upon in the preparation of the IER.

The valuation report has been attached to this Explanatory Memorandum subject to these conditions.

Valuation Summary

Basis of valuation

The market value of the Ingleburn Property has been assessed by the Independent Property Valuer in accordance with the following definition:

"the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion".

The valuation assumes that the Sale and Leaseback Arrangement is in place, that is, that the Ingleburn Property is tenanted on a long term lease.

Valuation methodology

The Independent Property Valuer applied a number of valuation methodologies to assess the value of the Property, including:

(a) **Income capitalisation methodology –** Under this approach, the assessed net face market income as at the date of valuation is capitalised at an appropriate market yield to establish the property's market value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property (page 27 of the Valuation Report);

(b) **Discounted cash flow (DCF) methodology -** this approach incorporates the estimation of future annual cash flows over a 10 year investment horizon from the valuation date by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate (target IRR) to derive a net present value for the property as at the valuation date (page 30 of the Valuation Report); and

(c) **Direct comparison methodology –** where the valuation of Ingleburn Property is based on observed historical transactions, usually expressed in terms of dollar per square metre of lettable area. The Independent Property Valuer however notes that this approach is somewhat subjective and due to the limitations of this methodology, there is considered to be limited merit in assessing value on this basis (page 32 of the Valuation Report).

Of the three methodologies mentioned above, a balance of the income capitalisation and discounted cash flow methodologies were adopted by the Independent Property Valuer.

Market value of the Ingleburn Property

The following table summarises the conclusions of the Independent Property Valuer as to the market value of the Ingleburn Property:

Market value of the Ingleburn Property	
Summary of Independent Valuation	
Valuation date	10 October 2017
Market value	$75,000,000 (exclusive of GST)
Methodologies	Income capitalisation and DCF
Yield	8.75%

Independent Expert's Report

As stated above, the non-associated directors have commissioned an independent expert's report from an independent expert in relation to the Transaction. The IER is attached to this Explanatory Memorandum. The Independent Expert has concluded that the Transaction is "fair and reasonable" to the non-associated shareholders of the Company. A summary of its reasons are set out at paragraph 6, page 2 of the IER.

Directors' recommendations and interests in the outcome

The only directors of the Company with an interest in the outcome of the Resolution are Anthony Perich and Ronald Perich. The remaining directors in the Company, Perry Gunner, Trevor Allen and Rory Macleod have no interest in the outcome of the Resolution other than as shareholders in the Company. The non-associated directors agree with the evaluation of the Transaction as set out on page 12 of the IER. The non-associated directors believe the Transaction is in the interests of the Company and the shareholders not associated with the Excluded Voters and that despite some disadvantages of the Transaction (set out on page 8) of this Explanatory Memorandum, the advantages also listed on that page outweigh the disadvantages. Furthermore the non-associated directors refer to the IER which concludes that the Transaction is "fair and reasonable" to the non-associated shareholders. The non-associated directors confirm that they 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 interest of the Company to pass the resolution.

For the reasons referred to above, the non-associated directors of the Company recommend that shareholders vote in favour of the Resolution.

Nothing in this Explanatory Statement is intended as financial advice. If you are unsure about any aspect of this Explanatory Statement, you should seek your own independent financial advice.

What majority of votes is required to pass Resolution 4?

Resolution 4 is an ordinary resolution which requires it to be passed by a simple majority of the votes cast by shareholders entitled to vote on the resolution.

Voting Exclusion:

Please refer to the Notice of Meeting for the voting exclusions that apply to Resolution 4.

GLOSSARY

AGM means Annual General Meeting.

Board means the board of Directors of the Company.

Closely Related Party has the meaning given in the Corporations Act.

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.

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

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

Key Management Personnel has the meaning given in the accounting standards.

Meeting means the Annual General Meeting the subject of the Notice.

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

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

Resolution means a resolution proposed pursuant to the Notice.

freedom FOODS GROUP LIMITED
Making food better

ABN 41 002 814 235

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Freedom Foods Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: +61 1300 554 474

X99999999999

PROXY FORM

I/We being a member(s) of Freedom Foods Group Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **12:00pm on Thursday, 30 November 2017 at The Grace Sydney (Wilarra Room). Level 2, 77 York St, Sydney, NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions	**For**	**Against**	**Abstain***
1 Adoption of the Remuneration Report			
2 Re-election of Ronald Perich as a Director			
3 Re-election of Trevor Allen as a Director			
4 Sale and leaseback of property to related party in reduction of debt			

* 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.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)	Joint Shareholder 2 (Individual)	Joint Shareholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

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, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **12:00pm on Tuesday, 28 November 2017,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

Freedom Foods Group Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.

LONERGAN EDWARDS
& ASSOCIATES LIMITED

ABN 53 095 445 560
AFS Licence No 246532
Level 7, 64 Castlereagh Street
Sydney NSW 2000 Australia
GPO Box 1640, Sydney NSW 2001

Telephone: [61 2] 8235 7500
www.lonerganedwards.com.au

The Independent Directors
Freedom Foods Group Limited
80 Box Road
Taren Point NSW 2229

20 October 2017

Subject: Sale and leaseback of property to / from Perich Group

Dear Directors

Introduction

1 On 31 August 2017, Freedom Foods Group Limited (FFGL or the Company) and Perich Group (the largest shareholder in FFGL) (Perich) entered into a Sale and Leaseback Agreement (the Agreement). Under the terms of the Agreement, FFGL will sell its Ingleburn manufacturing site at 8A Williamson Road, Ingleburn (the Property) to Perich for a price of $75 million (exclusive of GST) (the Purchase Price) and enter into a leaseback of the Property with Perich on terms and conditions set out in the Agreement (the Proposed Transaction).

2 The Agreement is conditional upon the parties entering into the lease agreement and receiving shareholder approval on or before 30 November 2017 (the Completion Date).

3 Perich is a related entity of FFGL because it is an entity controlled by Arrovest Pty Ltd, which also has a controlling interest in FFGL. As at the date of our report, Arrovest Pty Ltd owns 116,816,726 ordinary shares (58.14% of the issued shares) in FFGL.

Scope

4 The Proposed Transaction involves:

(a) a related party transaction under Chapter 2E of the Corporation Act, and

(b) the disposal of a substantial asset under ASX Listing Rule 10.1.

5 Accordingly, the Independent Directors have requested that we provide our independent opinion on whether the Proposed Transaction is fair and reasonable from the perspective of FFGL's non-associated ordinary shareholders[1]. Further details on the scope of our report is set out in Section II.

[1] For the purposes of this report, all future references to "FFGL shareholders" is a reference to the "non-associated ordinary shareholders of FFGL".

Summary of opinion

Fair and reasonableness

6 In LEA's opinion, the Proposed Transaction is "fair and reasonable" to FFGL shareholders. We are of this opinion because:

(a) the market value of the Property being acquired by Perich has been independently assessed at $75 million (exclusive of GST) by Knight Frank Valuations (Knight Frank)

(b) based on the guidelines set out in ASIC Regulatory Guide 111 "Content of Expert Reports", the Proposed Transaction is "fair" to FFGL shareholders as the Purchase Price is equivalent to the independently assessed market value of the Property

(c) the rent to be charged under the lease is considered appropriate in the context of the purchase price of $75 million, and provides the purchaser with a pre-tax internal rate of return (based on Knight Frank's calculations) of 8.72% per annum. Knight Frank consider that this rate of return is appropriate given the nature of the property and current market sentiment. Accordingly, in our view, the terms of the lease are fair to FFGL shareholders

(d) under RG 111, if the Proposed Transaction is fair it is also reasonable. Consequently, in our opinion, the Proposed Transaction is fair and reasonable to FFGL shareholders.

Advantages and disadvantages

7 In concluding whether the Proposed Transaction is "fair and reasonable", we have also had regard to the advantages and disadvantages of the Proposed Transaction from the perspective of FFGL shareholders:

Advantages

(a) the Proposed Transaction enables FFGL to realise the current market value for an asset which is surplus to the Company's main operating activity, and to use the proceeds to:

(i) reduce debt and interest costs in the short term, and

(ii) fund growth projects / initiatives in the medium term

(b) the Proposed Transaction results in lower transaction costs compared to the alternative of selling the Property to a third party

(c) the Proposed Transaction is more expedient than selling the Property to a third party (thereby saving interest costs)

(d) if the Proposed Transaction is implemented FFGL shareholders (taken as a whole) will benefit from a marginally higher net asset backing per share

(e) a capital profit on sale (after tax) of $2.320 million will be recognised on the sale of the Property in the year ended 30 June 2018

(f) the Proposed Transaction is the best funding alternative for FFGL's growth projects / initiatives in the medium term, which the Directors believe to be value accretive, given that:

(i) the Directors of FFGL do not wish to increase gearing levels above the current debt facility limit of $225 million

(ii) the inherent "cost" of raising new equity capital (including dilution) of some 8.8% (after tax) is higher than the internal rate of return implicit in the Proposed Transaction of 8.72% (before tax)

(g) under the terms of the Proposed Transaction, FFGL also has an option to re-purchase the Property at any time during the lease term after 5 years from the commencement date, at the Property's market value at the date the option is exercised

Disadvantages

(h) if the Proposed Transaction is implemented and the Company does not exercise its call option to buy back the Property:

(i) FFGL will relinquish its title to the Property and may not be able to re-purchase it

(ii) FFGL will forgo any future market value appreciation of the Property

(i) the annual (cash) rental costs under the lease exceed the annual interest cost savings (in the short term) from using the sale proceeds to repay debt. Thus, the Proposed Transaction will have a negative impact on FFGL's cash flow in the short term. However, as indicated above, in the medium term the Proposed Transaction will allow the cash proceeds from sale to be utilised for the Company's growth projects (which is expected to generate a higher return)

(j) we note that FFGL is likely to be able to borrow at an interest rate which is less than the implied rate of return implicit in the sale and leaseback transaction. However, as stated above, the Directors of FFGL do not wish to increase current gearing levels. Given the current gearing levels of FFGL[2], in our opinion, the Proposed Transaction is the prudent funding alternative

(k) if the Lease is not renewed by Perich at the end of the Lease term (30 years including the benefit of the option to extend the lease), FFGL will incur costs in making good the Property and relocating the Company's operations. These costs would also be incurred if FFGL entered into a sale and leaseback arrangement with a third party

(l) if the Company does exercise the call option to buy back the Property, the Company may have to pay an amount greater than the Purchase Price.

8 As indicated above, there are both advantages and disadvantages associated with the Proposed Transaction. However, on balance, in our opinion, the advantages of the Proposed Transaction outweigh the disadvantages.

Yours faithfully

Craig Edwards
Authorised Representative

Julie Planinic
Authorised Representative

2 Refer paragraph 50.

LONERGAN EDWARDS & ASSOCIATES LIMITED

Table of contents

Appendices

I Key terms of the Proposed Transaction

9 On 31 August 2017, Freedom Foods Group Limited (FFGL) and Perich Group (an associate of Arrovest Pty Ltd, the largest shareholder in FFGL) (Perich) entered into the Sale and Leaseback Agreement (the Agreement). Under the terms of the Agreement, FFGL proposes to sell its Ingleburn manufacturing site at 8A Williamson Road, Ingleburn (the Property) to Perich for a price of $75 million (exclusive of GST) (the Purchase Price) and enter into a leaseback of the Property with Perich on terms and conditions set out in the Agreement (the Proposed Transaction).

10 The terms of the Commercial Lease (the Lease) for the Property are as follows:

(a) FFGL will lease the Property[3]

(b) the Lease commences on completion of the sale and lease-back of the Property, being 30 November 2017

(c) the term of the lease will be for an initial period of 20 years with one option to renew granted to the Company of 10 years (such option is to be exercised by the Company at least three months but no more than nine months prior to the expiry of the current term)

(d) the lease includes a call option which provides FFGL with the right to re-purchase the Property at a price equal to the fair market value of the Property at the exercise date. This call option can be exercised at any time after five years from the commencement date of the lease for the remaining lease term

(e) the initial rent payable by the Company to Perich will be $6.329 million (exclusive of outgoings and GST) for the first Lease Year[4]. For every Lease Year thereafter (including any Option Term), the rent payable will be equal to the rent payable in the prior Lease Year increased by the Review Increase[5]. The Proposed Transaction will result in an average rental expense of $9.642 million (inclusive of outgoings but excluding GST) being incurred over the next 20 years[6]

(f) in the event that Perich undertakes capital works (excluding capital works of a repairs and maintenance nature) then the rent payable in the Lease Year that the capital works are completed and every Lease Year thereafter will be as follows:

(i) the rent payable as stated in paragraph (e) above, plus

(ii) an amount equal to 8% of the cost of the capital works

3 However, the tax purposes, the Commercial Lease states that the landlord is Freedom Foods Group Ingleburn Pty Ltd and the tenant is Pactum Dairy Holdings Pty Ltd (as per the existing lease arrangement of the Property). We are instructed that the Commercial Lease will simply be assigned to Perich as lessor who will then lease the Property to FFGL for the purposes of the Agreement.

4 Lease Year is defined in the Commercial Lease as (inter alia) the 12 month period commencing on the commencement date or the anniversary thereof.

5 Per clause 6.1 of the Commercial Lease (included in the Agreement), whereby the Review Increase is defined as the greater of the Percentage Increase (stated as 4%) and the CPI Increase (as defined therein).

6 Calculated as the average annual rental expense over the 20 year period allowing for a 4% annual increment, plus annual outgoings including land tax of some $142,000 and council rates of some $77,000.

(g) the rent must be reviewed on and from each Market Review Date[7] in accordance with the Lease, such that (inter alia) the rent payable on and from each Market Review Date is Perich's assessment of the current market rent, unless disputed by the tenant in which case the rent will be an independent property valuer's assessment of the current market rent

(h) the Company will pay 100% of the outgoings with respect to the Property, being:

  (i) rates, land tax (on a single holding basis) and any other charges imposed by any Government Agency

  (ii) taxes (except income and capital gains tax), levies, imposts, deductions, charges, withholdings and duties imposed by any Authority including any tax imposed as a consequence of the receipt of rent or other money or as a consequence of the landlord having an estate or interest in the Property

  (iii) electricity, gas or water

  (iv) any telephone service connected to the Property

  (v) all other charges and impositions imposed by any public utility or authority for the supply of any service to the Property (including sewerage, fire services, air-conditioning, lifts and escalators and where the context permits includes the plant and equipment in connection with those services and the conduits, pipes or other means by which these services are provided to the Property)

  (vi) damage to plumbing facilities caused by misuse

(i) the permitted use for the Property will include the following:

  (i) storage warehouse

  (ii) office

  (iii) food production

  (iv) manufacturing and packaging

(j) the Company as lessee will be required to maintain public liability insurance in the amount of $20 million

(k) the Company will not be required to provide any security deposit, bank guarantee or other security with respect to the Lease

(l) Perich must carry out all works to the Property and make all arrangements which are required by law or directed by a relevant government agency, except those the responsibility of the Company as outlined in the Lease

(m) Perich must do all things reasonably necessary to ensure that all services to the Property function properly

(n) the Company must make good any damage caused to the Property as a result of the removal of the Company's property from the Property under the Lease and leave it in a condition which complies with the Lease

(o) each party will bear its own costs in relation to the preparation, negotiation and execution of the Lease

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7 Being every 10th anniversary of the commencement date, and then on the commencement date of the renewed lease.

(p) the Company will pay any registration fees payable in connection with the Lease and the cost of obtaining consent of Perich's mortgagee (if any).

Conditions precedent

11 The obligations of the parties under the Agreement do not become binding until each of the following conditions precedent are met on or before 30 November 2017 (the Completion Date):

(a) the parties agree the terms of, and enter into, the contract for sale and the lease agreement (Transaction Documents)

(b) the Shareholders at a general meeting of the Company approve the Proposed Transaction in accordance with Chapter 2E of the Corporations Act and Listing Rule 10.1 (after being given all the information required by those provisions), at which no votes are cast in relation to the resolution by Arrovest Pty Ltd or by any person who is an associate of Arrovest Pty Ltd (other than directed votes cast as proxy for persons entitled to vote).

II Scope of our report

Purpose

12 In evaluating the Proposed Transaction, we have had regard to the related party nature of the transaction. Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless the benefit falls within one of various exceptions to the general prohibition. One of the exceptions includes where the company first obtains the approval of its shareholders in a general meeting in circumstances where the requirements of Chapter 2E in relation to the convening of the meeting have been met.

13 A “related party” for the purposes of the Corporations Act is defined widely and includes an entity that believes or has reasonable grounds to believe that it is likely to become a controlling entity of the public company at any time in the future. Perich is a related entity of the Company because it is an entity controlled by Arrovest Pty Ltd who also has a controlling interest in the Company.

14 A “financial benefit” is broadly defined under the Corporations Act, and includes a public company buying an asset from or selling an asset to a related party.

15 The Proposed Transaction with Perich is therefore a related party transaction. RG 111.55 sets out the view of ASIC in relation to the analysis by an independent expert of a related party transaction, and states that the expert should express an opinion on whether the transaction is “fair and reasonable” from the perspective of non-associated shareholders.

16 Further, ASX Listing Rule 10.1 states that an entity must ensure that it does not acquire a substantial asset from, or dispose of a substantial assets to a substantial holder (of >10% of the voting rights) or an associate of a substantial holder without the approval of holders of the entity’s ordinary securities[8]. Approval is required by resolution at a general meeting.

17 ASX Listing Rule 10.2 states that an asset is substantial if its value, or the value of the consideration for it, is 5% or more of the book value of the equity interests of the entity. In this regard, the Purchase Price exceeds more than 5% of FFGL’s shareholder funds as at 30 June 2017[9].

18 ASX Listing Rule 10.10 requires that the notice of general meeting includes a report from an independent expert stating whether the Proposed Transaction is fair and reasonable to non-associated holders of the entity’s ordinary securities[10].

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8 We understand that Arrovest Pty Limited has a relevant interest in 58.14% of FFGL’s shares on issue. As stated above, Perich is a related entity of FFGL because it is an entity controlled by Arrovest Pty Ltd

9 As at 30 June 2017 (the most recent publicly available balance sheet), FFGL had total equity of $321.4 million. Consequently, the Proposed Transaction involves a substantial asset.

10 Chapter 2E of the Corporations Act does not impose an IER requirement.

19 Consequently, the Independent Directors of FFGL have requested that Lonergan Edwards & Associates Limited (LEA) prepare an IER stating whether, in LEA's opinion, the Proposed Transaction is fair and reasonable to the non-associated shareholders of FFGL, together with the reasons for this opinion. Our report will accompany the Meeting Documents sent by FFGL to its shareholders for the purpose of approving the Proposed Transaction.

20 LEA is independent of FFGL and Perich and has no other involvement or interest in the outcome of the Proposed Transaction other than the preparation of this report.

21 This report has been prepared to assist the Independent Directors of FFGL in making their recommendation to the non-associated shareholders of FFGL and to assist these shareholders assess the merits of the Proposed Transaction.

22 In preparing this report, we have considered the interest of the FFGL shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.

23 Our report should not be used for any other purpose or by any other party. The ultimate decision by FFGL shareholders whether to approve the Proposed Transaction should be based on each shareholders' assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

24 If in doubt about the Proposed Transaction or matters dealt with in this report, FFGL shareholders should seek professional advice.

Basis of assessment

25 In preparing our report, we have given due consideration to the ASX Listing Rules and Regulatory Guides issued by ASIC, particularly RG 111 – *Content of expert reports*.

26 The ASX Listing Rules does not define "fair and reasonable" in the context of a transaction with a substantial holder (that is not also considered to be a control transaction). However, RG 111 states that "fair and reasonable" should not be applied as a composite test and states there should be a separate assessment of "fair" and "reasonable". RG 111 provides that a proposed substantial holder transaction:

(a) is "fair" if the value of the financial benefit to be provided by the entity to the substantial holder is equal to or less than the value of the consideration being provided to the entity by the substantial holder. This comparison is required to be made assuming an arm's length transaction between knowledgeable and willing, but not anxious parties

(b) is "reasonable" if it is "fair". A substantial holder transaction may also be "reasonable" despite being "not fair" if the expert believes there are other reasons for non-associated holders of ordinary securities to vote for the proposal.

27 Given the above, in our opinion, the most appropriate basis upon which to evaluate whether the Proposed Transaction is "fair and reasonable" to FFGL's shareholders is to consider:

(a) the market value of the Property

(b) the consideration payable by Perich for the Property (i.e. the Purchase Price)

(c) the extent to which (a) and (b) differ in order to assess whether the transaction is "fair"

(d) the terms of the lease between Perich and FFGL for the premises

(e) the impact of the Proposed Transaction on earnings per share (EPS)

(f) the impact of the Proposed Transaction on the net asset backing per share

(g) the impact on the Company's cash reserves / debt position

(h) the advantages and disadvantages of the Proposed Transaction from the perspective of the FFGL shareholders.

28 In considering the reasonableness of the Proposed Transaction, we have considered the position of FFGL before and after the Proposed Transaction and have assessed the net benefits inherent in the transaction.

29 Consistent with RG 111, the Proposed Transaction is reasonable to FFGL's shareholders if the advantages of the Proposed Transaction outweigh the disadvantages from the perspective of FFGL's shareholders.

Limitations and reliance on information

30 Our opinions are based on the economic, sharemarket, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over a relatively short period of time.

31 Our report is also based upon financial and other information provided by FFGL (including the independent property valuation). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

32 The information provided was evaluated through analysis, equity and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transaction from the perspective of FFGL's shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecast is beyond the scope of an IER.

33 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Proposed Transaction rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a

misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.

34 In forming our opinion, we have also assumed that the information provided by FFGL management is complete, accurate and fairly presented in all material respects, and that the Proposed Transaction is implemented in accordance with the terms set out in this report.

III Evaluation of the Proposed Transaction

Summary

35 In LEA's opinion, the Proposed Transaction is fair and reasonable to FFGL shareholders. We have arrived at this conclusion after considering the following:

(a) the market value of the Property

(b) the purchase consideration for the Property

(c) the difference between (a) and (b) in order to assess whether the Proposed Transaction is fair

(d) the rental to be charged under the Lease and the terms of the Lease

(e) the impact of the rental expense offset by interest and deprecation savings on FFGL's EPS

(f) the impact of the Proposed Transaction on the Company's net asset backing per share

(g) the impact on the Company's debt position

(h) the funding alternatives for the Company's growth projects / initiatives.

36 These matters are discussed below.

Value of the Property

37 Knight Frank has independently assessed the market value of the Property at $75 million. Knight Frank's valuation report is included as an annexure to this report, and sets out the basis and methodologies employed by Knight Frank to arrive at its valuation opinion.

Purchase Price

38 Under the terms of the Agreement, Perich has agreed to pay $75 million for the Property[11].

Assessment of fairness and reasonableness

39 As the Purchase Price is equal to the assessed market value of the Property, we consider the sale of the Property is fair to FFGL's shareholders when assessed based on the guidelines set out in RG 111.

40 Pursuant to RG 111, a transaction is reasonable if it is fair. Consequently, we have concluded that the Proposed Transaction is both fair and reasonable to FFGL shareholders.

Annual rental charges

41 As noted in Section I:

(a) FFGL will lease the Property from Perich

(b) the rent payable by the Company to Perich:

---

[11] We understand that no GST is payable on the Proposed Transaction.

(i) will be $6.329 million (exclusive of outgoings and GST) in the first Lease Year[12]

(ii) for every Lease Year thereafter (including any Option Term), the rent payable will be equal to the rent payable in the prior Lease Year increased by the Review Increase[13]

(c) the Company will pay 100% of the outgoings with respect to the Property

(d) the term of the lease will be for an initial period of 20 years with one option to renew granted to the Company of 10 years

(e) a rental review occurs on and from each Market Review Date[14] based on Perich's assessment of the current market rent, unless disputed in which case the rent will be the property valuer's assessment of the current market rent.

42 The rent to be charged under the lease is considered appropriate in the context of the Purchase Price of $75 million, and provides the purchaser with a pre-tax internal rate of return (based on Knight Frank's DCF calculations) of 8.72% per annum. Knight Frank consider that this rate of return is appropriate given the nature of the property and current market sentiment. Accordingly, in our view, the terms of the lease are fair to FFGL shareholders.

Impact on earnings

43 The Proposed Transaction enables FFGL to realise the current market value for the Property (which is surplus to the Company's main operating activity), and to use the proceeds to:

(a) reduce debt and interest costs in the short term, and

(b) fund growth projects / initiatives in the medium term.

Short term earnings impact

44 A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset[15].

45 If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised for financial reporting purposes immediately. That is, the transaction is treated as a normal sale transaction. The profit on sale of the Property is estimated as follows:

12 Lease Year is defined in the Commercial Lease as (inter alia) the 12 month period commencing on the commencement date or the anniversary thereof.

13 Per clause 6.1 of the Commercial Lease (included in the Agreement), whereby the Review Increase is defined as the greater of the Percentage Increase (stated as 4%) and the CPI Increase (as defined therein).

14 Being every 10th anniversary of the commencement date, and then on the commencement date of the renewed lease.

15 AASB 117 – *Leases*, paragraph 58.

Profit (after tax) on sale of the Property	
	$000
Sale proceeds[(1)]	75,000
Less transaction costs[(2)]	(42)
Net realisable value of Property	74,958
Less book / carrying value of Property[(3)]	(71,643)
Profit on sale (before tax)	3,315
Less capital gains tax (CGT)[(5)]	(995)
Profit on sale (after tax)	2,320

Note:

1 As per the Purchase Price.

2 Estimated allowance for transaction costs per FFGL management.

3 Estimated written down value as at 30 June 2017, equivalent to the cost base for tax purposes[(4)], is broken down as follows:

Buildings:	**$**
Warehouse building and development	5,727
Building	47,262
Services	714
Warehouse	88
Land	263
Total buildings	54,054
Land	16,600
Stamp duty on land	990
Total	71,643

4 The book value is equivalent to the cost base for tax purposes as the Property has not yet been depreciated on the basis that these assets are classified as capital work in progress given that they are still in the commissioning phase.

5 There are no carried forward tax losses to offset the capital gain. Accordingly, the sale will be subject to capital gains tax at the company tax rate of 30%.

Rounding differences may exist.

46 Lease payments, at fair value, are charged to the profit and loss as an expense on a straight line basis over the lease term in accordance with paragraph 33 of AASB 117[16]. On this basis, the Company will incur an average rental expense of some $9.6 million per annum (inclusive of outgoings[17]) over the next 20 years. Assuming the net proceeds from sale are used to reduce long term debt, this rent expense will be offset by potential "savings" in the following expenses:

(a) depreciation of some $2.4 million per annum[18]

16 We note that AASB 16 – *Leases* (AASB 16) comes into effect for financial reporting periods commencing 1 January 2019, which will require a different accounting treatment to that required under the current standard. Specifically, under AASB 16 FFGL will be required to capitalise as an asset the right to occupy the premises (equal to the present value of future lease payments), which will be amortised over the lease term. A liability for the present value of future lease payments will also be recognised (with the interest costs implicit in the present value calculation being expensed as interest).

17 Being council rates and land tax.

18 Calculations provided by FFGL management. We note that the depreciation saving is a non-cash expense.

(b) notional average interest expenses over a 20 year period on the finance facilities (which has been estimated at $7.3 million per annum on an equivalent 20 year loan)[19].

47 Based on AASB 117, the Proposed Transaction will therefore result in a slight increase in earnings before tax of $0.1 per annum[20]. However, as noted above, AASB 117 requires that the rental expense be averaged over the 20 year lease term. As a result, the earnings impact calculation above reflects the impact of 20 years of rent escalations (which results in the rent expense over the first 10 years being materially higher than the actual cash rental payments under the lease). From a commercial perspective, we have therefore also compared the rent (cash) costs over the first year of the lease with the depreciation and estimated interest savings based on FFGL's current debt facilities. As shown below, this also results in a positive net benefit:

Earnings impact based on rent cash expense in year one (rather than accounting rent expense)

	$m
Rent (cash) costs payable over first year[(1)]	(6.5)
Depreciation saving	2.4
Interest saving	5.3
Earnings impact based on rent cash expense in year one	1.2

Note:
1 Including outgoings.
2 At 7.0% per annum, consistent with FFGL's new funding facilities.

Funding growth projects / initiatives

48 Whilst FFGL intends to apply the net proceeds from the sale of the Property initially towards debt reduction, in the medium term it is likely that the proceeds will be utilised to fund the Company's growth projects. In this regard, we note that FFGL has identified the following future growth projects:

(a) the Company is proposing to establish within the Shepparton site a blending and packing facility to package product formats in performance, adult and infant nutrition. This would include the relocation of existing performance nutrition blending and packing capabilities from Marrickville

(b) the Company is discussing with one of its China based partners, a potential partnership in relation to the proposed infant manufacturing capabilities on site, which would seek to obtain registration with the China Food and Drug Administration (CFDA) for sale of these products to China

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19 Being 9.77% per annum on $75 million, being the cost of debt provided by FFGL's senior lender for a loan term of 20 years (which has been adopted to match the 20 year lease term). Whilst a lower interest rate is currently being charged (due to the much shorter term of the current debt facility), the rental cost in the first year of the lease ($6.5 million) is also materially lower than the average rent payment over the 20 year lease term ($9.6 million) due to the impact of escalation.

20 Calculated as average annual rental expense of $9.6 million (including outgoings) less annual depreciation savings of $2.4 million less annual interest savings of $7.3 million.

(c) the Company also intends to install a number of additional capabilities including yoghurt processing and a state-of-the-art PET plastic bottle capability for both long life (UHT) and short shelf life (ESL) formats.

49 The Directors are of the view that the abovementioned growth projects / initiatives will be value accretive[21].

50 In the absence of the Proposed Transaction, the ability of FFGL to fund these growth projects may be constrained. Whilst FFGL could seek additional debt funding, we note that:

(a) FFGL's net debt to equity ratio as at 30 June 2017 was 56.3%[22]

(b) FFGL's net debt as at 30 June 2017 was 6.9 times the level of Operating EBITDA generated in FY17[23].

51 Due to the existing level of debt, the Directors of FFGL have indicated that they do not wish to increase the gearing level of the Company above the current facility limit (being $225 million). In this regard, we have been advised by FFGL management that debt levels are currently relatively higher than what the Company would consider prudent in the long term.

52 In the absence of the Proposed Transaction (and the use of debt funding), FFGL is therefore likely to need to undertake an equity capital raising in order to fund its growth projects. However, in our opinion, the inherent "cost" of new equity capital (including dilution) is likely to be higher than the internal rate of return implicit in the Proposed Transaction of 8.7% per annum (before tax)[24].

53 In this regard, we note that the rate of return required by an equity investor in FFGL is likely to be around 8.8% (after tax)[25] as calculated below:

Cost of equity calculation

Metric	Rate adopted %	Basis
R_f	4.0	Whilst 30-year Commonwealth Government Bonds were yielding around 3.5% per annum on 17 October 2017, we have adopted a slightly higher risk free rate to reflect the low level of bond yields currently prevailing. This approach is consistent with the approach adopted by investment analysts and other valuers.
MRP	6.0	Consistent with empirical evidence on the MRP over the long term

21 That is, the growth projects have a positive net present value.

22 Being net debt of $181.0 million and equity of $321.4 million (Source: FY17 Full Year Results Presentation).

23 Being net debt of $181.0 million and Operating EBITDA of $26.2 million in FY17 (Source: FY17 Full Year Results Presentation).

24 After costs and over a period of 10 years, calculated by Knight Frank.

25 Calculated using the Capital Asset Pricing Model.

Cost of equity calculation		
Metric	**Rate adopted %**	**Basis**
β	0.8	Consistent with the Australian beta estimate for the food, beverage and tobacco sector as calculated by SIRCA for the 12 months to 30 June 2017
Ke	8.8	Cost of equity (i.e. required rate of return) being $R_f + (\beta \times MRP)$

Where:

R_f	=	Risk-free rate of return
MRP	=	Market risk premium
β	=	Equity beta

54 Consequently, in our opinion, the Proposed Transaction is likely to be a superior funding alternative for the growth projects compared to an equity raising.

Impact on net assets

55 The Proposed Transaction will impact the net assets of FFGL as follows:

(a) the sale proceeds will be used to reduce debt in the short term and then used to fund growth projects / initiatives in the medium term

(b) the net profit on the sale of the Property will marginally increase the net assets of the Company as follows:

Impact on net asset position as at 30 June 2017		
	Before Transaction $000	**After Transaction $000**
Net assets as at 30 June 2017	321,436	321,436
Net profit on sale (after tax)[(1)]	-	2,320
Adjusted net assets	321,436	323,756
Number of fully diluted shares on issue (000)[(2)]	200,955	200,955
Net asset backing per share	$1.60	$1.61

Note:

1 Refer paragraph 45.
2 Being the ordinary shares on issue (200,853,531) plus convertible redeemable preference shares (101,627).

56 The Proposed Transaction marginally increases the net asset backing per share as a result of the profit on sale of the Property. However, we note that this calculation does not include the future impact of the growth projects / initiatives which the Directors believe to be value accretive.

Other matters

57 As a consequence of the sale of the Property, FFGL will forgo any future market value appreciation of the Property.

58 If the Lease is not renewed at the end of the lease period (some 30 years in total, including the option term) or the call option to re-purchase the property is not exercised, additional costs will be incurred in making good the Property and relocating the Company's operations. These costs would be incurred irrespective of whether the sale and leaseback was entered into with Perich or a third party. Whilst the sale of the Property gives rise to some uncertainty with respect to the tenure of the Property once the lease term of 30 years[26] ends, the length of the lease is long-term. The lease of the Property under a long term lease at current market rates does not prejudice the Company's operations. Accordingly, the Proposed Transaction should not result in any adverse consequence for the Company in the short to medium term.

59 We have also considered whether the Company could market and sell the Property to a third party and enter into a leaseback arrangement. However, a sale to a third party:

(a) would incur greater transaction costs (e.g. marketing costs and agent's commission which are estimated to be some 2.0% of the sale price[27])

(b) would involve a longer lead time in finding a third party purchaser, likely requiring a marketing period of up to six months

(c) as a consequence of paragraph (b) above, would result in the Company incurring additional interest costs during the marketing period.

Advantages and disadvantages

60 We summarise below the advantages and disadvantages of the Proposed Transaction from the perspective of FFGL shareholders:

Advantages

(a) the Proposed Transaction enables FFGL to realise the current market value for an asset which is surplus to the Company's main operating activity, and to use the proceeds to:

(i) reduce debt and interest costs in the short term, and

(ii) fund growth projects / initiatives in the medium term

(b) the Proposed Transaction results in lower transaction costs compared to the alternative of selling the Property to a third party

(c) the Proposed Transaction is more expedient than selling the Property to a third party (thereby saving interest costs)

(d) if the Proposed Transaction is implemented FFGL shareholders (taken as a whole) will benefit from a marginally higher net asset backing per share

(e) a capital profit on sale (after tax) of $2.320 million will be recognised on the sale of the Property in the year ended 30 June 2018

(f) the Proposed Transaction is the best funding alternative for FFGL's growth projects / initiatives in the medium term, which the Directors believe to be value accretive, given that:

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26 Including the option period.

27 This represents $1.5 million based on the assessed market value of the Property of $75 million.

(i) the Directors do not wish to increase gearing levels above the current debt facility limit of $225 million

(ii) the inherent "cost" of raising new equity capital (including dilution) of some 8.8% (after tax) is higher than the internal rate of return implicit in the Proposed Transaction of 8.72% (before tax)

(g) under the terms of the Proposed Transaction, FFGL also has an option to re-purchase the Property at any time during the lease term after 5 years from the commencement date, at the Property's market value at the date the option is exercised

Disadvantages

(h) if the Proposed Transaction is implemented and the Company does not exercise its call option to buy back the Property:

(i) FFGL will relinquish its title to the Property and may not be able to re-purchase it

(ii) FFGL will forgo any future market value appreciation of the Property

(i) the annual (cash) rental costs under the lease exceed the annual interest cost savings (in the short term) from using the sale proceeds to repay debt. Thus, the Proposed Transaction will have a negative impact on FFGL's cash flow in the short term. However, as indicated above, in the medium term the Proposed Transaction will allow the cash proceeds from sale to be utilised for the Company's growth projects (which is expected to generate a higher return)

(j) we note that FFGL is likely to be able to borrow at an interest rate which is less than the implied rate of return implicit in the sale and leaseback transaction. However, as stated above, the Directors of FFGL do not wish to increase current gearing levels. Given the current gearing levels of FFGL[28], in our opinion, the Proposed Transaction is the prudent funding alternative

(k) if the Lease is not renewed by Perich at the end of the Lease term (30 years including the benefit of the option to extend the lease), FFGL will incur costs in making good the Property and relocating the Company's operations. These costs would also be incurred if FFGL entered into a sale and leaseback arrangement with a third party

(l) if the Company does exercise the call option to buy back the Property, the Company may have to pay an amount greater than the Purchase Price.

61 As indicated above, there are both advantages and disadvantages associated with the Proposed Transaction. However, on balance, in our opinion, the advantages of the Proposed Transaction outweigh the disadvantages.

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28 Refer paragraph 50.

Other matters

62 The ultimate decision by FFGL shareholders whether to approve the Proposed Transaction should be based on each shareholder's assessment of the Proposed Transaction. This report has been provided for shareholders in FFGL not associated with Perich.

63 If in doubt about the Proposed Transaction or matters dealt with in our report, shareholders should seek independent professional advice.

Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and IERs in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.

2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

3 The Corporations Act 2001 authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Meeting Documents to be sent to FFGL shareholders in connection with the Proposed Transaction.

4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5 Our Australian financial services licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at $25,000 plus GST.

9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.

10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.

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

Complaints

12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.

13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (FOS), an external complaints resolution service. You will not be charged for using the FOS service.

Contact details

14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.

2 This report was prepared by Mr Craig Edwards and Ms Julie Planinic, who are each authorised representatives of LEA. Mr Edwards and Ms Planinic have over 23 years and 19 years' experience respectively in the provision of valuation advice (and related advisory services).

Declarations

3 This report has been prepared at the request of the Independent Directors of FFGL to accompany the Meeting Documents to be sent to FFGL shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable to FFGL shareholders.

Interests

4 At the date of this report, neither LEA, Mr Edwards nor Ms Planinic have any interest in the outcome of the Proposed Transaction. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

5 LEA has had no prior business or professional relationship with FFGL or Perich prior to the preparation of this report.

Indemnification

6 As a condition of LEA's agreement to prepare this report, FFGL agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of FFGL which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

7 LEA consents to the inclusion of this report in the form and context in which it is included in the Meeting Documents.

Glossary

Abbreviation	Definition
Agreement	Sale and Leaseback Agreement between FFGL and Perich
Arrovest	Arrovest Pty Limited
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Corporations Act	*Corporations Act 2001 (Cth)*
EPS	Earnings per share
FFGL or the Company	Freedom Foods Group Limited
FOS	Financial Ombudsman Services Limited
FSG	Financial Services Guide
FY	Financial year
GST	Goods and services tax
IER	Independent expert’s report
Knight Frank	Knight Frank Valuations
LEA	Lonergan Edwards & Associates Limited
Meeting Documents	Notice of General Meeting and Explanatory Statement
Perich	Perich Group
Property	Ingleburn manufacturing site at 8A Williamson Road, Ingleburn
Proposed Transaction	Sale and leaseback of the Property to / from Perich
Purchase Price	$75 million (exclusive of GST)
RG 111	Regulatory Guide 111 – Content of expert reports

Valuation Report

8a Williamson Road
Ingleburn NSW

10 October 2017

Under instruction from

Freedom Foods Group Limited

Reference: S10235

Knight Frank Valuations
Level 22, Angel Place
123 Pitt Street, Sydney NSW 2000
D +61 (0)2 9036 6772
O +61 (0)2 9036 6666
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www.knightfrank.com.au

Executive Summary

8A WILLIAMSON ROAD INGLEBURN NSW		
Instructing Party	Freedom Foods Group Limited	
Client Reference	Freedom Foods Group Limited c/o Mr Campbell Nicholas	
Interest Valued	100% freehold Interest.	
Basis of Valuation	Market Value of the unencumbered freehold interest subject to the lease detailed herein.	
Relying Party/Parties and Purpose of Valuation	Freedom Foods Group Limited for internal purposes only.	
Folio Identifier	2/1196414	
Registered Proprietor	Pactum Foods Pty Limited	
Land Area	66,400m² (as per Deposited Plan)	
Zoning	IN1 – General Industrial – Campbelltown LEP 2014	
Description	Erected upon the land is a recently completed, high clearance industrial (July 2017) facility accommodating various warehouse and production areas with associated offices, extending to a total GLA of 30,352m². The office accommodation is provided over a single level and forms an annex to the western elevation of the warehouse. The base building internal clearance in the warehouses ranges from approximately 10.0 - 12.0 metres and the space is fully sprinklered. The warehouse element is divided into various production and food processing areas which include various high quality / robotic use specific fitout for food production, processing packaging and warehousing. A secure, fully sprinklered loading bay is provided to the western elevation of the rear warehouse with an awning at the rear providing covered loading. The rear warehouse is accessed via a total of 11 roller shutter doors, three of which are accessed from the loading bay. Drive around access to the property is provided with ample car parking available for approximately 150 vehicles on-grade (1:203m² of GLA).	
GLA (current configuration)	30,352m² (as per provided building plans)	
Vacancy & WALE	Vacancy: 0.0% (Fully Leased)	WALE by Income/Area: 20.0 years
Valuation Methodology	Capitalisation, Discounted Cashflow and Direct Comparison approaches.	
Date of Inspection	10 October 2017	
Valuation Date	10 October 2017	
Income Particulars	**At Passing Rents**	**At Market Rents**
Gross Income (p.a.)	$7,011,761 p.a.	$3,718,120 p.a.
Adopted Outgoings	$682,920 p.a.	$682,920 p.a.
Estimated Net Income (p.a.)	$6,328,841 p.a.	$3,035,200 p.a.
Adopted Capitalisation Rate	7.25%	
Adopted Discount Rate	8.75%	
NPV of Capex	$2,978,075 (5 yrs)	$4,517,810 (10 yrs)
Avg Face Rental Growth	3.1% (5 years)	3.1% (10 years)

Adopted Value	**$75,000,000 (exclusive of GST)**	
Passing Initial Yield	8.44%	
Core Market Yield	7.26%	
IRR/Terminal Yield (10 yrs)	8.72% @ 8.50%	
Rate/m² of GLA	$2,471/m² ($1,130/m² of Site Area Improved)	
Valuer Details	**JAMES BURNEY** B.App.Sc (LE) FAPI **Certified Practising Valuer** **Divisional Director**	**MATTHEW J RUSSELL** **National Director** *(Counter-signatory only)*

Key Points

- The property is currently subject to a signed Contract for Sale to be sold to a related party to the current registered proprietor, for an advised consideration of $75,000,000 (GST Exclusive) and is subject to the lease detailed herein.
- As new, high clearance industrial facility building which is situated within the established industrial precinct of Ingleburn. The property is fitted out for food production, processing and packaging uses and includes various high cost, use specific machinery and robotics.
- The premises are utilised for food manufacturing including treatment, processing and packaging of dairy products, with ongoing installation of a range of use-specific specialised machinery and infrastructure for the use. We have been instructed to undertake our valuation of the property on the basis of the provided lease to Pactum Dairy Holdings Pty Limited. We note that this is a related party to the Registered Proprietor.
- The property is currently leased for food manufacturing, production and processing purposes. We recognise that the rental payable under the lease upon which this valuation has been based has been negotiated between related parties and is based upon a return of equity contribution by the developer (effectively equivalent to 8% of total development costs including use-specific fitout) and that the rental is indexed to the greater of CPI / 4% over the lease term which provides security of income regarding the rent level. Notwithstanding, in the event the current operation ceased it would be highly unlikely that another similar tenant could be located who would be willing to pay a premium rental and accordingly, we have assessed the market rent on a general industrial basis which results in a significantly lower market rental.
- There is a front warehouse element of 8,500m² for future expansion space which is fully constructed apart from having an earthen floor, and requiring concrete slab prior to completion. We understand that the owner intends to maintain this area in its current condition until such time that they require expansion space, at which time they will install the concrete slab floor. In our valuation subject to vacant possession, we have allowed for immediate Capital Expenditure of $896,750 which equates to $105.50/m² of lettable area (as derived from Rawlinson's Construction Cost Handbook 2017) for construction of the concrete slab for the front warehouse area.
- 150 on-grade car spaces, which equate to 1 space per 203m² of GLA.
- Low overall office content of 2.9%.
- Warehouse and office accommodation is fully sprinklered.
- Under the Lease the tenant is liable for upkeep and maintenance of the base building and all fitout, albeit ownership of both remains with the Lessor.
- The property is located in a prime South Western Sydney industrial precinct within Ingleburn Industrial Estate with good heavy vehicle access and good access to major arterial roads including the M5 Motorway / Hume Highway and M7 Motorway.
- Investment demand for industrial property within Sydney has remained strong throughout 2016 and 2017 to date, driven by a continued quest for yield spread and income stability from both overseas and Australian funds and REITS. Despite continued yield compression, industrial properties have continued to represent an attractive investment class. 2016 and 2017 to date has been characterised by a noticeable lack of prime institutional grade stock being offered to the market both in NSW and nationally. The lack of super prime assets being traded is in contrast with 2015 which saw a number of trophy super prime industrial assets change hands, with a particularly strong appetite from overseas in particular Asian funds and REITS. The major transactional activity over the last 12 months has been dominated by Portfolio sales on the back of Goodman, JP Morgan and Altis divesting a large tranche of predominantly secondary stock into the market.

Critical Conditions

- Gross Lettable Area of 30,352m² (subject to survey).
- Outgoings of $682,920 per annum ($22.50/m² of Lettable Area).
- **Our valuation is conditional upon the lease provided being executed at the terms outlined herein and subsequently registered on Title.**
- **Our valuation is conditional upon the final signed Contract for Sale not containing any terms, conditions or disclaimers which would materially impact on the utility, marketability or Market Value of the property, as assessed herein.**
- Our valuation is conditional on the site not being contaminated however, should subsequent investigations show the site is contaminated, our valuation will require revision.
- Our valuation is conditional on the property not being flood affected as currently improved.
- The valuation is also conditional on the important notices, disclaimers and qualifications contained in the body of this report.

This Executive Summary forms a part of and should not be used or read independently from the complete report. Particular attention is drawn to the Qualifications, Important Notices and Disclaimers included in this report. Liability limited by a scheme approved under Professional Standards Legislation.

Risk Analysis

Market Risk

- The property comprises a brand new, high quality industrial facility situated on a 6.64 hectare allotment located in a prime south western Sydney industrial precinct in Ingleburn, with good heavy vehicle access and good access and proximity to major arterial roads.
- We consider the property would hold reasonably good appeal to a range of purchasers and would appeal to owner occupiers, private investors, AREITS and Superannuation Funds.
- Situated in an area zoned “IN1 - General Industrial” under Campbelltown LEP 2015, which permits a broad range of industrial and ancillary uses.
- The property has good heavy vehicle access from Williamson Road.
- Strong ongoing purchaser demand for fully leased industrial assets with long WALEs, albeit the high price point of the subject will likely limit potential purchasers to larger funds and syndicated private investors.

Asset Risk

- Brand new high quality office warehouse which has been constructed for owner occupation by Freedom Foods Group Limited, and is currently subject to a sale between related parties.
- There is a front warehouse of 8,500m² which currently has an earthen floor, which will require construction of a concrete slab prior to occupation. In our valuation we have allowed for immediate Capital Expenditure of $896,750 which equates to $105.50/m² of lettable area (as derived from Rawlinson’s Construction Cost Handbook 2017).
- The warehouse offers high clearance clearspan accommodation and is fully sprinklered. The warehouse has been partitioned into various food production, processing and packaging areas, with conventional high-clearance clearspan warehousing to the rear.
- Overall site cover of 44.9% which is considered typical for an asset of this nature.

Cash Flow Risk

- The property is subject to a 20+10 year lease to Pactum Dairy Holdings Pty Limited at a commencing rental of $6,328,840.80 p.a. net plus GST ($231/m²). The lease includes annual rental increases by the greater of CPI/4%, with a market review in Year 10. The Market Review provisions include a ratchet clause.
- Given the property is brand new there are no outgoings estimates for the property and we have not been provided with an outgoings budget. Accordingly we have had regard to benchmark rates for larger industrial properties in the surrounding area (which typically range from $20/m² - $35/m² depending on location, zoning, size and standard of improvements and accommodation). Having regard to the characteristics of the subject property we have adopted outgoings of $22.50/m² of GLA, also noting that the current lease over the property is agreed on a Net basis.

Management Risk

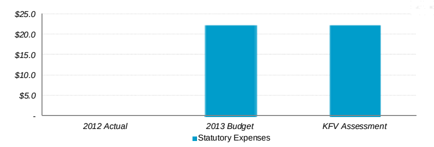
- The improvements are near new; however there does not appear to be any factors which would cause impediment to efficient management of the property.

Key Data

Summary of Inputs

Outgoings Summary

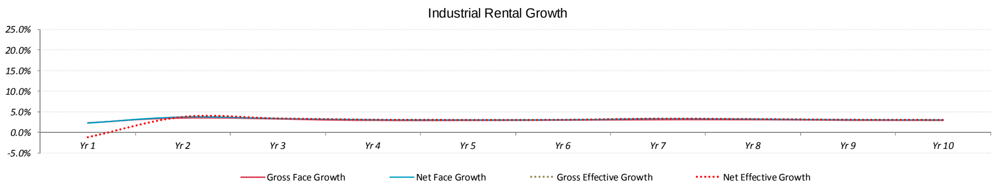
Outgoings	KFV Adopted	$/m²pa	PCA Median
Statutory Outgoings	$682,920	$22.50	$0.00
Operating Expenditure	-	-	$0.00
Total Outgoings	***$682,920***	***$22.50***	***$0.00***



Outgoings Growth Rates	***Yr 1***	***Yr 2***	***Yr 3***	***Yr 4***	***Yr 5***	***Yr 6***	***Yr 7***	***Yr 8***	***Yr 9***	***Yr 10***
Outgoings Growth	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%
Outgoings (m²)	*$22.50*	*$23.06*	*$23.66*	*$24.28*	*$24.84*	*$25.46*	*$26.07*	*$26.67*	*$27.25*	*$27.88*
				Avg 5 yrs	***2.5%***				***Avg 10 yrs***	***2.4%***

Growth Assumptions

	Yr 1	***Yr 2***	***Yr 3***	***Yr 4***	***Yr 5***	***Yr 6***	***Yr 7***	***Yr 8***	***Yr 9***	***Yr 10***
Face Industrial Growth	2.3%	3.5%	3.2%	2.9%	2.9%	2.9%	3.1%	3.0%	2.9%	2.9%
Average Face Growth				***Avg 5 yrs***	***3.0%***				***Avg 10 yrs***	***3.0%***
Avg Net Rental (m²)	*$102*	*$106*	*$110*	*$113*	*$116*	*$120*	*$124*	*$128*	*$131*	*$135*
Effective Industrial Growth	-1.2%	3.7%	3.4%	3.1%	3.0%	3.0%	3.3%	3.2%	3.0%	3.0%
Average Effective Growth				***Avg 5 yrs***	***2.4%***				***Avg 10 yrs***	***2.7%***
Office Face Growth	2.2%	2.5%	2.6%	2.5%	2.5%	2.5%	2.4%	2.5%	2.6%	2.6%
CPI Growth	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%
Capital Expenditure Growth	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%



Vacant Space Assumptions

Industrial	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**
Industrial - Vacancy Allowance (mths)	9	6	6	6	6	9	6	6	6	6
Tenant Renewal Provision	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Incentive Allowance (%)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Incentive Probability factor	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Total Allowance after renewal probabilities (m	*10.5*	*9.0*	*9.0*	*9.0*	*9.0*	*10.5*	*9.0*	*9.0*	*9.0*	*9.0*

Office	**Yr 1**	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**
Office - Vacancy Allowance (mths)	6	6	6	6	6	6	6	6	6	6
Tenant Renewal Provision	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Incentive Allowance (%)	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Incentive Probability factor	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Total Allowance after renewal probabilities (m	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*	*6.0*

Current Vacant Space - Industrial

Leasing Allowance (current vacant space)	6 mths
Assumed Lease Term for Renewals	5 yrs
Lease Type	Net
Incentives for current Vacant Space	7.5%

Current Vacant Space - Office

Leasing Allowance (current vacant space)	6 mths
Assumed Lease Term for Renewals	5 yrs
Lease Type	Net
Incentives for current Vacant Space	10.0%

Leasing Fees

Leasing Fees (% of first yrs gross rent):	13.0%
Lease Renewal Fees (% of first yrs gross rent):	5.0%
Adjustment Period for Cap Approach	12 mths

Capital Expenditure

		Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**
On-going Capex	$15/m²pa	$15	$16	$16	$17	$17	$17	$18	$18	$19	$19
Make Good	$15/m²	$15	$16	$16	$17	$17	$17	$18	$18	$19	$19
Other Capex		$30	$0	$0	$0	$0	$0	$0	$0	$0	$0
TOTAL	***$373***	***$60***	***$32***	***$32***	***$33***	***$34***	***$35***	***$36***	***$36***	***$37***	***$38***

Capital Expenditure

	Yr 1	**Yr 2**	**Yr 3**	**Yr 4**	**Yr 5**	**Yr 6**	**Yr 7**	**Yr 8**	**Yr 9**	**Yr 10**
Capital Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rent Free Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rental Rebates	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Outstanding Incentives	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

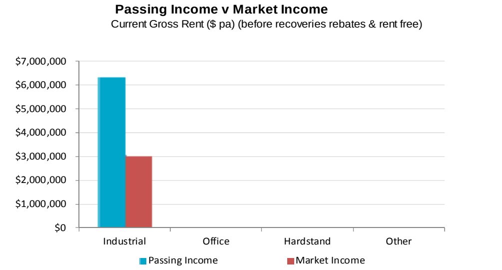
PV of Outstanding Incentives

Rent Free Incentives	$0
Rental Rebates	$0
Capital Incentives	$0
Total(PV)	***$0***

Summary Data & Results

Income Summary

Use	Passing Income	$/m²pa	Market Income	$/m²pa
Industrial	$6,328,841	*$209*	$3,035,200	*$100*
Office	$0	-	$0	-
Hardstand	$0		$0	
Other	$0		$0	
Total Rental	***$6,328,841***		***$3,035,200***	
Less: Annual Rebates & Rent Free	$0			
Plus: Outgoings Recoveries	$682,920		$682,920	
Less: Rental for Deferred tenancies	$0			
Gross Income	**$7,011,761**		**$3,718,120**	
Less: Outgoings	$682,920	*$23*	*$682,920*	*$23*
Net Income	***$6,328,841***		***$3,035,200***	



Passing Rent v Market Rent

Rental differential including vacant areas

Industrial:	*46.97%*
Office:	*0.00%*

Rental differential excluding vacant areas

Industrial:	*46.97%*
Office:	*0.00%*

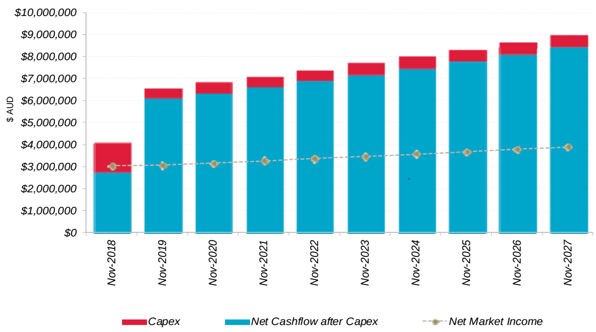
Current Vacancy

Use	*Vacancy (m²)*	*% of GLA*
Industrial	-	-
Office	-	-
Total	***0.0***	***0.0%***

Cashflow Summary

Analysis Date 29/11/2017

Net Cashflow Projections



Cashflow Profile (Year End)

	Net Cashflow (before capex)	*Capex*	*Net Cashflow (after capex)*
1	$4,135,150	*($1,363,412)*	$2,771,738
2	$6,581,994	*($478,795)*	$6,103,199
3	$6,845,274	*($491,244)*	$6,354,030
4	$7,119,085	*($502,542)*	$6,616,543
5	$7,403,849	*($515,106)*	$6,888,743
6	$7,700,003	*($527,469)*	$7,172,534
7	$8,008,003	*($539,600)*	$7,468,402
8	$8,328,323	*($551,472)*	$7,776,851
9	$8,661,456	*($564,155)*	$8,097,300
10	$90,836,714	*($578,259)*	$90,258,455

Capital Expenditure

Building Capex (10 yr)	$6,112,055
Operational Capex (10 year)	$0
Outstanding Capital Incentives	$0
Total Capex (10 year)	*$6,112,055*
Total Capex $/m2 of NLA (10 year)	$201/m²
% of Building Value	8.15%

Valuation Summary

DCF Analysis

Discount Rate	8.75%	
Terminal Yield	8.50%	
Present Value of Cashflow	$79,047,224	
Less Acquisition Costs	$4,191,898	
Indicated Value	***$74,855,326***	
NPV of Cashflow	$43,678,978	*58.4%*
PV Of Terminal Value	$31,176,348	*41.6%*

Capitalisation Approach

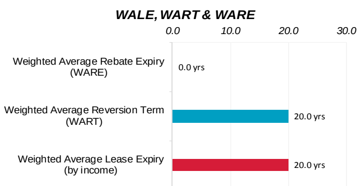
Net Market Income		***$3,035,200***	
Capitalisation Rate Range	*7.00%*	***7.25%***	*7.50%*
Core Value (pre adjustments)	$43,360,000	***$41,864,828***	$40,469,333
Adjustments	$33,215,951	$33,215,951	$33,215,951
Indicated Value Range	***$76,575,951***	***$75,080,778***	***$73,685,284***

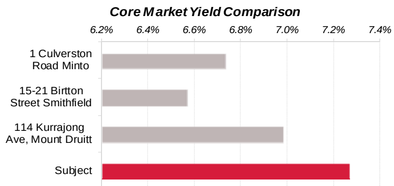
DCF Analysis Sensitivity

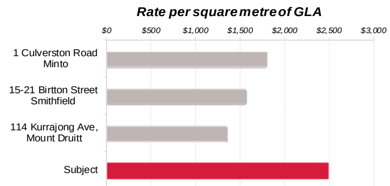
Discount Rate \ *Terminal Yield*	*8.25%*	***8.50%***	*8.75%*
8.25%	$77,910,419	$77,292,049	$76,707,796
8.50%	$76,664,429	$76,060,160	$75,489,231
8.75%	$75,445,846	**$74,855,326**	$74,297,387
9.00%	$74,253,974	$73,676,859	$73,131,585
9.25%	$73,088,135	$72,524,092	$71,991,168

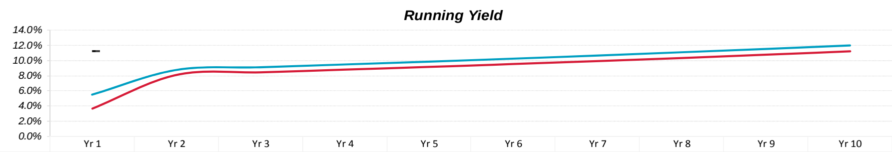
Adopted Value — *$75,000,000*

Passing Initial Yield		*8.44%*
Reversionary Yield		*4.05%*
Core Market Yield *(Analysed Capitalisation Rate)*		***7.26%***
Adopted Capitalisation Rate		*7.25%*
Rate per square metre of GLA		*$2,471*
Rate per square metre of Site Area		*$1,130*
Weighted Average Lease Expiry (by income)		*20.0 yrs*
Internal Rate of Return (after costs)	*10 years*	***8.7%***
	5 years	*6.5%*
Weighted Average Reversion Term (WART)		*20.0 yrs*
Weighted Average Rebate Expiry (WARE)		*0.0 yrs*









	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Running Yield (before capex)	5.5%	8.8%	9.1%	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%	12.0%
Running Yield (after capex)	3.7%	8.1%	8.5%	8.8%	9.2%	9.6%	10.0%	10.4%	10.8%	11.2%

Running Yield (before capex) — Running Yield (after capex)

Contents

Appendices

Qualifications

1. This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Valuations. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.
2. This valuation may not be relied upon for mortgage security purposes by any party not nominated within without the express written approval/assignment by Knight Frank Valuations.
3. The valuation specifically may not be relied upon by any party in connection with any Managed Investment Scheme (within the meaning of the Corporations Law) which:
   a) Has as its prime or as a substantial purpose, the provision of tax benefits to investors; or
   b) Is involved in any form of direct or indirect investment in primary production including "property used for primary production".
4. This valuation is prepared on the assumption that the lender who relies on this valuation report (and no other) may rely on the valuation for first mortgage finance purposes, and the lender has complied with its own, as well as prudent finance industry lending practices, and has considered all prudent aspects of credit risk for any potential borrower, including the borrower's ability to service and repay any mortgage loan. Further, the valuation is prepared on the assumption that the lender is providing mortgage financing at a conservative and prudent loan to value ratio. This clause (Prudent Lenders Clause) only applies if the lender is not a lender regulated by the Banking Act of 1959.
5. Unless otherwise stated, all valuation figures stated herein are net of GST, are on a before tax basis, are before acquisition or selling expenses, and do not reflect any withholding amounts or impact upon sale proceeds that may apply under foreign investor transaction legislation (including under mortgagee sale conditions).
6. Reliance on this report should only be taken upon sighting an original document received by the Reliant Party directly from Knight Frank or through a Panel Management System authorised by the client and countersigned by a senior executive of Knight Frank Valuations. The counter-signatory has signed this report following initial review by our Internal Quality Assurance Manager and verifies that this report is genuine and issued and endorsed by Knight Frank Valuations. The opinion of value expressed in this report, however, has been arrived at by the prime signatory acting as the valuer. Please note that Matthew Russell has not inspected the subject property, and counter-signs this report only in his capacity of National Director, Knight Frank Valuations.
7. This valuation is current at the date of valuation only. The timing and extent of market movements is impossible to accurately predict and we do not attempt to do so. The value assessed herein may change significantly and unexpectedly over a relatively short period as a result of general market movements, or factors specific to the particular property as identified in this report. Losses resulting from such movement in value subsequent to the date of valuation are not foreseeable and we do not accept any duty to protect your financial interests against such movements in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this value is relied upon after the expiration of 3 months from the date of the valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

8. In accordance with industry guidelines and requirements, Knight Frank Valuations cannot assign or confirm the original or initial valuation after the expiration of 3 months from the date of valuation. Any written assignment of the valuation by Knight Frank Valuations within this 3 month period is required to contain a statement that the valuer has not re-inspected the property nor undertaken further investigations or analysis since the original/initial valuation and accepts no responsibility for reliance upon the original/initial valuation other than as a valuation of the property at the original/initial date of valuation.
9. This valuation is conditional on there being no material change (including as a result of general market movements, or factors specific to the particular property) between the date of inspection and the date of valuation (should they differ) that would impact on the value of the subject property. Should such an event occur, the valuer should be contacted for comment prior to reliance upon the valuation.
10. This valuation is not intended to be used to provide financial advice, express or implied, and we confirm that the valuer and Knight Frank Valuations is not licensed to provide financial product advice under the Corporations Act 2001.
11. This valuation report is to be read in its entirety and in particular we draw your attention to the Important Notices set out in the body of the report and the Critical Conditions section of the Executive Summary.
12. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
13. Any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified valuer, reflecting due skill, care and diligence.
14. The law of the Australian state in which a property is located will apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in that state of Australia. In the event of a dispute arising in connection with a valuation, unless expressly agreed otherwise in writing by Knight Frank Valuations, the client, and any third party using the valuation, all will submit to the jurisdiction of the Australian Courts only. This will apply wherever the property or the client is located or the advice is provided.

1 Introduction

1.1 Instructions

Instructing Party	Freedom Foods Group Limited
Client Reference	Freedom Foods Group Limited c/- Mr Campbell Nicholas
Interest Valued	100% freehold Interest.
Basis of Valuation	Market Value of the unencumbered freehold interest subject to the lease detailed herein.
Relying Party/Parties and Purpose of Valuation	Freedom Foods Group Limited for internal purposes only.
Folio Identifier	2/1196414
Registered Proprietor	Pactum Foods Pty Limited
Date of Inspection	10 October 2017
Date of Valuation	10 October 2017

A copy of the Letter of Instruction is appended.

The valuation has been prepared in accordance with the instruction provided and the Australian Property Institute's Practice Standards.

1.2 Pecuniary Interest Declaration

The valuer has no pecuniary interest in the said property, past, present or prospective, and the opinion expressed is free of any bias in this regard.

1.3 Market Value Definition

Market Value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law, is as follows:

> *"The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

2 Land Particulars

2.1 Location

Position

- The subject property is located on the southern side of Williamson Road around 500 metres to the northeast of the intersection with Stennett Road at Ingleburn.
- The property is centrally located within the Ingleburn Industrial Estate and is approximately 1.5 kilometres north of Ingleburn local shopping centre, approximately 14 kilometres south west of Liverpool and around 46 kilometres by road south west of the Sydney CBD.

Surrounding and Adjoining Development

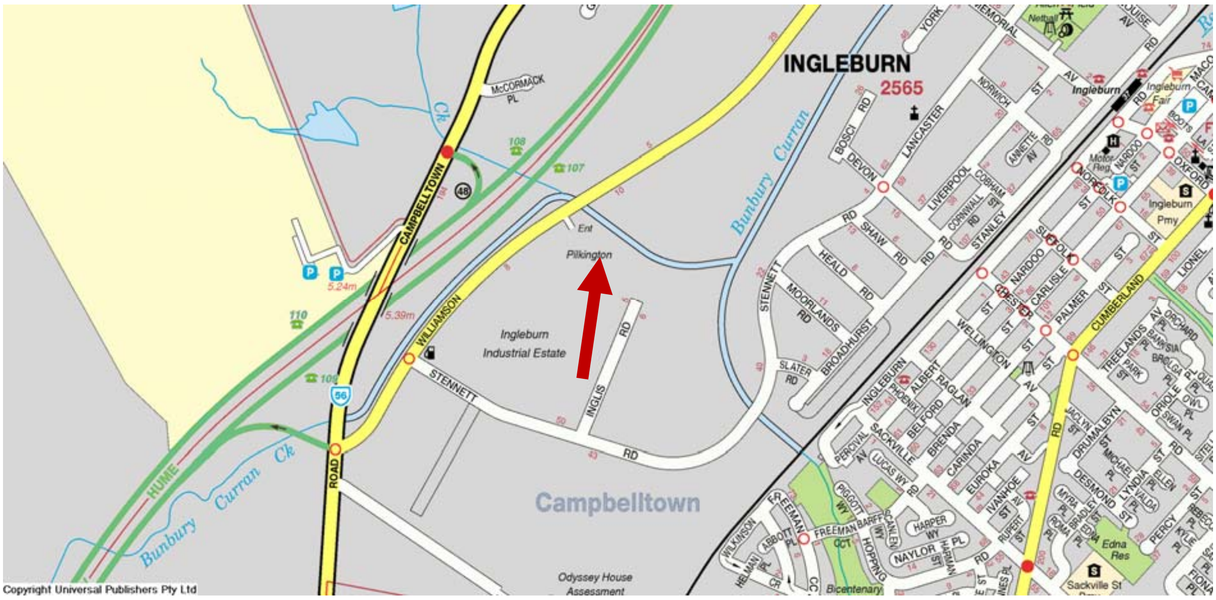
- Surrounding development is predominantly of an industrial character, comprising of a variety of large older style manufacturing complexes as well as modern high clearance warehouse buildings and industrial unit estates.

Road System & Access

- Williamson Road comprises a divided, two way bitumen sealed carriageway provided with concrete kerb, guttering and footpaths. Williamson Road provides easy, direct access to the on/off ramps to the M5 Motorway on Brooks Road.
- Primary access to the site is available via a concrete driveway from Williamson Road.
- The property is within close proximity to the access ramps to the M5 Motorway which provides direct access to the Sydney CBD and southern NSW, as well as the M7 Westlink which connects with the M4 and M2 Motorways.

Services and Amenities

- All of the usual services of gas, electricity, water, sewer and drainage are available to the property.
- The property is serviced reasonably well by public transport with public buses available along Williamson Road at the front of the property, and Ingleburn Railway Station around 1.5 kilometres to the south.



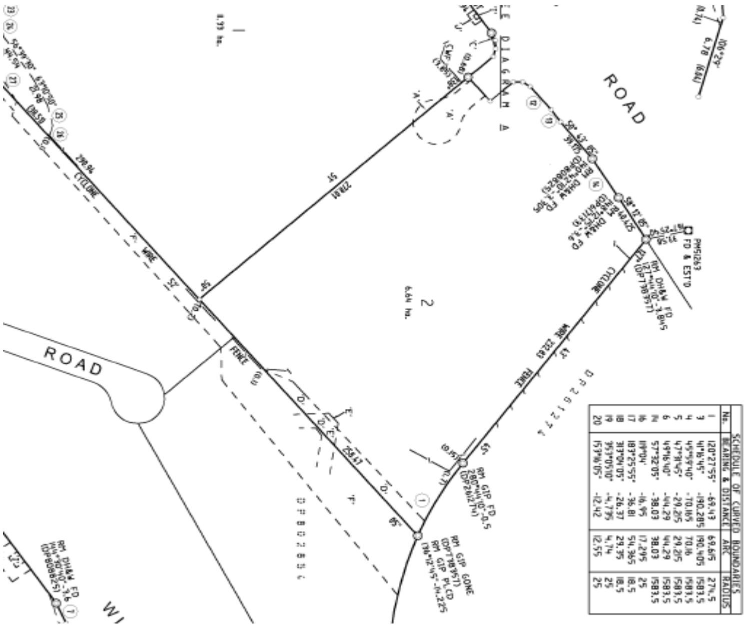
Following is an aerial map of the site courtesy of RP Data Limited.

2.2 Title Details & Site Description

Current Registered Proprietor
Pactum Foods Pty Limited
Title Description
Lot 2 in DP1196414
Identification
The land has been identified from its associated street position and via reference to the Deposited Plan. It has frontage to the southern side of Williamson Road around 500 metres to the northeast of the Stennett Road intersection at Ingleburn.
Site Area & Physical Description
The land has extensive frontage to Williamson Road and is generally of a generally regular shape. It is generally level (the site has been benched and levelled) and has direct vehicular access from the street frontage.

Description	Measurements
Williamson Road frontage	101.325 metres (Irregular – by Deduction)
Rear boundary	258.47 metres (approx.)
Eastern side boundary	232.83 metres
Western side boundary	278.01 metres
Total Site Area	**66,400m² square metres (as per Deposited Plan)**

An extract of the Deposited Plan is as follows.



Important Notice

From our inspection and a comparison with the Title Plan, the improvements appear to be constructed within the title boundaries, however we are not qualified surveyors, and have not been provided with a site survey and therefore we cannot state conclusively that all buildings are within the title boundaries. Our valuation is conditional on there being no encroachments by the subject's improvements, or onto the subject land by adjoining properties. In the event there is an encroachment which proves material, our valuation would change as would our recommendation as to its suitability for mortgage purposes (if made).

Copies of the Certificate of Title and Deposited Plan are appended.

2.3 Easements and Encumbrances

Reference should be made to the Folio Identifier attached, which details encumbrances and interests noted on title. Other than Reservations and Conditions in the Crown Grant(s), notations of significance include:

- Easement to drain water affecting the part shown so burdened in DP647440.
- Right of Carriageway 17 metres wide and variable affecting the parts shows so burdened in the Title diagram.
- Right of Carriageway 17 metres wide and variable appurtenant to the land above described.
- Restrictions on the use of land.
- Mortgage to HSBC Bank Australia Limited.

The Easement to Drain Water appears to be located along the rear boundary of the main Lot within that portion to be included as the subject property. The easement appears to be around 15 metres wide and has been considered in our valuation of the property.

The restriction on the use of land relates to site elevation and building elevations and considering the proposed improvements on the site is not considered to materially impact on the utility, marketability or Market Value of the property as assessed herein.

The proposed lease is not yet registered on Title. Our valuation is conditional upon all leases of three or more years in duration being registered on Title.

Important Notice

Although our title search (attached) does not show any unregistered dealings, it is noted that not all encumbrances may be recorded on the title documents provided to us. Our valuation is made on the basis that the property is free from mortgages, charges and other financial liens and is conditional on there being no encumbrances or interests other than those reported on our title search which materially affect the value, marketability and continued utility of the property. Should any encumbrances, encroachments, restrictions, leases or covenants which are not noted in this report be discovered which are material, our valuation would change, as would our recommendation as to its suitability for mortgage security purposes (if made).

2.4 Town Planning Details

Municipality and Planning Scheme

Campbelltown City Council administering the Campbelltown Local Environmental Plan 2015.

Zoning

IN1 - General Industrial

Zone Objectives

The objectives of the zone are:

- To provide a wide range of industrial and warehouse land uses.
- To encourage employment opportunities.
- To minimise any adverse effect of industry on other land uses.
- To support and protect industrial land for industrial uses.
- To provide for a range of facilities and services to meet the day-to-day needs of workers in the area.
- To enable non-industrial land uses that are compatible with and do not detract from industrial and warehouse uses or impact on the viability of existing centres.
- To ensure that any commercial, retail or other non-industrial development is not likely to adversely affect employment generating activities or opportunities.
- To facilitate diverse and sustainable means of access and movement.

Permitted Uses

A range of industrial uses are permissible under the current zoning.

Heritage Controls

The subject is not identified as being an Item of Heritage significance within the LEP.

Bushfire Prone Land

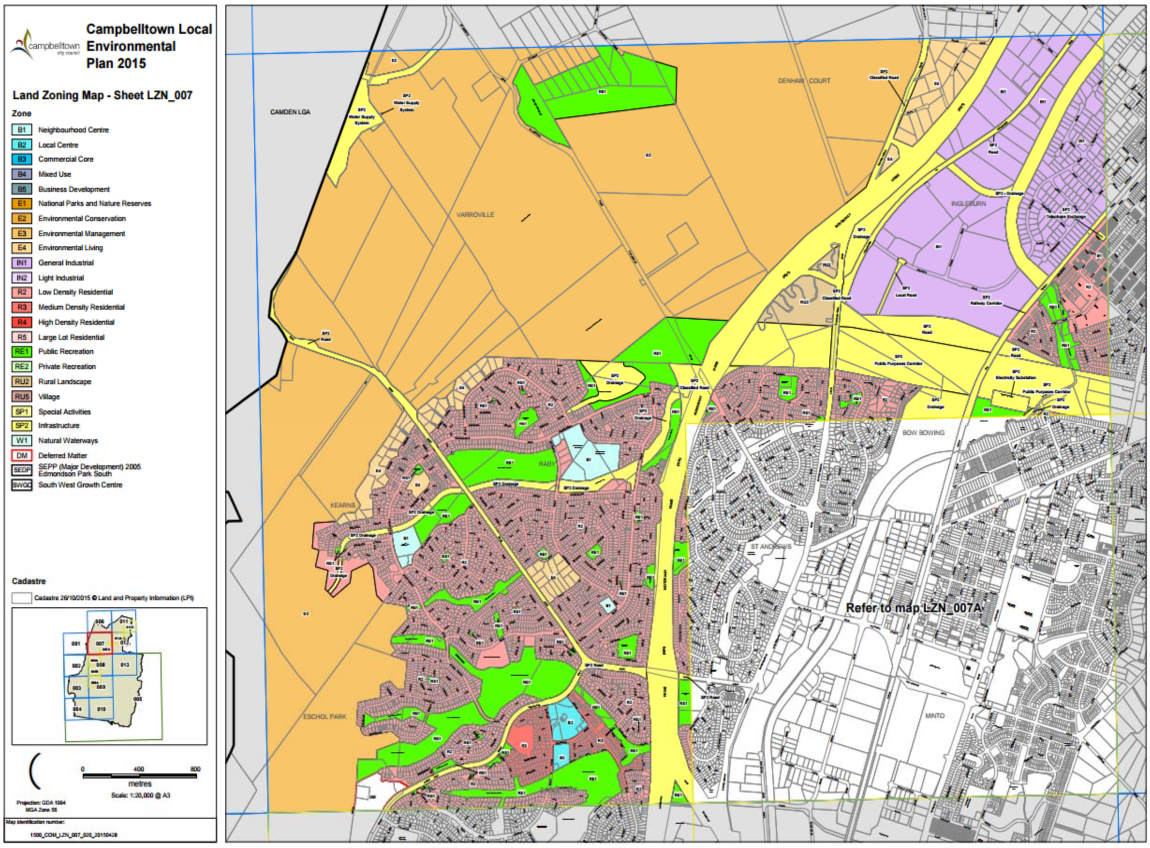
The subject is not identified as being Bush Fire Prone Land under the Campbelltown City Council LGA - Bush Fire Prone Land Map dated May 2014.

Flooding

Our enquiries with Campbelltown Council have been unable to determine the flooding status of the property. During our inspection we did not note any obvious signs of current or potential flooding risks. The site appears adequately drained.

Our valuation is conditional on the property not being flood affected.

In this regard, should any Reliance Party wish to confirm the flood status of the property, we recommend that the party engage the services of a qualified professional to confirm the inundation levels so as to ensure that the property is not compromised.



Important Notice

The above information was obtained from the public records of Council's Town Planning Department and should verification be required, an application to Council may be obtained for a Certificate issued under the provisions of Section 149 of the Environmental Planning & Assessment Act, 1979. Should such Certificate not confirm the abovementioned zoning and development guidelines, the matter should be referred immediately to the valuer for consideration and review of the valuation, if appropriate.

2.5 Environmental Considerations

Site Contamination

Historical Uses	The current warehouse improvements are undergoing final stages of construction. The prior use of the property has been as vacant land forming part of the curtilage for the adjoining CSR Viridian Glass manufacturing site.
Registered on the EPA List/Statement of Environmental Audit	No
Perceived Environmental Risk	We confirm there are no perceived environmental risks or problems associated with the subject property in relation to its present and known historical uses, and we further confirm that we have found no information in our enquiries to necessitate the instigation of a detailed environmental audit, **subject to important notice below.**

Important Notice

No soil tests or environmental studies have been made available for our perusal and we do not have any expertise as environmental consultants nor are we qualified to provide an assessment of the contamination of land. We have undertaken the following steps to assess whether there are any obvious signs of contamination:

- *Site inspection.*
- *Review existing site use and historical site use (so far as it is identifiable from the current site owners).*
- *Review of EPA list (see above).*
- *Planning controls over the subject property.*

As a result of the above investigation we have been unable to identify any obvious signs of contamination. However we are unable to assess whether there are any latent signs of contamination or other indicators beyond the investigations referred to above. The assessed value could well decrease if material contaminants are present and our assessment of the suitability of this property for mortgage security purposes would be adversely impacted. This valuation is conditional on the site being free of contamination and any party relying on this valuation does so on the basis that Knight Frank Valuations accepts no liability for any loss relating to contamination.

2.6 Native Title Claims

Nil advised.

Important Notice

In undertaking this valuation assessment, we have not commissioned a search of the Register of Native Title Claims which is administered by the National Native Title Tribunal. The assessed value could well decrease if a native title claim exists, or eventuates, over the subject land. It would also adversely impact on our assessment of the suitability of this property for mortgage security purposes. Knight Frank Valuations is not a specialist in native title law and this valuation is conditional on the site being free of any native title claim. Any party relying on this valuation does so on the basis that Knight Frank Valuations accepts no liability for any loss relating to native title claims. Should a native title claim be identified upon the subject site, the valuation should be referred back to the valuer for reassessment.

3 Improvements

3.1 Key Details

Property Type	Industrial warehouse with associated offices.
Constructed	2017 (practical completion occurred in July 2017).
Framing	Steel portal frame with two rows of internal steel supporting columns.
Internal Clearances	10.0 to 12.0 metres
Access Doors	Approximately 11 at grade, high clearance roller doors, three of which provide access to the loading bay area.
Awnings	Single fully sprinklered awning over the rear loading area.
Sprinkler System	Yes
Parking	150 open air on-grade spaces (1:203m² of GLA).
Office Elements	The office accommodation is provided at ground level at the western side of the warehouse.
GLA	Office: 888.0m² (2.92% of GLA) Warehouse: 29,464.0m² (97.08% of GLA) Total: 30,352.0m²

3.2 General Description

Erected upon the land is a 2017 built high clearance industrial warehouse with associated offices, extending to a total GLA of 30,352m².

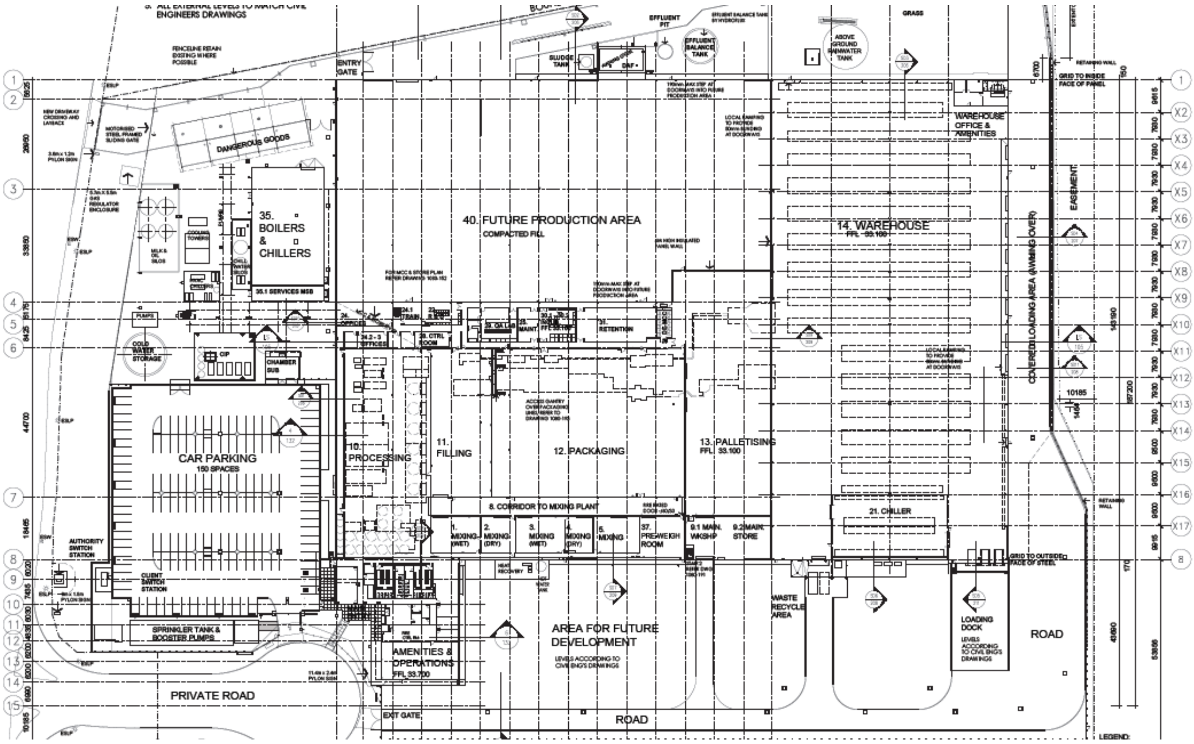
The office accommodation is provided over a single level and forms an annex to the western elevation of the warehouse. The warehouse element comprises three main sections including an 8,585m² front warehouse, a 9,922m² front production and processing area and a 10,091m² rear warehouse. Base building internal clearance in the warehouse ranges from approximately 10.0 - 12.0 metres and the space is fully sprinklered.

The production areas are partitioned and fitted out with high tech food processing, manufacturing and packaging equipment, including robotic forklift trucks and production line machinery.

A secure, fully sprinklered loading bay is provided to the western elevation of the rear warehouse with an awning at the rear providing covered loading. The rear warehouse is accessed via a total of 11 roller shutter doors, three of which are accessed off the loading bay.

Drive around access to the property is provided with ample car parking available for approximately 150 vehicles on-grade (1:203m² of GLA).

A site plan which details the configuration of the improvements is provided as follows:



3.3 Gross Lettable Areas

We have been provided with a lettable area schedule from Michelle Jouve of Freedom Foods Group Limited which indicate the Gross Lettable Area (GLA) of the improvements to be approximately 30,352m^2. The building's various areas are described in the following table:

Component	GLA (m²)
Warehouse and Production Space	29,464.0m²
Office	888.0m²
Total GLA	**30,352.0m²**
Covered Loading	1,400.0m²
Car Parking	150 car spaces

Should a subsequent survey indicate a material variation to the areas noted above, our valuation will require revision.

3.4 Building Construction

We have not been provided with detailed building plans however the construction and finish details appear to be as follows:

External Walls & Façade	Pre-cast concrete tilt-up panels with part metal cladding to the warehouse. Pre-cast concrete tilt-up panels with tinted glass curtain infill and aluminium cladding to the office element.
Frame	Steel portal frame with two rows of internal steel supporting columns.
Floors	Reinforced concrete.
Floor Coverings	The office areas will comprise a combination of carpet and linoleum with tiles to the staff amenities areas. Concrete slab to the warehouse areas.
Internal Walls	Plasterboard and glass partitioning to the office areas.
Doors	Approximately 11 at grade high clearance roller doors, two of which are internal providing access to the loading bay area.
Windows	Anodised, aluminium framed.
Ceilings	T-grid panel and suspended plasterboard to the office elements.
Roof	Profile metal sheeting.

3.5 Accommodation

Warehouse Accommodation

The warehouse element extends to 30,352m² and is split into three components, being a front 8,585m² front warehouse, a 9,922m² front production and processing area and a 10,091m² rear warehouse; and a 10,000m², high clearance warehouse which is currently being partitioned with climate controlled panelling and being fitout to be utilised for food production, processing and packaging.

The front warehouse accommodation in its current format is generally rectangular in configuration providing a contiguous warehouse element with clearspan 10.0m-12.0m clearance accommodation, albeit with earthen floor. Access to this warehouse is currently available via either the rear warehouse or via various roller doors from the production areas.

The front production warehouse area is also generally rectangular in configuration providing various climate controlled warehouses with clearspan 6.0m² - 8.0m² clearance accommodation, and includes various partitioning to comprise numerous food production, processing, filling and packaging areas. Access to theses areas is currently available via various roller doors or sliding doors from the other warehouse areas. Whilst undergoing fitout for the proposed food production, and processing use, the use-specific fitout would be readily able to be removed to allow for 'typical' industrial warehouse usage of these areas.

The rear warehouse element comprises 10.0m - 12.0m clearance, clearspan accommodation with access available via some 8 container height roller shutter doors from a high clearance covered rear loading area, or via three roller shutter doors from a covered loading dock at the western side of the building.

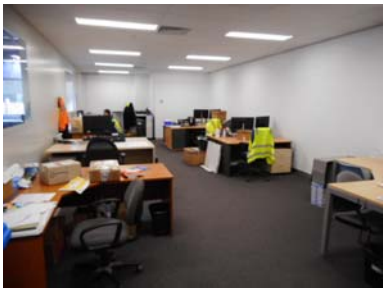
The warehouse elements include automated fire detection / occupant warning system and sprinkler systems.






Office Accommodation

The office component is situated to the western alignment of the warehouse and upon satisfactory completion of the minor outstanding construction and fitout works will comprise a small carpeted foyer / reception area leading into a mixture of open plan and partitioned office accommodation that will comprise carpet / linoleum floor coverings, recessed fluorescent lighting and ducted air conditioning. Male/female and disabled persons amenities and kitchenette/lunch room are also provided. The total office GLA equates to approximately 1,888m².



Awnings

Steel frame fully sprinklered awning with profile metal sheet covering to the roller shutter doors accessing the Loading Bay area at the rear of the warehouse.

Other Accommodation

Boilers and Chillers Area, food silos, HVAC Chillers, Water storage, Dangerous Goods storage and Sprinkler Tank and Booster Pumps areas are provided. Other improvements include wire fencing and perimeter landscaping.

Access and Parking Areas

The property is primarily accessed via Williamson Road providing both light and heavy vehicle access.

Parking is provided on-grade with a total of 150 spaces servicing the property, providing a ratio to GLA of 1:203m².

3.6 Building Services

Lighting	• Recessed fluorescent lighting, & LED to the office areas. • Mercury vapour bell lighting to the warehouse area.
Air-conditioning	The offices and amenities are air-conditioned.
Fire Service	The warehouse elements contain automated fire detection / occupant warning system (Vesta fire protection system) and sprinkler systems.

3.7 Building Age and Condition

The current improvements were completed in July 2017. The improvements have been constructed to a high standard, and are considered to be superior to the majority of existing properties within the Ingleburn and Campbelltown localities.

The following general observations have been made with respect to the presentation and functional utility of the improvements:

- Low proportion (approximately 2.92%) of office accommodation.
- High clearance warehousing which has been completed to a high standard.
- Warehouse is serviced by 8 roller shutter doors additionally to 3 roller shutter doors accessing the loading bay area.
- The property is utilised for food manufacturing and packaging use. Whilst appearing generally well suited to the proposed use our valuation has been assessed on the basis of the current state of the improvements (i.e. as typical warehouse).
- Fully sprinklered awning cover over the Loading Bay area.
- Full drive around access provided.
- Site coverage ratio of approximately 44.9%.
- Two access points from Williamson Road providing both light and heavy vehicle access.
- Adequate proportion of car parking accommodation (1 space per 203m² of GLA).
- Overall, an institutional grade large scale warehouse.

Important Notice

We have not been provided with a structural survey, nor an expert report on the plant and equipment. Our valuation is conditional on the structure and service installations of the improvements being free from any defects requiring material capital expenditure, other than that stated herein. If this is incorrect, or should there be a material revision to the capital expenditure information noted within, our valuation would change, as would our recommendation as to its suitability for mortgage security purposes (if made).

Our valuation is conditional upon the property complying with all statutory and local government regulations and building codes. We are not, however, experts in this area and should you wish to confirm compliance verification may be sought from an appropriately qualified consultant.

3.8 Base Building Capital Expenditure

We have not been provided with an indicative Capital Expenditure Budget as the property is undergoing final stages of construction, however upon completion will comprise a high quality food processing facility.

Notwithstanding the above, for the purpose of this assessment we have adopted an ongoing non-recoverable capital expenditure allowance of $5.00/m² p.a., inflated annually at CPI throughout the cash flow. Further to this, we have also incorporated notional capital expenditure upgrade upon expiry of $15/m² within the DCF analysis. <u>By making these allowances we do not warrant that this amount of capital expenditure will actually be incurred in those years and this is a modelling assumption only.</u>

In addition, in our valuation we have allowed for immediate Capital Expenditure of $896,750 which equates to $105.50/m² (as derived from Rawlinson's Construction Cost Handbook 2017) for construction of a concrete slab floor for the front warehouse area.

The adopted capital expenditure is outlined as follows:

Capital Expenditure Assumptions	*Yr 1*	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*	*Yr 11*	*Yr 12*	*Yr 13*
Capex Growth (Annual)	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%
Ongoing Capex ($/m2)	*$15*	*$16*	*$16*	*$17*	*$17*	*$17*	*$18*	*$18*	*$19*	*$19*	*$20*	*$20*	*$21*
Ongoing Capex Allowance ($/p.a)	$466,662	$478,795	$491,244	$502,542	$515,106	$527,469	$539,600	$551,472	$564,155	$578,259	**$592,716**	**$607,534**	**$622,722**
Capex at Expiry before renewals ($/m2)	*$15*	*$16*	*$16*	*$17*	*$17*	*$17*	*$18*	*$18*	*$19*	*$19*	*$20*	*$20*	*$21*
Capex at Expiry after renewals ($/p.a)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**	**$0**	**$0**
Other/Budgeted Capex ($/p.a)	$896,750	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**	**$0**	**$0**
Other/Budgeted Capex ($/m2)	*$30*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
Total Capex before Capital Incentives	*$1,363,412*	*$478,795*	*$491,244*	*$502,542*	*$515,106*	*$527,469*	*$539,600*	*$551,472*	*$564,155*	*$578,259*	*$592,716*	*$607,534*	*$622,722*
Capital Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**	**$0**	**$0**
Total Capex (annually)	***$1,363,412***	***$478,795***	***$491,244***	***$502,542***	***$515,106***	***$527,469***	***$539,600***	***$551,472***	***$564,155***	***$578,259***	**$592,716**	**$607,534**	**$622,722**
Total Capex ($/m2 pa)	*$45*	*$16*	*$16*	*$17*	*$17*	*$17*	*$18*	*$18*	*$19*	*$19*	*$20*	*$20*	*$21*
Total Capex (10 years)	**$6,112,055**												
Total capex ($/m2)	$201.37												
Total capex as % of Market Value	0.081494067												
NPV of Capex (10 years)	$4,517,810												
NPV of Capex (5 years)	$2,978,075												
NPV of Total capex as % of Market Value	0.060237464												
NPV of Capex before Capital Incentives	$4,517,810												

Important Notice

We have relied upon the capital expenditure information provided. Should there be any revision to the capital expenditure information provided, we reserve the right to revise our valuation accordingly.

4 Market Overview

4.1 Sydney Industrial Market Overview (Institutional Overview)

Key Points

- Prime net face rents increased by 3.8% over the 12 months to May 2017, the strongest growth in a decade.
- Up to 541,927m² of new industrial space, mostly pre-committed, was completed across Sydney in 2016, up 18% YoY which was the strongest level of supply over the past four years.
- Speculative developments are achieving favourable leasing results, with more than 70% being leased prior to or at completion.

- Further capitalisation rate compression for quality assets was recorded on the back of positive leasing fundamentals.

Occupier Demand & Rents

The NSW economy remains solid into 2017, with the State economic growth being supported by strong population growth, positive retail trade, record dwelling starts and low unemployment. The State economy has outperformed its long-term trend over the past year, and grew 0.3% over the March quarter. In addition, significant infrastructure investment and upgrades to road networks have been the key catalysts driving growth in the industrial sector.

3PL groups, e-commerce and consumer goods retailers are the primary drivers of demand for industrial space in Sydney over the past 12 months. Up to 176,378m² of industrial space (ex. D&C) was absorbed in the first quarter of 2017, 59% of which was Prime stock, reflecting a 23% decline from the previous quarter, however still 18.5% above the series average. By precinct, the Outer West has the strongest level of demand, driven by the availability of new space, and tenant migration from the other precincts accounting for almost half of the total gross absorption over the quarter

Prime net face rents have increased by 3.8% over the past 12 months, the strongest growth rate in a decade. In the secondary market, net face rents have risen by 3.8% also. It is worth noting the divergence of rental growth rates across different precincts in Sydney (Table 1). This is a reflection of the different local market conditions and supply/demand dynamics.

TABLE 1

Sydney Industrial Market Indicators as at April 2017

Precinct	Avg Prime Rent†		Avg Secondary Rent		Core Market Yields^		Avg Land Values <5,000m²		Avg Land Values 1 - 5 ha	
	$/m² net	(%p.a)	$/m²	(%p.a)	Prime	Secondary	$/m²	(%p.a)	$/m²	(%p.a)
Outer West	112	2.6%	96	0.7%	5.75 - 6.50	7.00 - 7.75	500	20.0%	420	20.0%
Inner/Central West	126	2.0%	106	0.6%	6.00 - 7.25	7.25 - 8.25	613	8.2%	450	11.1%
South West	103	0.5%	86	1.8%	6.50 - 7.25	7.25 - 8.25	477	28.2%	390	36.8%
North	172	3.3%	145	4.8%	6.50 - 8.00	7.75 - 9.00	750	16.3%	565	7.6%
South	169	8.9%	149	10.9%	5.50 - 6.25	6.25 - 7.00	2,250	63.6%	1,600	56.1%
Sydney Average	**136**	**3.8%**	**116**	**3.8%**	**6.00 - 7.00**	**7.00 - 8.00**	**530***	**18.8%***	**420***	**22.7%***

Source: Knight Frank Research

† reflects average rents for existing buildings. Pre-lease rents average above these indicative rates.
* Average Outer West, Inner/Central West and South West
^ Based on five year WALEs

The rapid depletion of industrial stock, particularly secondary stock, in the South region saw prime and secondary net face rents in the precinct rising by 8.9% ($169/m²) and 10.9% ($149/m²) over the past 12 months respectively. In the Outer West, the strong demand for modern and well-located industrial spaces has seen prime rents achieving stronger growth than secondary rents. The average prime net face rent in the Outer West has escalated by 2.6% over the past 12 months to reach $112/m², whilst secondary rents has risen by only 0.7% to around $96/m². Elsewhere, net face rents remained relatively steady over the past 12 months.

Development & Land Values

Industrial development activity continues to expand across Sydney with up to 541,927m² of new industrial space, most of which had been pre-committed, completed in 2016. This represents an increase of ~18% over the previous year. Nevertheless, the current level of supply is still substantially below pre-GFC levels of circa 700,000m² a year (Figure 1).

FIGURE 1
Sydney Industrial Development
Annual Gross Supply ('000 m², bldgs >5,000m²)

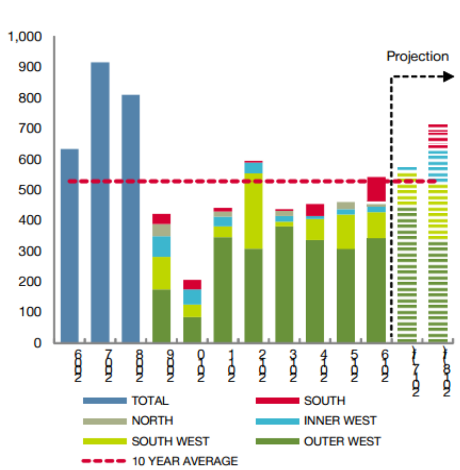
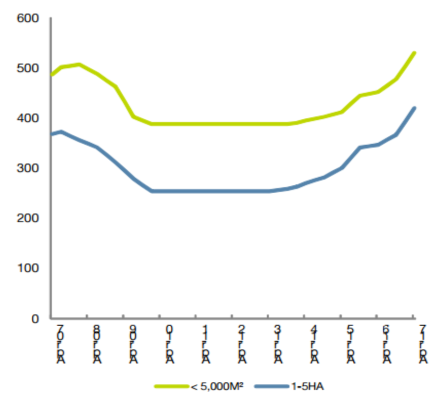


FIGURE 2
Sydney Industrial Land Values*
Avg. Value Serviced Lots ($/m²)



Source: Knight Frank Research
* Avg Outer West, Inner Central West and South West

By precinct, the Outer West accounted for the majority of new completions over 2016. Up to 342,233m² of new stock (63% of the total) was located in the Outer West region, followed by 84,000m² in the South West and 79,685m² in the South region. Development in the South region is concentrated primarily in the area surrounding Port Botany, where Goodman has completed the subject property at 2-28 McPherson Street, Banksmeadow pre-leased to Toll Holdings (21,500m²) and Jewel Fine Foods (16,800m²).

Speculative developments are achieving favourable leasing results, with Knight Frank's analysis showing more than 70% of speculative developments having been leased prior to or at completion over the last two years. Some notable pre-leases are listed below in (table 2):

TABLE 2
Recent Leasing Activity Sydney

Address	Region	Net Rent $/m²	Area	Term (yrs)	Tenant	Date
New Builds						
290 Kurrajong Ave, Prestons	SW	113	10,300	7	BAM Wine	D&C
Calibre, Eastern Creek	OW	120	19,000	4	CEVA Logistics	Spec.
Crossroads Centre, Casula	SW	108	12,500	10	Cosentino	D&C
Unit E Quarry West, Greystanes	OW	150	9,500	7	Hello Fresh	D&C
89 Quarry Rd, Erskine Park	OW	115	11,500	11	PACT	Spec.
35 Stennett Rd, Ingleburn	OW	100	15,000	7	Next Logistics	Spec.

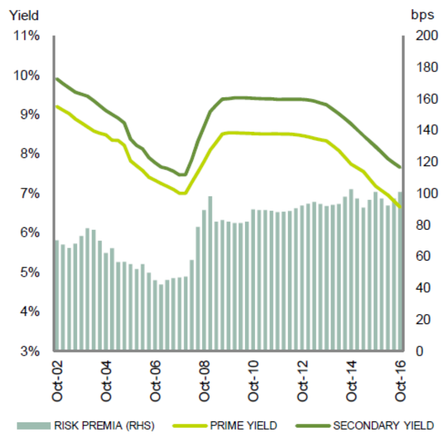
On the back of a strong development market amid declining land stock, industrial land values rose strongly over 2016 and into 2017. As at April 2017, development site values in the Outer, Central and South Western Sydney regions increased around 18.8% YoY for small-sized lots (<5,000m²), and 22.7% YoY for medium-sized lots (1-5 hectares).

As at January 2017, Knight Frank assessed that the total amount of zoned and services industrial land across the Western Sydney Employment Area was 126.7 hectares. When applying the historic average take up rate of 55 hectares p.a. based, there is only circa 2.3 years left of development for serviced industrial land bank in this area which is expected to further maintain upward pressure on land values going forward.

FIGURE 3

Sydney Industrial Core Market Yields

Prime vs Secondary



Source: Knight Frank Research

Sales and Investment Activity

Investor demand remains strong but volumes have increased strongly over the past 12 months with total investment volume rising by 13% to $2.7 billion over this period. Industrial property still presents appealing yield propositions when compared to other assets classes such as office and retail, with prime yields trading below 5% for these types of assets.

Investment activity in NSW over 2016 and into 2017 was been dominated by major portfolio transactions. Numerous portfolio deals were completed in 2016 including the Altis Portfolio sold to Mapletree for $85 million at a combined passing yield of 7.4% and the JP Morgan portfolio acquired by AMP Capital for $250 million at a blended yield of 6.5%.

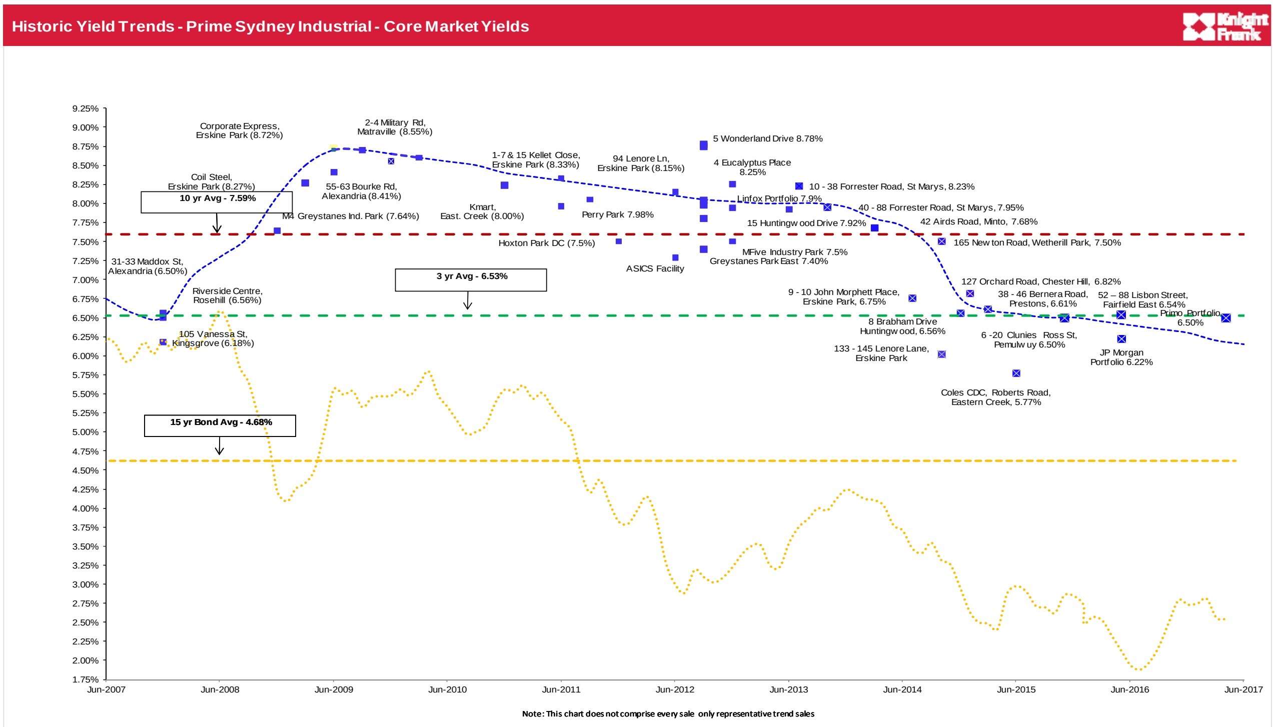
Following the sale of their portfolio to Mapletree, Altis subsequently purchased a national portfolio comprising of 14 assets across three states (NSW, Vic and Qld) at a combined initial yield of 8.76% and a WALE of 4.6 years. In NSW, there were two assets in Sydney (both in Smithfield) and one in the Hunter Region. Additionally, in an off market transaction, Blackstone acquired two portfolio tranches from Goodman. First portfolio acquisition (none of the assets were in NSW) in early 2016 for $640 million. The second portfolio, circa $650 million including 4 NSW properties which now see Blackstone taking control of 21 industrial properties across Australia.

During May 2017, two portfolio transactions hit the market. The first being Charter Hall's $179.4 million acquisition of the "Primo Portfolio", comprising 10 distribution centres across NSW and Victoria, reflecting an initial yield of 6.5% with an average WALE across the assets of 10.5 years. The second portfolio transaction in this month was the "Sydney Six" portfolio comprising six assets across Wetherill Park, Eastern Creek and Smithfield. The portfolio was purchased by developer Leda Holdings for a reported $71 million reflecting an initial yield of 6.79% and core market yield of 6.68% with a blended WALE of circa 2.5 years.

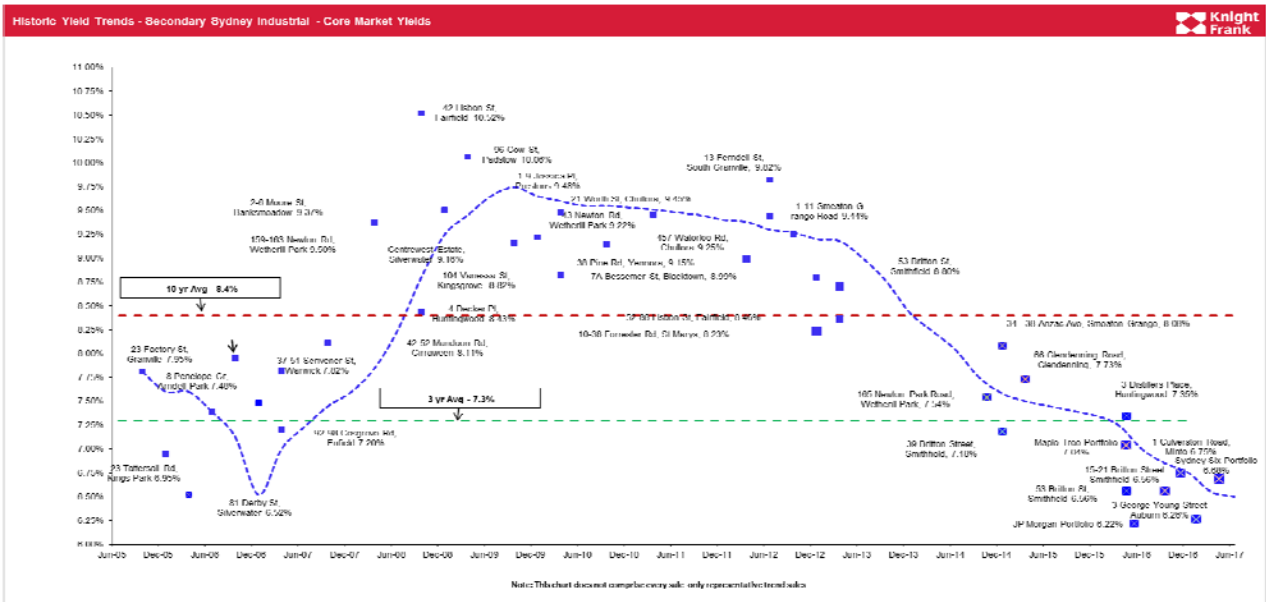
As at mid-2017, prime industrial assets in Sydney (based on a notional 5 year WALE) were trading on average core market yields of between 6.00% and 7.00% (Table 1). Prime facility transactions with over 10 year WALEs are sparse and may possibly trade at sub-6% core market yields. In the secondary market, average core market yields are ranging from 6.50% to 7.50%, with the prime-secondary yield spreads standing at around 100bps.

Historical Prime Yield Analysis

The below graph reflects the 15 year trend for inflation indexed 10 year bond yields versus the prime industrial yield trend over the 15 years. Averages over the 15 years are also included.



As at mid-2017 our analysis of prime industrial yields based on the evidence at hand indicate that average yields are currently trading at 144 basis points and 38 basis points below the 10 year and 3 year averages respectively. That said we note that the majority of yield compression has been experienced over the last 24 months therefore averages are skewed by relatively high historic data. Of particular interest of the above graph is the divergence between average Bond Yield rates and average industrial yields. The indicated spread between 10 year prime average and 15 year bond average is 2.91% and the spread Between 3 year prime average and 15 year bond rate is 1.85%.



In line with the prime industrial market the Secondary market as also seem significant yield compression over the past 24 months and is also trading significantly below the 10 year and 3 year averages at 190 bps and 80 bps respectively. There has been a more dramatic decline in yields within the secondary market over the past 12 months on the back of the above mentioned portfolio transactions and due largely from the lack of prime industrial stock brought to market and the subsequent flight to secondary product and relatively high transaction volume

Outlook

The NSW economy is expected to maintain above-trend economic growth over the next two years, boosted by a solid pipeline of infrastructure development projects by the NSW State government. The positive macro-economic backdrop coupled with solid growth in e-commerce and retail trade will support demand for industrial and logistics space across Sydney. In addition, the industrial market is poised to benefit from the rapid expansion of international retailers, such as; ALDI and Costco, and the anticipated arrival of Kaufland (ALDI's arch rival in Europe) and Amazon. These dynamics would further boost demand for modern and strategically located logistics facilities.

On the supply side, new development is projected to increase over the next two years on the back of a strong pre-commitment market and solid leasing requirements for larger space in excess of 10,000m². The majority of this supply pipeline is in the Outer West, where serviced land is still available, albeit reducing quickly.

Overall, it is expected that rental growth should track slightly above the CPI rate of around 2.5% to 3.5% per annum over the next two years. However, rental growth should vary greatly across precincts, with local supply and demand dynamics playing a significant role in determining this growth. Specifically, rental growth in the South region will continue to outstrip other markets due the continued depletion of industrial stock.

Investor demand is expected to be maintained as the quest for income stability continues. Prime assets with 5 year WALEs are expected to trade at around 6.0% to 7.0% yields but those with 10+ year WALE are likely to continue to attract yields of circa 6.0% and below.

4.2 Industrial Sales Evidence

To assist in determining appropriate value benchmarks and return parameters for the subject property, we have examined recent market activity within the Sydney metropolitan area and have summarised these transactions as follows:

Property	Sale Price	Sale Date	Initial Yield	Core Market Yield*	IRR	$/m² of GLA	Comments
3 George Young St, Auburn	$10.3M	Feb-17	6.53%	**6.33%**	7.35%	$2,084	WALE 5.8 yrs
1 Culverston Rd, Minto	$27.7M	Dec-16	6.74%	**6.73%**	7.81%	$1,785	WALE 10.6 yrs
2-34 Davidson St, Chullora	$35.0M	Oct-16	n/a	**6.77%**	8.00%	$1,932	WALE 0.0yrs VP
15-21 Britton St, Smithfield	$19.0M	Oct-16	6.23%	**6.56%**	7.83%	$1,554	WALE 7.6 yrs
1 – 9 Picken St, Silverwater	$11.4M	Jul-16	7.00%	**6.58%**	7.15%	$2,182	WALE 5.1 yrs
64 Biloela St, Villawood	$32.6M	Jun-16	5.14%	**6.16%**	7.38%	$1,400	WALE 11.0 yrs
53 Britton St, Smithfield	$28.2M	Jun-16	7.25%	**6.66%**	7.30%	$2,091	WALE 6.0 yrs
405 – 407 Victoria St, Wetherill Park	$17.7M	Jun-16	7.67%	**7.13%**	7.69%	$1,436	WALE 4.2 yrs
3 Distillers Pl, Huntingwood	$15.2M	Jun-16	7.35%	**7.35%**	7.88%	$1,696	WALE 5.1 yrs

Core market yields illustrate a broad range from approximately 6.16% to 7.35%, while rates per m² of GLA range between $1,400/m² to $2,182/m².

5 Financial Summary

5.1 Tenancy Analysis / Lease Expiry

The property is subject to a lease to Pactum Dairy Holdings Pty Limited. Accordingly our valuation of the property has been assessed subject to the lease detailed herein.

5.2 Lease Details

The salient details of the lease follows:

Lessee	Pactum Dairy Holdings Pty Limited
Demised Premises	Lot 2 in Deposited Plan 1196414
Commencement Date	29 November 2017
Term	20 years
Expiry	28 November 2037
Options	One period of 10 years.
Incentive	N/A. No incentive provided.
Rental Review	The greater of CPI/4.00% annual reviews with a market rent review at year 10 and at the option period. The market review includes ratchet provisions.
Passing Rental	\$6,328,840.80 p.a. net (\$231/m²)
Outgoings	The Lessee is liable for payment of all outgoings. Net Lease.
GST	Lessee's responsibility.
Permitted Use	Storage warehouse, office, food production, manufacturing and packaging.
Other	Clause 6.1 (c): "If the Landlord undertakes Capital Works then the rent payable in the Lease Year that the Capital Works are completed and every lease year thereafter will be as follows: 1. The rent payable under Clause 6.1(b); plus 2. The amount equal to 8% of the cost of the Capital Works.

The lease provided to us and upon which this valuation has been based has not as yet been executed. **Our valuation is conditional upon the lease being executed at the terms outlined in the lease provided to us and upon the lease being subsequently registered on Title.**

Important Notice
We have requested full executed copies of all lease documentation, except as otherwise noted herein, and have relied upon the accuracy and completeness of this documentation. In the event that the lease documentation is not accurate or is incomplete (such as missing variations, side agreements etc) and the change to lease terms or conditions is material, then our valuation of the property would change, as would our view on its suitability for mortgage security purposes (if made).

5.3 Statutory Valuation Assessments

Relevant Date	1 July 2016
Site Value	\$9,010,000 (\$136/m² of site area)
3 Year average	\$8,083,333 (\$122/m² of site area)

5.4 Outgoings

We have requested full outgoings from the owner and instructing party however have not been provided with budgeted outgoings for the property as it has only recently been completed.

Accordingly in assessing the outgoings for the property we have had regard to benchmark rates for similar modern industrial properties in the Outer Western Sydney regions, which typically range from around $20/m² to over $30/m² of lettable area depending primarily on location, zoning, size and standard of improvements and accommodation, and site coverage.

Having regard to the location, zoning and general characteristics of the subject property, we have adopted outgoings of **$22.50/m²** of GLA which equates to **$682,920** p.a.

The adopted outgoings are considered reasonable and are generally in line with industrial assets of similar age and construction within the Greater Western Sydney locality. Also, we note that the lease has been agreed on a Net basis with the Lessee liable for payment of all outgoings.

5.5 Net Market Income Assessment

In determining the market rental for the subject property, we have had regard to leasing transactions of comparable industrial warehouse properties in the immediate and neighbouring areas as well as larger lease deals (>10,000m²) throughout Greater Sydney.

The primary leasing evidence that we have had regard to is summarised in the table following:

Address	LCD	Area	Term	Net Rental	Comments
1 Johnson Rd, Campbelltown	Jun-17	16,641.5m²	10 yrs	$100/m²	16,642m² warehouse leased to ZircoDATA Pty Ltd for a term of 10 years with a 5 year option at a commencing net rental of $100/m² with annual CPI rent reviews. Large modern sprinklered warehouse with internal clearances up to 14 metres and a small office component (~5.67%). Total of 12 months' rent free incentive to be taken as 6 months' rent free with the remaining term to be abated over the remaining term.

Address	LCD	Area	Term	Net Rental	Comments
141-145 Newton Rd, Wetherill Park	Dec-16	11,817.0m²	7 yrs	$110/m²	11,817m² Warehouse leased to AUSREO for a term of 7 years at a commencing net rental of $110/m². Improvements comprise a modern two storey office and factory / warehouse accommodating 3 bays each with overhead gantry cranes of 3.2 tonne and 5 tonne capacity and fire sprinklers throughout. Other features include 2,000kva power supply, gas connection, truck access on 3 sides of the building as well as a separate entry to the property for cars and pedestrian traffic from the truck sentry.
205 - 231 Fairfield Rd, Yennora	Nov-16	19,100.0m²	7 yrs	$108/m²	19,100m² warehouse leased to The Iconic for a term of 7 years with 3 x 4.5 year options at a commencing net rental of $107.50/m². The property comprises a fully sprinklered warehouse with 7 roller doors and 4 dock levellers. 1,358m² of office accommodation (7.11%) and parking for approximately 274 vehicles. Incentive is unknown.
108 Lyn Pde, Prestons	Nov-16	2,914.0m²	5 yrs	$110/m²	2,914m² warehouse leased to Prodigy Holdings Pty Ltd for a term of 5 years with a 5 year option at a commencing net rental of $110/m² with annual CPI rent reviews. The warehouse comprises internal clearances between 7.4 and 9.4 meters, serviced by 4 roller shutter doors with a 10 metre awning. Approximately 551m² of office accommodation encompassing ~18.9% of the total GLA. 3 months' rent free incentive.
Horsley Drive Business Park; Lot 3, The Horsley Dr, Wetherill Park	Oct-16	8,478.0m²	10 yrs	$110/m²	8,478m² Warehouse located in Frasers "Horsley Drive Business Park", leased to Phoenix Transport for a term of 10 years at a commencing net rental of $110/m². The facility is recently completed and features internal clearances of up to 13.7 metres, recessed loading docks, on-grade roller doors and drive in / out access.
1 Austool Pl, Ingleburn	Sep-16	2,789.0m²	5 yrs	$110/m²	2,789m² Warehouse leased to Capital SMART Repairs Australia for a term of 5 years with a 5 year option at a commencing net rental of $110/m².

Address	LCD	Area	Term	Net Rental	Comments
1 Culverstone Ave, Minto	Jul-16	11,406.5m²	11 yrs	$113/m²	Market review in July 2016 for a 11,406.5m² Warehouse leased to Cospak Pty Limited at a net rental of $115/m². The circa 2002 constructed warehouse comprises a high clearance warehouse with clearances up to 11.2 metres with associated office accommodation comprising 11.88% of the total GLA. The warehouse accommodation is fully sprinklered and accessed via two at grade roller doors and 6 dock levellers.
Unit 2, 21 Huntsmore Rd, Minto	Jul-16	1,724.1m²	11 yrs	$115/m²	Market review in July 2016 for a 1,724.1m² Warehouse leased to Cospak Pty Limited at a net rental of $115/m². Unit 2 was constructed in circa 2006 and comprises a medium clearance warehouse with clearances up to 10.5 metres with associated office accommodation spread over two levels. The warehouse accommodation is serviced via two roller doors and is not sprinklered.
10-13 Phiney Pl, Ingleburn	Feb-16	6,555.0m²	N/A	$96/m²	Brand new freestanding facility, high clearance warehouse + 395sqm of A-Grade office over 2 levels, 4 container height roller doors, 1 sunken dock + extra-large 8 metre awning.
74-94 Newton Rd, Wetherill Park	Jan-16	14,600.0m²	10 yrs	$112/m²	A reasonably modern office / warehouse premises providing ground and mezzanine level office accommodation coupled with clear span, high clearance warehouse. Leased to Metcash Trading Limited for 10 years at annual commencing rental of $1,635,200 p.a. net.
Lot 6 Central Hills Dr, Gregory Hills	Nov-15	15,034.0m²	10 yrs	$93/m²	Prelease to GMK Logistics for new 15,034m² logistics facility, with 2 x 5 year options and option for 5,384m² of expansion warehouse.
4 Inglis Rd, Ingleburn	May-15	26,325.0m²	5 yrs	$95/m²	Large freestanding high clearance warehouse that has been split into two units including one of 26,325m². Property features multiple roller doors with a mixture of on grade and recessed docks, fully sprinklered, cool rooms and freezers, racking included, large hardstand areas and dual drive ways. Leased to Unilever.

The rental evidence varies between $93/m² per annum net and $115/m² per annum net, for a variety of industrial facilities throughout Greater Sydney. The rates vary due to the level of office content provided within each unit, locational factors and logistical access together with the quality and size of accommodation provided.

We note that the property is currently leased for food manufacturing, production and processing purposes at a passing rental of **$231/m² net**. We recognise that the rental payable under the lease upon which this valuation has been based has been negotiated between related parties and is based upon a return of equity contribution by the developer (effectively equivalent to 8% of total development costs including use-specific fitout). We also recognise that the rental is indexed to the greater of CPI / 4% over the lease term which provides security of income regarding the rent level. Notwithstanding, in the event the current operation ceased it would be highly unlikely that another similar tenant could be located who would be willing to pay a premium rental and accordingly, we have assessed the market rent on a general industrial basis.

Having considered the above noted transactions, also recognising the characteristics of the subject property including its very large size on an alternate use basis, we consider a market rental of **$100/m^2** net to be appropriate, which is towards the lower end of our assessed range.

5.6 Net Income Summary (Adopted Market)

The table below summarises the adopted market income as at the date of valuation.

Use	Passing Income	$/m²pa	Market Income	$/m²pa
Industrial	$6,328,841	*$209*	$3,035,200	*$100*
Office	$0	-	$0	-
Hardstand	$0		$0	
Other	$0		$0	
Total Rental	*$6,328,841*		*$3,035,200*	
Less: Annual Rebates & Rent Free	$0			
Plus: Outgoings Recoveries	$682,920		$682,920	
Less: Rental for Deferred tenancies	$0			
Gross Income	$7,011,761		$3,718,120	
Less: Outgoings	$682,920	*$23*	$682,920	*$23*
Net Income	***$6,328,841***		***$3,035,200***	

6 Valuation Rationale

6.1 Valuation Methodology and Considerations

In assessing the market value, the appropriate method of assessment is considered to be via reconciliation between the Capitalisation, Discounted Cash Flow and Direct Comparison methods, with rents and yields assessed on a consistent net face basis unless otherwise stated.

6.2 Capitalisation Approach

Under this approach, the assessed net face market income as at the date of valuation is capitalised at an appropriate market yield to establish the property's market value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.

We have had particular regard to the following sales in assessing our yield range.

Building	Comment	
1 Culverston Road **Minto** *Initial Yield: 6.74%* ***Core Market Yield: 6.73%*** *Purchase Price (Dec-16)* *$27,700,000* WALE: 10.6 yrs IRR: 7.81%	The property comprises two freestanding industrial buildings known as Building 1 and Building 2 constructed between 2002 and 2006. Building 1 comprises a circa 2002 constructed, medium clearance sprinklered industrial warehouse with internal clearances between 8.2 and 11.2 metres and associated offices extending to a total GLA of 11,406.5m². Building 2 comprises a circa 2006 medium clearance industrial warehouse split into two separate units known as Units 1 & 2, with internal clearances between 8.6 and 10.5 metres with associated offices extending to a total GLA of 4,112.6m². A total of 116 car spaces are provided to estate (1:113m² of GLA). Additionally there is also an unimproved parcel of land situated to the south-east of the Lot extending to an approximate developable area of 5,313m². The property was sold via an off-market campaign and is situated just over four kilometres north-east of the subject with a comparable WALE of 10.6 years. We consider parameters reflected by this sale to be lower than those applicable to the subject property given the excess land component which has inflated the reflected core market yield by ~25 basis points.	
15 – 21 Britton Street **Smithfield** *Initial Yield: 6.23%* ***Core Market Yield: 6.56%*** *Purchase Price (Oct-16)* *$19,000,000* WALE: 7.6 yrs IRR: 7.83%	Circa 1970s built medium to high clearance industrial factory with ground and first floor office accommodation, dock offices and ancillary stores buildings extending to an estimated GLA of 12,223m², plus on-grade parking for 140 cars. In addition to the primary buildings, a waste water treatment facility is provided to the northern boundary of the land together with a wash bay, palm oil and corn silos and a redundant gatehouse. A substantial amount of fixtures and fittings have been installed within the premises for the current use as a snack food manufacturing and packaging facility. Overall the improvements are considered to be significantly inferior to the subject and situated within a more sought-after Western Sydney Locality	
114 Kurrajong Avenue **Mount Druitt** *June 2016* *Initial Yield: 7.26%* ***Core Market Yield: 6.98%*** *Purchase Price (Jun-16)* *$24,300,000* WALE: 7.1 yrs IRR 7.46%	The property comprises three freestanding medium to high clearance industrial warehouse buildings with associated offices constructed in circa 1997 extending to a combined GLA of 18,136.2m². Internal clearances in the warehouses vary between 5 - 11 metres and Building 2 is sprinklered. The site cover is approximately 34% and 68 car parking spaces are provided on grade (1:267m²). The sale property had a combined WALE of 7.1 years at the date of purchase. The sale property is considered to be situated within an inferior north-western Sydney industrial and an inferior WALE. We consider tighter parameters are applicable to the subject property.	

Based upon the sales and having regard to the comments noted above, including the significant element of Super Rental, it is considered that a reasonable Capitalisation Rate range for the subject is in the order of **7.00% - 7.50%.**

Our calculations under this basis of valuation are as follows:-

Core Market Yield Basis

Market Income				
Industrial			$3,035,200	
Office			$0	
Other			$0	
			$3,035,200	
Plus: Outgoings Recoveries			$682,920	
Gross Annual Income			**$3,718,120**	
Less: Outgoings			$682,920	
Net Annual Income *(after ongoing Vacancy allowances)*			**$3,035,200**	
Capitalised at		***7.00%***	***7.25%***	***7.50%***
Core Value Range (assuming fully leased)		**$43,360,000**	**$41,864,828**	**$40,469,333**
Rate per m² of Lettable Area		*$1,429*	*$1,379*	*$1,333*
Adjustments				
Net Present Value of Rental Reversions *(Note 1)*		$34,112,701	$34,112,701	$34,112,701
Current Vacancy Allowances (Note 2)				
Leasing Downtime		$0	$0	$0
Leasing Incentives		$0	$0	$0
Agents Fees & Leasing Costs *(Note 4)*		$0	$0	$0
Imminent Expiry Allowances (Note 3)				
Leasing Downtime over next	*12 mths*	$0	$0	$0
Leasing Incentives for New Leases next	*12 mths*	$0	$0	$0
Agents Fees & Leasing Costs *(Note 4)*	*12 mths*	$0	$0	$0
Outstanding Leasing Incentives (Note 5)				
PV of Rebates		$0	$0	$0
PV of Capital Incentives		$0	$0	$0
PV of Rent Free Incentives		$0	$0	$0
Capital Expenditure (Note 6)				
Make good at Expiries over next	*12 mths*	$0	$0	$0
Other/Budgeted Capital Expenditure over next	*24 mths*	($896,750)	($896,750)	($896,750)
Total Adjustments		**$33,215,951**	**$33,215,951**	**$33,215,951**
Resultant Capitalisation Value Range		**$76,575,951**	**$75,080,778**	**$73,685,284**
Rate per m² of Lettable Area		*$2,523*	*$2,474*	*$2,428*

Capitalisation Approach - Explanatory Notes:

Note 1 - Net Present Value of Rental Reversions
Rental reversions reflect a cumulative profit rental of: $34,112,701

Note 2 - Current Vacancy Allowances
Nil allowances as there are no vacancies

Note 3 - Imminent Expiry Allowances
Imminent Expiry allowances are nil.
The incentive probability is considered to reflect a balance between the full incentive granted to incoming tenants and the reduced incentives typically provided to sitting tenants.

Note 4 - Agents Fees & Leasing Costs
Agents Fees & Leasing Costs are nil.

Note 5 - Outstanding Leasing Incentives
Outstanding Lease Incentives are nil.

Note 6 - Capital Expenditure
Immediate Capital Expenditure of $896,750 which equates to $105.50/m² for construciton of a concrete slab floor for the Front Warehouse

Beyond the first 12 months, the commencing make good allowances are inflated annually by CPI at tenant retention rates detailed within our DCF inputs summary.

We note that the value range demonstrated by this approach includes a significant proportion of 'super rental' of $34,112,701, which equates to around 45.4% of the overall value.

6.3 Discounted Cash Flow Analysis Approach (DCF)

This approach incorporates the estimation of future annual cash flows over a 10 year investment horizon from the valuation date by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate (target IRR) to derive a net present value for the property as at the valuation date.

Summarised below are the inputs factored into the DCF analysis.

Market Growth Assumptions

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Industrial - Gross Market Growth Forecast (%)		2.3%	3.5%	3.2%	2.9%	2.9%	2.9%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	3.0%	3.0%
Office - Gross Market Growth Forecast (%)		2.2%	2.5%	2.6%	2.5%	2.5%	2.5%	2.4%	2.5%	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%
CPI	NSW	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
CPI +	0.00%	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
CPI +	0.00%	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
Parking		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Vacancy Assumptions & Incentives

Industrial	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	9	6	6	6	6	9	6	6	6	6	6	9	6	7	7
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	4.5	3.0	3.0	3.0	3.0	4.5	3.0	3.0	3.0	3.0	3.0	4.5	3.0	3.3	3.3
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
Incentive allowance after renewal probability (mths)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Total allowance after renewal probabilities (mths)	10.5	9.0	9.0	9.0	9.0	10.5	9.0	9.0	9.0	9.0	9.0	10.5	9.0	9.3	9.3

Office	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Incentive allowance after renewal probability (mths)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total allowance after renewal probabilities (mths)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

Other Income (eg. Parking, storage, telcos)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Incentive allowance after renewal probability (mths)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total allowance after renewal probabilities (mths)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0

Industrial Rental Growth Assumptions

	Current	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr CAGR	10yr CAGR
Gross Rental Assumptions																
Face Rental Growth (%)		2.3%	3.5%	3.2%	2.9%	2.9%	2.9%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	3.0%	3.0%
Average Gross Face Rental	\$123/m²	\$125/m²	\$130/m²	\$134/m²	\$138/m²	\$142/m²	\$146/m²	\$150/m²	\$155/m²	\$159/m²	\$164/m²	\$169/m²	\$174/m²	\$179/m²		
Average Gross Effective Rental	\$113/m²	\$113/m²	\$117/m²	\$120/m²	\$124/m²	\$128/m²	\$131/m²	\$135/m²	\$139/m²	\$143/m²	\$148/m²	\$152/m²	\$156/m²	\$161/m²		
Effective Rental Growth (%)		-0.5%	3.5%	3.2%	2.9%	2.9%	2.9%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.4%	2.7%
Net Rental Assumptions																
Face Rental Growth (%)		2.3%	3.7%	3.3%	3.0%	3.0%	3.0%	3.3%	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%
Average Net Face Rental	\$100/m²	\$102/m²	\$106/m²	\$110/m²	\$113/m²	\$116/m²	\$120/m²	\$124/m²	\$128/m²	\$131/m²	\$135/m²	\$139/m²	\$144/m²	\$148/m²		
Average Net Effective Rental	\$91/m²	\$90/m²	\$93/m²	\$96/m²	\$99/m²	\$102/m²	\$105/m²	\$109/m²	\$112/m²	\$116/m²	\$119/m²	\$123/m²	\$126/m²	\$130/m²		
Effective Rental Growth (%)		-1.2%	3.7%	3.4%	3.1%	3.0%	3.0%	3.3%	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	2.4%	2.7%

Current Vacancy Assumptions

Industrial		**Office**		**Other Income**	
Assumed Term	5 yrs	Assumed Term	5 yrs	Assumed Term	5 yrs
Avg Lease up period	6 mths	Avg Lease up period	6 mths	Avg Lease up period	6 mths
Total **Gross** Incentive	7.5%	Total Gross Incentive	10.0%	Total Gross Incentive	0.0%
Current Market Incentive (mths)	5 mths	Current Market Incentive (mths)	6 mths	Current Market Incentive (mths)	

Capital Expenditure Assumptions

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Capex Growth (Annual)	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
Ongoing Capex (\$/m2)	\$15	\$15	\$16	\$16	\$17	\$17	\$17	\$18	\$18	\$19	\$19	\$20	\$20	\$16	\$17
Ongoing Capex (\$/p.a)	\$466,662	\$478,795	\$491,244	\$502,542	\$515,106	\$527,469	\$539,600	\$551,472	\$564,155	\$578,259	\$592,716	\$607,534	\$622,722	\$490,870	\$521,530
Capex at Expiry before renewals (\$/m2)	\$15	\$16	\$16	\$17	\$17	\$17	\$18	\$18	\$19	\$19	\$20	\$20	\$21	\$16	\$17
Capex at Expiry after renewals (\$/p.a)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Other/Budgeted Capex (\$/p.a)	\$896,750	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Other/Budgeted Capex (\$/m2)	\$30	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Capital Incentives	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Total Capex (annually)	***\$1,363,412***	***\$478,795***	***\$491,244***	***\$502,542***	***\$515,106***	***\$527,469***	***\$539,600***	***\$551,472***	***\$564,155***	***\$578,259***	***\$592,716***	***\$607,534***	***\$622,722***		
PV of Capital Expenditure	\$1,312,372	\$460,871	\$472,854	\$483,729	\$495,823	\$507,722	\$519,400	\$530,827	\$543,036	\$556,612	\$570,527	\$584,790	\$599,410		
Total Capex (\$/m2 pa)	\$45	\$16	\$16	\$17	\$17	\$17	\$18	\$18	\$19	\$19	\$20	\$20	\$21		
Total Capex (10 Years)	***\$6,112,055***														
Total capex as % of Market Value	8.15%														
NPV of Capex	***\$4,517,810***														
NPV of capex as % of Market Value	6.02%														

Other Cashflow Assumptions

Lease/Agent Fees - Vacant space (current & future)	13.00%	(of first year's gross rent)	Acquisition Costs	5.60%
Lease Renewal Fees - Existing Tenants	5.00%	(of first year's gross rent)	Terminal Disposal/Selling Costs	0.50%
Terminal Yield (end of Yr 10)	8.50%			
Discount Rate	8.75%	pa		

Terminal Value Notes

In determining an appropriate notional terminal yield, we have had regard to the following:

- Current market yields are trading below 10 year average levels.
- Age of the building.
- WALE of circa 0.0 years at the terminal date (based on assumed renewal lease terms).

Accordingly, we have assumed the property is sold at the beginning of the 11th Year of the cash flow at a core market yield of **8.75%** and reflecting a significant 125 basis point differential to the adopted Capitalisation Rate and reflective of the potential for significant reversion to market rent levels.

Discount Rates

Based upon the evidence and acknowledging current market sentiment, we consider that an appropriate target internal rate of return is in the order of **8.75%.**

The discount rate in our view reflects a commercially achievable rate in line with market expectations of a potential purchaser, whilst at the same time the adoption of this rate recognises that any projections within the cash flow may be subject to change from external factors that are not currently evident.

It should be noted asset related risk issues that are explicitly reflected in the cash flow stream, have not been implicitly reflected in the adopted discount rate.

DCF Summary and Net Present Value

Discounted Cashflow Approach

Effective Annual Discount Rate		8.75%	
Present Value of Cashflow		$79,047,224	
Less Acquisition Costs		$4,191,898	
DCF Based Market Value		***$74,855,326***	
Apportioned as	NPV Cashflow	$43,678,978	(58.35%)
	PV Terminal Value	$31,176,348	(41.65%)

Important Notice

Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only, undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.

6.4 Direct Comparison Approach

This approach identifies comparable sales on a dollar rate per square metre of lettable area and compares the equivalent rates to the subject to establish the property's market value. This approach is somewhat subjective given the fact that specific items of income and expenditure are difficult to directly reflect and compare when adopting a rate per metre.

Due to the limitations of this approach and the somewhat unique characteristics of the subject, there is considered to be limited merit in assessing the value on this basis, suffice to say that the rates/m² indicated by the Capitalisation and Discounted Cash Flow approaches generally reflect rates of between $2,428/m² and $2,523/m² which is above the range demonstrated by the sales evidence, however reflects the high current rental base resulting from the specialised use, and the large element of 'super rental'.

6.5 Valuation Reconciliation

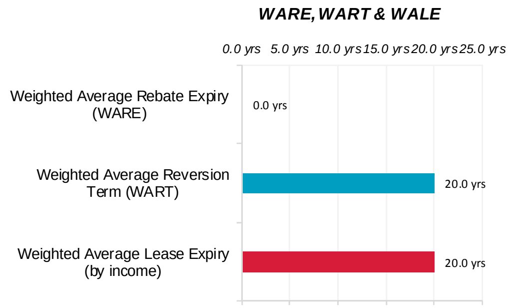
The resultant values under the primary bases of valuation are noted below.

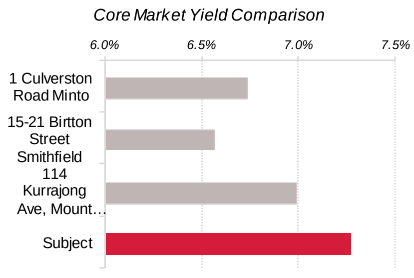
Valuation Approach	
Capitalisation Approach	$73,685,284 to $76,575,951
Discounted Cash Flow Approach	$74,855,326

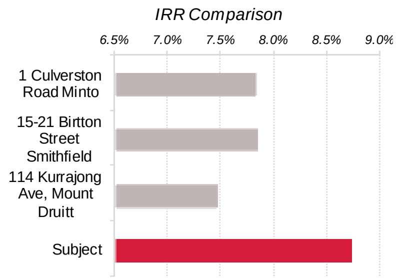
Based upon the analysis, a value of **$75,000,000** (exclusive of GST) has been adopted which represents a balance between the Capitalisation and Discounted Cash Flow approaches. The adopted value is consistent with the advised purchase price of $75,000,000 (exclusive of GST) and reflects the following investment and value parameters:

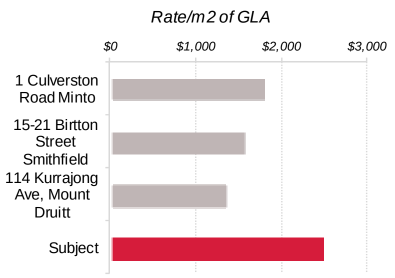
Adopted Value and Returns and Running Yields

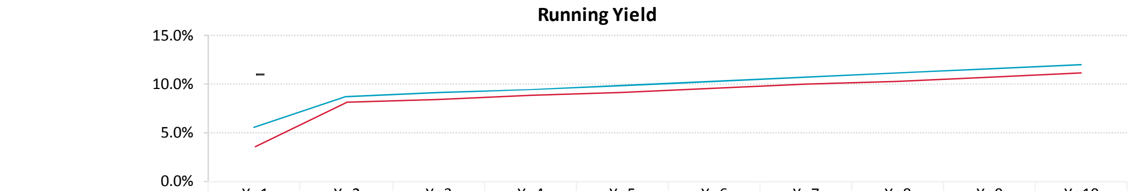
Adopted Value	***$75,000,000***
Passing Initial Yield (before capital expenditure)	n/a
Reversionary Yield	4.05%
Core Market Yield (Analysed Capitalisation Rate)	***7.26%***
Adopted Capitalisation Rate	7.25%
Rate per square metre of GLA	$2,471
Rate per square metre of Site Area	$1,130
Weighted Average Lease Expiry (by income)	20.0 yrs
Weighted Average Reversion Term (WART)	20.0 yrs
Weighted Average Rebate Expiry (WARE)	0.0 yrs
Internal Rate of Return after costs (10 yrs)	***8.72%***
Internal Rate of Return after costs (5 yrs)	6.51%











	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Running Yield (before capex)	5.5%	8.8%	9.1%	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%	12.0%
Running Yield (after capex)	3.7%	8.1%	8.5%	8.8%	9.2%	9.6%	10.0%	10.4%	10.8%	11.2%

Running Yield (before capex) — Running Yield (after capex)

Yield Definitions

***Core Market Yield** = the percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price plus adjustments to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc). In essence, this yield is risk adjusted.

***Passing Initial Yield** = the percentage return/yield based upon the current passing net income divided by the adopted value/price. No other adjustments are made. Can also be referred to as the passing yield.

***Equated Initial Yield** = the percentage return/yield analysed using the current passing net income + the net income of vacant space divided by the adopted value/price plus adjustments to account for property specific issues (ie. rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc. Rental reversions are not reflected). This yield differs from the fully leased initial yield which is typically expressed as the current passing net income + the net income of vacant space divided by the adopted value/price without adjustment.

***Running Yield** = the passing yield/return based upon the annual forecast net income divided by the price/value. This may be expressed before or after capital expenditure is accounted for.

***WALE** = Weighted Average Lease Expiry. Measures the average lease expiry for existing tenants across the asset, with the average being weighted by income and balanced by market income over vacant space (ie. is the average for the entire asset, not only the leased areas).

***WART** = Weighted Average Reversion Term. Measures the approximate average term across the asset until market reversions may be achieved. This may also be viewed as the average period for which a property may be under or over-rented.

***WARE** = Weighted Average Rebate Expiry. Measures the approximate average term until existing rebates expire across the entire asset.

6.6 Sensitivity Analysis

Whilst transaction volumes have improved, the uncertainty created by recent market conditions has continued to contribute to a lack of a weight of comparable market evidence and inconsistent pricing in some markets. This increases pricing/value risk and accordingly, we have included a sensitivity analysis below which recognises the potential value risk associated with movements in the major valuation drivers.

The table below demonstrates the effect on value due to changes in the core market yield.

Core Market Yield				
6.75%	**7.00%**	**7.25%**	**7.50%**	**7.75%**
$78,181,877	$76,575,951	$75,080,778	$73,685,284	$72,379,822
% variation over Adopted Value				
4.2%	2.1%	0.1%	-1.8%	-3.5%

The table below demonstrates the effect on value due to changes in the discount rate and terminal yield (ie. DCF sensitivity).

	Terminal Yield					
Discount Rate	**8.25%**		**8.50%**		**8.75%**	
8.25%	$77,910,419	*3.88%*	$77,292,049	*3.06%*	$76,707,796	*2.28%*
8.50%	$76,664,429	*2.22%*	$76,060,160	*1.41%*	$75,489,231	*0.65%*
8.75%	$75,445,846	*0.59%*	**$74,855,326**	*-0.19%*	$74,297,387	*-0.94%*
9.00%	$74,253,974	*-0.99%*	$73,676,859	*-1.76%*	$73,131,585	*-2.49%*
9.25%	$73,088,135	*-2.55%*	$72,524,092	*-3.30%*	$71,991,168	*-4.01%*

6.7 Contract for Sale/Transaction History

The property is currently subject to a Contract for Sale to be sold to a party related to the current registered proprietor at a purchase price of $75,000,000 (GST Exclusive).

Our valuation is conditional upon the final signed Contract for Sale not containing any terms, conditions or disclaimers which would materially impact on the utility, marketability or Market Value of the property, as assessed herein.

As reported by RP Data, 8a Williamson Road, Ingleburn was last purchased in May 2015 for $16,600,000, as a vacant, benched, and levelled site. The existing improvements have been recently constructed in the interim.

7 Valuation Certification

Acting under instructions from Freedom Foods Group Limited, Knight Frank Valuations has undertaken the valuation of 8a Williamson Road, Ingleburn NSW. We confirm that we have inspected the property as described herein and have prepared this report.

Subject to the overriding stipulations contained within the body of this report, we are of the opinion that the Market Value of the subject property assuming a sale of the unencumbered freehold interest subject to the lease detailed herein, as at the 10 October 2017 for internal purposes is:

$75,000,000 (excluding GST)

(Seventy Five Million Dollars (excluding GST))

This certificate of valuation forms part of, and should not be used or read independently from, the complete report.

JAMES R BURNEY B.App.Sc (Land Ec) FAPI
Certified Practising Valuer
Divisional Director

MATTHEW J RUSSELL
National Director
(Counter-signatory only)

Knight Frank Valuations

Disclaimer – Important Notice to Third Parties

This report is prepared for the private and confidential use of the reliance party/parties named in Section 1.1 of this report, and only for the purpose outlined in Section 1.1. It should not be relied on by the nominated party/parties for any other purpose and should not be reproduced in whole or part for any other purpose without the express written consent of Knight Frank Valuations. Any party that is not named as a reliance party/parties may not rely on this report for any purpose and should obtain their own valuation before acting in any way in respect of the subject property.

Liability limited by a scheme approved under Professional Standards Legislation.

LETTER OF INSTRUCTION

Knight Frank

9 October 2017

Mr Campbell Nicholas

Chief Financial Officer

Freedom Foods Group Limited

80 Box Road, Taren Point

NSW 2229 Australia

Via e-mail to cnicholas@ffgl.com.au

Dear Campbell,

RE: Valuation – 8 Williamson Road, Ingleburn

Thank you for the opportunity to submit a quotation to undertake a valuation of the above mentioned property.

Based upon the information provided, we outline the terms of our retainer as follows. If the terms are accepted and this letter signed/executed and returned it will form the Terms of Appointment between yourself and Knight Frank Valuations.

Purpose of Valuation: Internal/Asset Reporting purposes.

Reliance Parties: Freedom Foods Group Limited for Internal purposes only.

Basis of Valuation: Market Value of the unencumbered freehold interest "As Is" subject to existing lease.

By signing this letter, you agree that the basis of valuation is correct unless otherwise notified and agreed with Knight Frank Valuations.

Timing: Stage 1: Draft Valuation Numbers provided by COB 13th October 2017.
Stage 2: Issue of Final Report – 10 days from the date of instruction to proceed (to Stage 2).

We reserve the right to review this timing should there be any undue delay with regard to either/or the instruction, information or access. Our quote herein is valid for a period of 14 days or as otherwise agreed.

Fee:

Stage 1:	$3,500 + GST ($3,850)
Stage 2:	$2,000 + GST ($2,200)

Knight Frank

Any additional advice/consultation beyond the scope of the initial valuation brief will require a written request and may incur an additional fee, subject to agreement at the time.

Should a report be assigned or re-addressed to an approved financier we note that the major lenders/financiers have their own individual reporting requirements and additional fees may be requested in order to comply with any specific requests of the financier.

Payment:

Stage 1: 100% prior to release of Stage 1 numbers
Stage 2: 100% prior to release of final report

Payment details are noted further within this letter.

Reporting:

2 original reports (together with a PDF copy including annexures).
Please indicate if you require additional copies which will incur a charge to be agreed.

Information:

Outlined below is a list of required information. We note that this list may be amended or added to during the process of undertaking the valuation.

- Copy of Contract of Sale (provided)
- Outgoings details

Terms & Conditions:

The valuation and valuation service is subject to:

1. The terms outlined within this letter.
2. The "Terms and Conditions of Appointment" annexed.
3. All issues, conditions, assumptions, disclaimers, qualifications and recommendations as outlined within the report/advice provided.
4. Compliance with the information request outlined within.

Should the above quotation be acceptable, could you kindly execute and return via email or via fax on (02) 9036 6770 at your earliest convenience.

We trust that the above satisfies your immediate requirements however, should you have any queries in respect of our quotation, please do not hesitate to contact the undersigned.

Yours sincerely
Knight Frank Valuations

James Burney B.App.Sc (Land Econ.) FAPI
Divisional Director

Reference: JB/FFGL Oct 17

Knight Frank

Acceptance of Confirmation:

I/We confirm that the above details are correct and authorise Knight Frank Valuations to proceed with the services as stated above. I/We hereby declare that I/we have read and understood the terms and conditions contained within and annexed.

Name: Campbell Nicholas

Signature: C. N.

Company: Freedom Foods Group Pty Ltd

Date: 9/10/2017

We also require the following information if not already held by our office.

Billing Party (Name in full): Freedom Foods Group Limited

Billing Party Address: 80 Box Road Taren Point NSW 2229

Billing Party ABN: 41/002/814/235

Payment Details

Please make cheques payable to: Valuations Services (NSW) Pty Limited Trading as Knight Frank Valuations GPO Box 187 SYDNEY NSW 2001 A.B.N.:83 079 862 990	***Direct Credit Banking Details:*** Account Name: Valuation Services (NSW) Pty Ltd Bank: Commonwealth Bank of Australia Branch: Pitt Street and Martin Place, Sydney NSW BSB No: 062-099 Account No: 1010-5714 And fax details of your remittance to 02 9036 6770 or email: valuations.nsw@au.knightfrank.com

Terms and Conditions of Appointment – Valuations

It is agreed as follows:

1. **DEFINITIONS**

'Confidential information' means information that:
(a) Is by its nature confidential;
(b) Is designated by Us as confidential;
(c) You know or ought to know is confidential;
(d) And includes, without limitation:
(i) Information comprised in or relating to any of Our intellectual property in the Services or any reports or certificates provided as part of the Services; and
(ii) The Quotation annexed hereto.

'Currency Date' means, in relation to any valuation or consultancy report, the date as at which our professional opinion is stated to be current.
'Fee' means the amount agreed to be paid for the Services as set out in the Quotation.
'Party' means You or Us and Parties means You and Us.
'Quotation' means the written quote provided by Us in relation to the Services.
'Services' means the valuation or consultancy services provided pursuant to these Terms and Conditions and the Quotation, and includes any documents, reports or certificates provided by Us in connection with the services.
'Services Validity Period' means the three month period following the Currency Date during which Our professional opinion is valid. After this period, Our professional opinion cannot be relied upon or referred to.
'We', 'Us', 'Our' means the entity that You engage with to perform the Services as set out in the Quotation being Valuations Services (NSW) Pty Ltd (ABN: 83 079 862 990).
'You', 'Your' means the entity engaging Us to perform the Services as set out in the Quotation.

2. **APPLICATION**

2.1 A contract is formed if the Client accepts a Quote, the Client accepts the Services or Knight Frank Valuations otherwise forms an agreement (whether written or oral) with the Client for the provision of the Services. These terms apply to each Contract.
2.2 If the Client is a trustee, the Client enters the Contract in its own capacity and as trustee of the trust.
2.3 Either party may terminate a Contract immediately if the other breaches any part of these terms and fails to remedy that breach within seven (7) days of being notified or becomes insolvent within the meaning of Regulation 7.5.02 of the Corporations Regulations (as amended or replaced from time to time).

3. **PERFORMANCE**

3.1 Knight Frank Valuations:
a) Will provide the Services with due care and skill;
b) Will provide the Services by exercising a degree of professional skill, care, efficiency and diligence expected of a service provider experienced in providing the same or similar services;
c) Will comply with all applicable laws in providing the Services;
d) Will comply with all reasonable directions of the Client in providing the Services;
e) May refuse to provide the Services until the Client has provided written acceptance of the Quote;
f) Will make every effort to comply with any Completion Date applicable to any Contract but Knight Frank Valuations may elect to extend the Completion Date as reasonably necessary;
g) Is not liable to the Client for any Liability the Client suffers or incurs arising from any delay in providing the Services; and
h) Reserves the right to determine how the Services are provided and may use agents or contracts to provide all or any part of the Services.

4. **BASIS OF VALUATION**

4.1 You warrant that the basis of valuation noted is correct unless otherwise notified and agreed.
4.2 Loan Security – When instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

5. **CURRENCY OF VALUATION**

5.1 Due to possible changes in market forces and circumstances in relation to the subject property the Services can only be regarded as relevant as at the Currency Date.
5.2 Where You rely upon Our valuation or consultancy report after the Currency Date, You accept the risks associated with market movement between the Currency Date and the date of such reliance.
5.3 Without limiting the clauses 6.1 - 6.8, You cannot rely upon Our valuation or consultancy report:
(a) After the expiry of the Services Validity Period;
(b) Where circumstances have occurred during the Services Validity Period which has a material effect on the value of the property or the assumptions or methodology used in the valuation or consultancy report.

6. **RELIANCE**

6.1 You will not release any part of Our valuation or consultancy report of its substance to any third party without Our written consent. Such consent will be provided at Our absolute discretion and on such conditions as We may require including that a copy of these Terms and Conditions be provided to such third party. This clause shall not apply to persons noted as recipients in Your prior instruction to Us or in the Quotation provided that You shall provide any such recipient with a copy of these Terms and Conditions.
6.2 If you release any part of the valuation or consultancy advice or its substance with our written consent, You agree: i) to inform the other person of the terms of our consent; and ii) to compensate Us if You do not do so. We have no responsibility to any other person even if that person suffers damage as a result of any other person receiving this valuation or consultancy advice.
6.3 Should the valuation be required for capital / equity raising purposes, this should be clearly instructed. Should reproduction or reference to the valuation be required for this purpose within any Product Disclosure Statement or similar investment circular, published document or statement, formal consent will be required to be obtained by the instructing party. We reserve the right to withhold consent for reasons, including but not limited to, absence of initial notification that the valuation was required for this purpose or insufficient, inadequate or inaccurate information.
6.4 Where the Services are provided for mortgage purposes, You agree that You will not use the valuation or consultancy report where the property is used as security other than by first registered proprietors.
6.5 We reserve the right, at Our absolute discretion, to determine whether or not to assign Our valuation to any third party. Without limiting the extent of Our discretion, We may decline a request for assignment where:
(a) The proposed assignee is not a major recognised lending institution (such as a major bank);
(b) The assignment is sought in excess of 3 months after the date of valuation on expiry of the Services Validity Period;
(c) We consider that there has been a change in conditions which may have a material impact on the value of the property;
(d) The proposed assignee seeks to use the valuation for an inappropriate purpose; or
(e) Our Fee has not been paid in full.
6.6 Where We decline to provide an assignment on either of the bases at 6.5(b) or (c), We may be prepared to provide an updated valuation on terms to be agreed at that time.
6.7 In the event that You request us to assign Our valuation and We agree to do so, You authorise Us to provide to the assignee a copy of these Terms and Conditions, the Quotation and any other document, including instructions provided by You, relevant to the scope of Our Services.
6.8 The Valuation cannot be extended, assigned or relied upon by parties connected with any Managed Investment Scheme (as defined in the Corporations Act, 2001 (Cth)) which:
a) Promotes or offers tax benefits (including tax minimisation) to investors; or
b) Is involved in any form of direct or indirect investment in primary production (including property used in primary production).

7. **FEE AND EXPENSES**

7.1 The Fee is as set out in the Quote.
7.2 For any Services provided without a Quote or outside the scope of a Quote, the Fee will be based on Knight Frank Valuations' current pricing for like services as amended from time to time.
7.3 Knight Frank Valuations may vary the Fee for any work undertaken or costs incurred as a result of the Client varying its request for Services or the Contract, providing subsequent information that was not provided to us prior to provisions of the Services, correcting any errors or omissions referred to in clause 7.4, or requiring any urgent Services (including any overtime costs) outside of the initial Services agreed.
7.4 Knight Frank Valuations will provide the Services on the basis of the Client's request for Services (whether written or oral). Knight Frank Valuations will not be responsible for any errors or omissions in relation to the Services where those errors or omissions result wholly or partially from incomplete or unclear instructions in the Client's request for services.
7.5 Knight Frank Valuations may invoice the Client the Fee and any agreed Expenses by submitting a valid tax invoice. Unless a Quote specifies otherwise, invoicing may occur at Knight Frank Valuations' discretion and can take place in advance progressively or otherwise.
7.6 Unless a Quote provides otherwise the Client must pay Knight Frank Valuations' invoices in full within 14 days of the date of such invoices.
7.7 All payments will be made in full and the Client may not deduct from the Fee and Expenses any set off, counterclaim or other sum unless Knight Frank Valuations agrees in writing. The Client must pay GST on an invoice as and when the Client is required to pay the invoice.
7.8 If before the valuation is concluded:
a) You end this instruction, we will charge abortive fees; or
b) There are undue delays in instructing or You materially alter the instruction so that additional work is required at any stage, we will charge additional fees;

And in each case such fees will be calculated on the basis of reasonable time and expenses incurred.

8. **INFORMATION**

8.1 We require the full disclosure of all information and matters applicable to the property to be valued that may have an impact upon the value and marketability of the property. Accordingly, we require you to provide us with the information outlined within and note that this request may be updated or amended by us at any time. If information is not provided, we may include limiting conditions to our valuation service, including limitations or reliance or suitability for mortgage security.
8.2 Where possible, within the scope of our retainer and limited to our expertise as valuers in performing the Services, we will review this information including by analysis against industry standards. However, our review is limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or 'due diligence' investigation might disclose.
8.3 You warrant that the instructions and subsequent information supplied by You contain a full and frank disclosure of all information that is relevant to Our provision of the Services.
8.4 You warrant that all third party expert or specialist reports provided to Us by You for the purpose of Us providing the Services are provided with the authority of the authors of those reports.
8.5 You authorise and licence us to incorporate Your intellectual property within our report(s).

9. **CONDITION OF THE PROPERTY**

9.1 In undertaking the Services We will have regard to the apparent state of repair, condition and environmental factors in relation to the property based upon a visual inspection, but We will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible.

9.2 Our valuation will be conditional upon there being no timber infestation, asbestos or any other defect (unless advised otherwise) and that the property is compliant with all relevant environmental laws. It is Your responsibility to provide reports to Us that are relevant to these issues.

9.3 We will not undertake a detailed inspection of any plant and equipment or obtain advice on its condition or suitability.

9.4 We recommend that You engage appropriately qualified persons to undertake investigations excluded from the Services should you wish to determine condition.

9.5 No responsibility will be accepted either to You or to any third party for loss or damage that may result directly or indirectly from the condition of the property.

10. **ENVIRONMENT AND PLANNING**

10.1 We will obtain town planning information which is publically available. It is Your responsibility to check the accuracy of this information by obtaining a certificate under the appropriate legislation should you wish to confirm.

10.2 State or Federal Laws may require environmental audits to be undertaken before there is a change of land use. You will provide such audits to Us where they are required. We will not advise You whether such audits are required or obtain such audits. If You do not provide Us with such audits We will perform the Services on the condition that such audits are not required.

11. **BUILDING AREAS AND LETTABLE AREAS**

11.1 Where a survey is provided to Us for consideration, Our valuation will be conditional upon that information contained in the survey being accurate and having been prepared in accordance with the Property Council of Australia (PCA) Method of Measurement.

11.2 If You do not provide Us with a survey, We will estimate building and/or lettable areas based only upon available secondary information (including but not limited to building plans, Deposited Plans, and our own check measurements). Such estimates do not provide the same degree of accuracy or certainty as would be provided by a survey prepared by an appropriately qualified professional in accordance with the Property Council of Australia (PCA) Method of Measurement.

11.3 Where such a survey is subsequently produced which differs from the areas estimated then You will refer the valuation or consultancy advice back to Us for comment or, where appropriate, amendment.

12. **OTHER CONDITIONS**

12.1 Unless otherwise notified by You, Our valuation will be conditional upon:

(a) There being no easements, mortgages, leases, encumbrances, covenants, caveats, rights of way or encroachments except those shown on the Title; and

(b) All licences and permits can be renewed and We will not make any enquiries in this regard.

12.2 Where third party expert or specialist information or reports are provided to Us or obtained by Us in connection with the Services (including but not limited to surveys, quantity surveyors reports, environmental audits, structural / dilapidation reports), we will rely upon the apparent expertise of such experts / specialists. We will not verify the accuracy of such information or reports as this is outside our area of expertise.

13. **MARKET PROJECTIONS**

13.1 Any forecasts, including but not limited to, financial cash flow projections, yields, growths rates or terminal value calculations noted within the services are a valuation tool only, undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.

13.2 Where our services include market projections such projections require the dependence upon a host of variables that are highly sensitive to varying conditions. Accordingly, variation in any of these conditions may significantly affect these market projections.

13.3 Where market projections form part of Our Services, We draw your attention to the fact that there will be a number of variables within acceptable market parameters that could be pertinent to Our Services and the projections adopted are representative of only one of these acceptable parameters.

14. **CONFIDENTIALITY**

14.1 You must not disclose or make any of the Confidential Information available to another person without Our written consent.

14.2 If consent to disclose the Confidential Information provided by Us, You agree to abide by any additional terms and conditions that We may apply to that disclosure.

15. **PRIVACY**

15.1 We may obtain personal information about You in the course of performing Our Services. We respect Your privacy. The Privacy Amendment (Private Sector) Act, 2000 requires Us to advise You that we will only obtain information that is necessary to assist us in the course of performing Our Services. If it is necessary for Us to engage third parties, we will inform these parties that they are not to disclose any personal information about You to any person or organisation other than Us.

16. **SUBCONTRACTING**

16.1 We may subcontract or otherwise arrange for another person to perform any part of the Services or to discharge any of Our obligations under any part of these Terms and Conditions, with Your consent.

17. **LIABILITY**

17.1 Knight Frank Valuations' Liability is limited by a scheme approved under Professional Standards Legislation.

17.2 You agree to release Us and hold Us harmless from all liability to You for or in respect of any loss, damage, costs and expenses of whatsoever kind which we have or may have or, but for the operation of this clause, might have had arising from or in any way connected with the Services or the use of the Services or any part of them. This release shall be complete and unconditional except in the case of gross negligence or wilful misconduct by Us in the provision of the Services.

17.3 You agree that You will fully indemnify Us for and in respect of all loss, liability, costs and expenses of whatsoever kind which We may suffer or incur arising from or in any way connected with any breach by You of any terms of this agreement. This indemnity shall include but not be limited to loss, liability, costs and expenses which we may suffer or incur in respect of any claims, actions, proceedings, disputes or allegations made against Us or to which we are a party.

17.4 The law of the Australian state in which a property is located will apply in every respect in relation to the valuation and the agreement with the client which shall be deemed to have been made in that state of Australia. In the event of a dispute arising in connection with a valuation, unless expressly agreed otherwise in writing by Knight Frank Valuations, the client, and any third party using the valuation, all will submit to the jurisdiction of the Australian Courts only. This will apply wherever the property or the client is located or the Service is provided.

18. **COMPLAINTS PROCEDURE**

18.1 If you have any concerns about our service, please raise them in the first instance with the valuer concerned. If this does not result in a satisfactory resolution, please contact the relevant Head of Department.

19. **ENTIRE AGREEMENT**

19.1 No further agreement, amendment or modification of these Terms and Conditions shall be valid or binding unless made in writing and executed on behalf of the Parties by their duly authorised officers.

19.2 If there is an inconsistency between these Terms and Conditions and the Quotation, any letter of instruction from You, or other specific request or information, the other specific request or information shall prevail to the extent of the inconsistency.

TITLE DOCUMENTS

Title Search

LAND AND PROPERTY INFORMATION NEW SOUTH WALES - TITLE SEARCH

FOLIO: 2/1196414

SEARCH DATE	TIME	EDITION NO	DATE
12/10/2017	3:45 PM	2	23/6/2015

LAND

LOT 2 IN DEPOSITED PLAN 1196414
AT INGLEBURN
LOCAL GOVERNMENT AREA CAMPBELLTOWN
PARISH OF MINTO COUNTY OF CUMBERLAND
TITLE DIAGRAM DP1196414

FIRST SCHEDULE

PACTUM FOODS PTY LIMITED (T AJ564666)

SECOND SCHEDULE (6 NOTIFICATIONS)

1 LAND EXCLUDES MINERALS WITHIN THE PART(S) SHOWN SO INDICATED IN THE TITLE DIAGRAM (PA53323)
2 DP647440 EASEMENT TO DRAIN WATER VARIABLE WIDTH AFFECTING THE PART(S) SHOWN SO BURDENED IN THE TITLE DIAGRAM
3 DP1196414 RIGHT OF CARRIAGEWAY 17 METRE(S) WIDE AND VARIABLE AFFECTING THE PART(S) SHOWN SO BURDENED IN THE TITLE DIAGRAM
4 DP1196414 RIGHT OF CARRIAGEWAY 17 METRE(S) WIDE AND VARIABLE APPURTENANT TO THE LAND ABOVE DESCRIBED
5 DP1196414 RESTRICTION(S) ON THE USE OF LAND REFERRED TO AND NUMBERED (3) IN THE S.88B INSTRUMENT
6 AJ564667 MORTGAGE TO HSBC BANK AUSTRALIA LIMITED

NOTATIONS

UNREGISTERED DEALINGS: NIL

*** END OF SEARCH ***

SURVEYING & SPATIAL INFORMATION REGULATION 2012
CLAUSE 61(2)

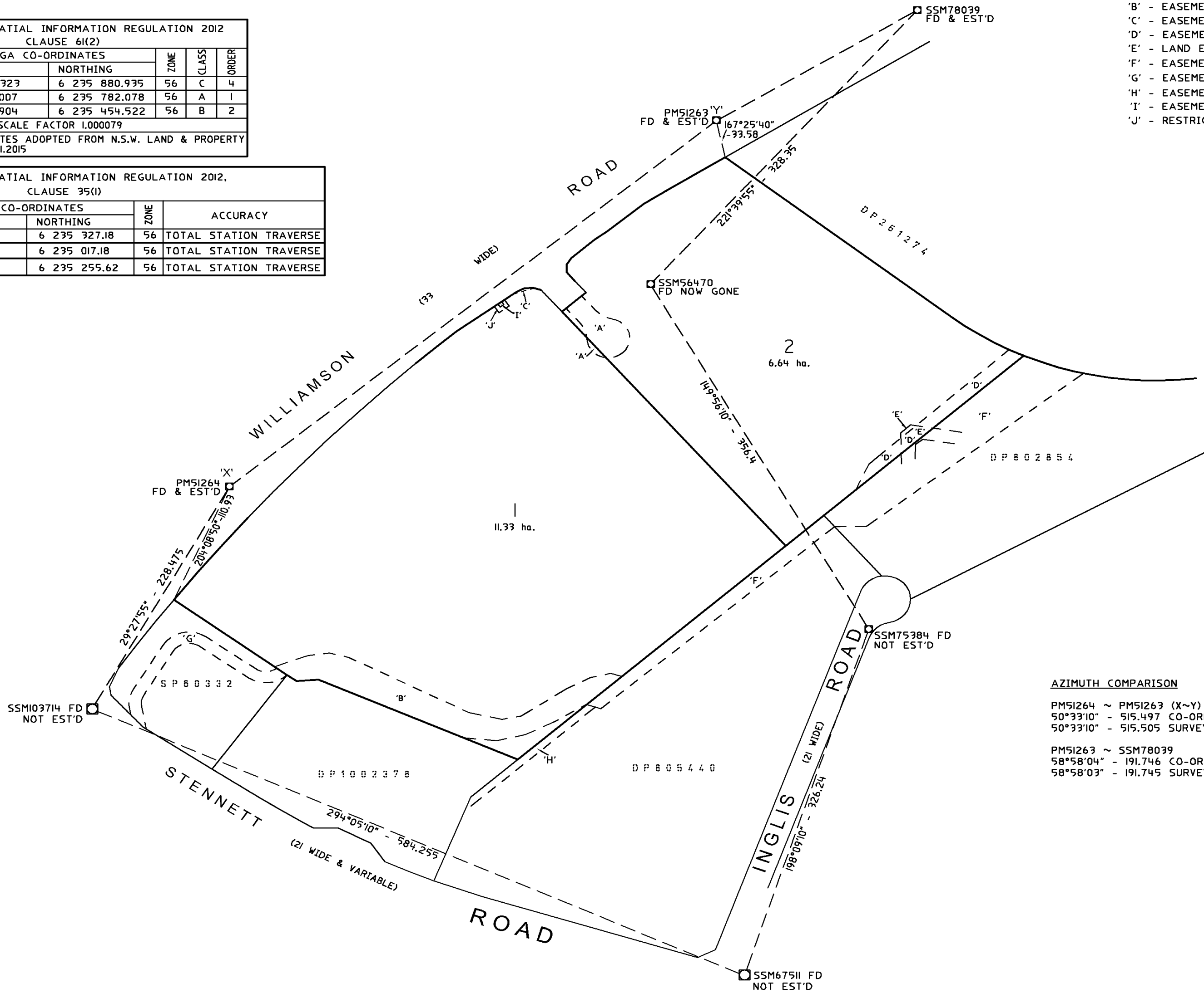
MARK	MGA CO-ORDINATES EASTING	NORTHING	ZONE	CLASS	ORDER
SSM78039	301 244.323	6 235 880.935	56	C	4
PM51263	301 080.007	6 235 782.078	56	A	1
PM51264	300 681.904	6 235 454.522	56	B	2

COMBINED SEA LEVEL SCALE FACTOR 1.000079
SOURCE: MGA CO-ORDINATES ADOPTED FROM N.S.W. LAND & PROPERTY INFORMATION DATED 15.01.2015

SURVEYING & SPATIAL INFORMATION REGULATION 2012,
CLAUSE 35(1)

MARK	MGA CO-ORDINATES EASTING	NORTHING	ZONE	ACCURACY
SSM75384	301 204.57	6 235 327.18	56	TOTAL STATION TRAVERSE
SSM67511	301 102.93	6 235 017.18	56	TOTAL STATION TRAVERSE
SSM103714	300 569.54	6 235 255.62	56	TOTAL STATION TRAVERSE

'A' - RIGHT OF CARRIAGEWAY 17 WIDE & VARIABLE
'B' - EASEMENT FOR DRAINAGE VARIABLE WIDTH
'C' - EASEMENT FOR UNDERGROUND CABLES VARIABLE WIDTH
'D' - EASEMENT TO DRAIN WATER VARIABLE WIDTH (DP647440)
'E' - LAND EXCLUDES MINERALS (PA53323)
'F' - EASEMENT TO DRAIN WATER VARIABLE WIDTH (DP802854)
'G' - EASEMENT TO DRAIN WATER 10 WIDE (DP802854)
'H' - EASEMENT TO DRAIN WATER 6.5 WIDE (DP802854)
'I' - EASEMENT FOR SWITCHING STATION 3.83 WIDE
'J' - RESTRICTION ON THE USE OF LAND 10.33 WIDE



AZIMUTH COMPARISON

PM51264 ~ PM51263 (X~Y)
50°33'10" - 515.497 CO-ORDINATES (GROUND)
50°33'10" - 515.505 SURVEY

PM51263 ~ SSM78039
58°58'04" - 191.746 CO-ORDINATES (GROUND)
58°58'03" - 191.745 SURVEY

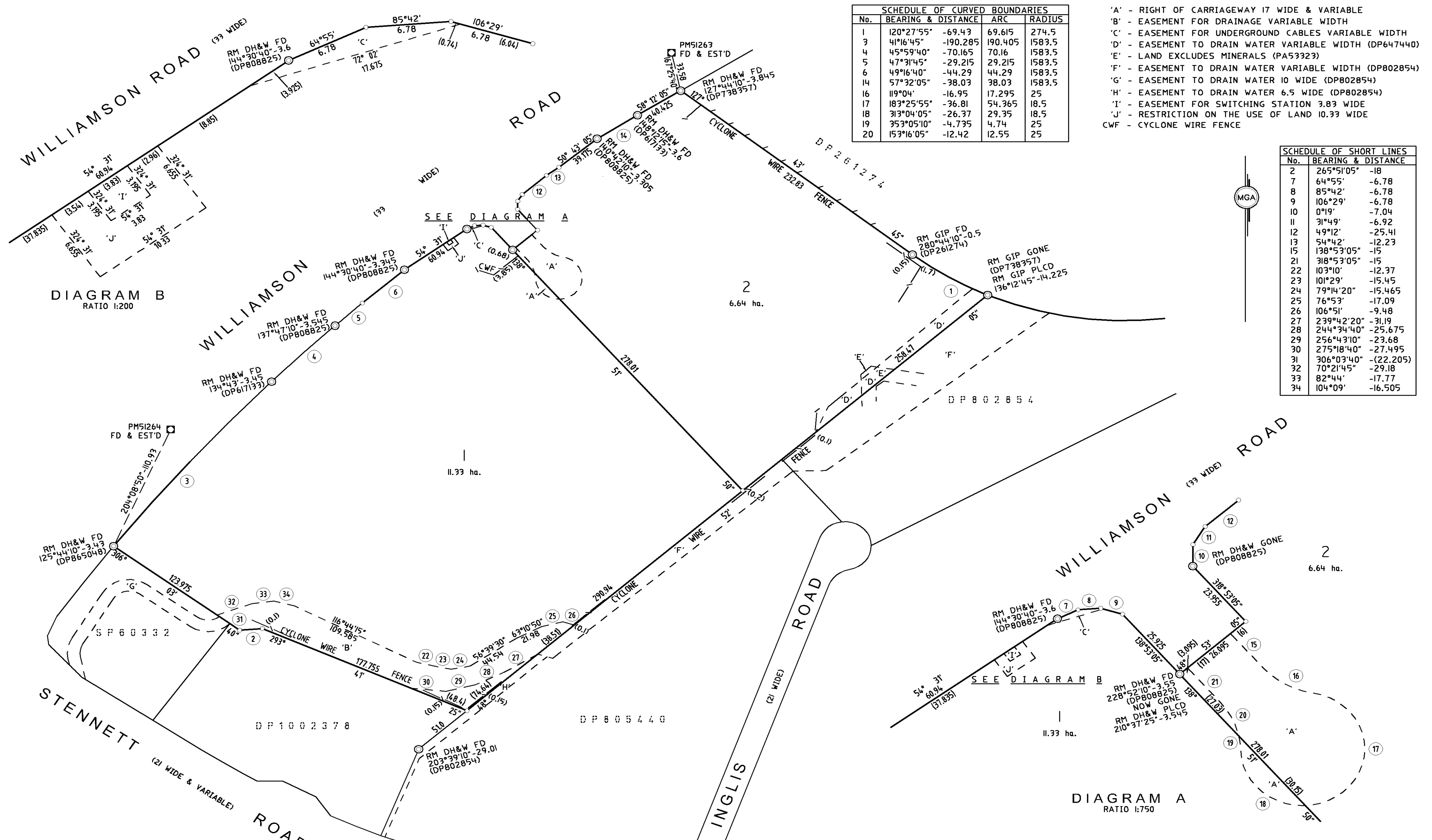
Surveyor: WILLIAM LEWIS BACKHOUSE Date of Survey: 15.01.2015 Surveyor's Ref: CH5364A4	PLAN OF SUBDIVISION OF LOT 2 IN DP1002378 AND LOT 301 IN DP808825	LGA. CAMPBELLTOWN Locality INGLEBURN Subdivision No: 14 of 2015 Lengths are in metres. Reduction Ratio 1:2500	Registered: 4.5.2015	DP1196414

10 20 30 40 50 Table of mm. 90 100 110 120 130 140

PLAN FORM 2 (A2)

WARNING: CREASING OR FOLDING WILL LEAD TO REJECTION

ePlan Sheet 2 of 2 sheets



SCHEDULE OF CURVED BOUNDARIES			
No.	BEARING & DISTANCE	ARC	RADIUS
1	120°27'55" -69.43	69.615	274.5
3	41°16'45" -190.285	190.405	1583.5
4	45°59'40" -70.165	70.16	1583.5
5	47°31'45" -29.215	29.215	1583.5
6	49°16'40" -44.29	44.29	1583.5
14	57°32'05" -38.03	38.03	1583.5
16	119°04' -16.95	17.295	25
17	183°25'55" -36.81	54.365	18.5
18	313°04'05" -26.37	29.35	18.5
19	353°05'10" -4.735	4.74	25
20	153°16'05" -12.42	12.55	25

'A' - RIGHT OF CARRIAGEWAY 17 WIDE & VARIABLE
'B' - EASEMENT FOR DRAINAGE VARIABLE WIDTH
'C' - EASEMENT FOR UNDERGROUND CABLES VARIABLE WIDTH
'D' - EASEMENT TO DRAIN WATER VARIABLE WIDTH (DP647440)
'E' - LAND EXCLUDES MINERALS (PA53323)
'F' - EASEMENT TO DRAIN WATER VARIABLE WIDTH (DP802854)
'G' - EASEMENT TO DRAIN WATER 10 WIDE (DP802854)
'H' - EASEMENT TO DRAIN WATER 6.5 WIDE (DP802854)
'I' - EASEMENT FOR SWITCHING STATION 3.83 WIDE
'J' - RESTRICTION ON THE USE OF LAND 10.33 WIDE
CWF - CYCLONE WIRE FENCE

SCHEDULE OF SHORT LINES	
No.	BEARING & DISTANCE
2	265°51'05" -18
7	64°55' -6.78
8	85°42' -6.78
9	106°29' -6.78
10	0°19' -7.04
11	31°49' -6.92
12	49°12' -25.41
13	54°42' -12.23
15	138°53'05" -15
21	318°53'05" -15
22	103°10' -12.37
23	101°29' -15.45
24	79°14'20" -15.465
25	76°53' -17.09
26	106°51' -9.48
27	239°42'20" -31.19
28	244°34'40" -25.675
29	256°43'10" -23.68
30	275°18'40" -27.495
31	306°03'40" -(22.205)
32	70°21'45" -29.18
33	82°44' -17.77
34	104°09' -16.505

Surveyor: WILLIAM LEWIS BACKHOUSE
Date of Survey: 15.01.2015
Surveyor's Ref: CH5364A4

PLAN OF SUBDIVISION OF LOT 2 IN DP1002378 AND LOT 301 IN DP808825

LGA. CAMPBELLTOWN
Locality INGLEBURN
Subdivision No: 14 of 2015
Lengths are in metres. Reduction Ratio 1:2000

Registered:
4.5.2015

DP1196414

10	20	30	40	50	Table of mm.	90	100	110	120	130	140

PLAN FORM 6 (2012) WARNING: Creasing or folding will lead to rejection ePlan

DEPOSITED PLAN ADMINISTRATION SHEET

Sheet 1 of 2 sheet(s)

Office Use Only

Registered: 4.5.2015

Title System: TORRENS

Purpose: SUBDIVISION

Office Use Only

DP1196414

PLAN OF SUBDIVISION OF LOT 2 IN DP1002378 AND LOT 301 IN DP808825

LGA: CAMPBELLTOWN

Locality: INGLEBURN

Parish: MINTO

County: CUMBERLAND

Crown Lands NSW/Western Lands Office Approval

I, ... (Authorised Officer) in approving this plan certify that all necessary approvals in regard to the allocation of the land shown herein have been given.

Signature: ....

Date: ....

File Number: ....

Office: ....

Subdivision Certificate

I, BRENDAN LEO

Authorised Person/~~General Manager/*Accredited Certifier~~, certify that the provisions of s.109J of the *Environmental Planning and Assessment Act 1979* have been satisfied in relation to the proposed subdivision, new road or reserve set out herein.

Signature: Brendan Leo

Accreditation number: ....

Consent Authority: Campbelltown City Council

Date of endorsement: 31 Mar 2015

Subdivision Certificate number: 14 of 2015

File number: 2977/2013

*Strike through if inapplicable.

Survey Certificate

I, WILLIAM LEWIS BACKHOUSE

of WILLIAM L BACKHOUSE PTY LTD. ABN 88 003 000 708

P.O. BOX 6807 BAULKHAM HILLS NSW 2153 ....

a surveyor registered under the *Surveying and Spatial Information Act 2002*, certify that:

*(a) The land shown in the plan was surveyed in accordance with the *Surveying and Spatial Information Regulation 2012*, is accurate and the survey was completed on 15.01.2015

*~~(b) The part of the land shown in the plan (*being/*excluding ^ ....) was surveyed in accordance with the *Surveying and Spatial Information Regulation 2012*, is accurate and the survey was completed on, ... the part not surveyed was compiled in accordance with that Regulation.~~

*(c) The land shown in this plan was compiled in accordance with the *Surveying and Spatial Information Regulation 2012*.

Signature: .... Dated: .20.01.2015

Surveyor ID: 421

Datum Line: X~Y

Type: *Urban/*~~Rural~~

The terrain is *Level-Undulating / *~~Steep-Mountainous~~.

*Strike through if inapplicable.

^Specify the land actually surveyed or specify any land shown in the plan that is not the subject of the survey.

Statements of intention to dedicate public roads, public reserves and drainage reserves.

Plans used in the preparation of survey.

DP808825; DP1002378; DP802854; DP1043049; DP865048; DP876990; DP647440; DP738357

If space is insufficient continue on PLAN FORM 6A

Signatures, Seals and Section 88B Statements should appear on PLAN FORM 6A

Surveyor's Reference: CH5364A4

PLAN FORM 6A (2012) WARNING: Creasing or folding will lead to rejection ePlan

DEPOSITED PLAN ADMINISTRATION SHEET

Sheet 2 of 2 sheet(s)

Use Only

Registered: 4.5.2015

Office Use Only

DP1196414

PLAN OF SUBDIVISION OF LOT 2 IN DP1002378 AND LOT 301 IN DP808825

This sheet is for the provision of the following information as required:

- A schedule of lots and addresses - See 60(c) *SSI Regulation 2012*
- Statements of intention to create and release affecting interests in accordance with section 88B *Conveyancing Act 1919*
- Signatures and seals- see 195D *Conveyancing Act 1919*
- Any information which cannot fit in the appropriate panel of sheet 1 of the administration sheets.

Subdivision Certificate number: 14 of 2015

Date of Endorsement: 31 Mar 2015

PURSUANT TO SEC.88B OF THE CONVEYANCING ACT 1919, AS AMENDED, IT IS INTENDED TO CREATE:

1. RIGHT OF CARRIAGEWAY 17 WIDE & VARIABLE - 'A'
2. EASEMENT FOR DRAINAGE VARIABLE WIDTH - 'B'
3. RESTRICTION ON THE USE OF LAND
4. EASEMENT FOR SWITCHING STATION 3.83 WIDE – ' I '
5. RESTRICTION ON THE USE OF LAND –'J'
6. EASEMENT FOR UNDERGROUND CABLES VARIABLE WIDTH – 'C'

LOT	STREET NO.	STREET NAME	STREET TYPE	LOCALITY
1	8	WILLIAMSON	ROAD	INGLEBURN
2	8A	WILLIAMSON	ROAD	INGLEBURN

Signed by CSR Viridian Properties Pty Limited in accordance with Section 127(1) of the Corporations Act 2001.

Director [signature]

Name GREGORY DAVID BARNES

ACN 007 510 447

Secretary [signature]

Name DEBBIE JEAN SCHROEDER

ACN 007 510 447

If space is insufficient use additional annexure sheet

Surveyor's Reference: CH5364A4

VALUATION CALCULATIONS

Knight Frank Valuations

8a Williamson Road Ingleburn

Valuation Calculations

Client Reference:
Pactum

Valuation Date: 29 November 2017

The calculations contained within must be read in conjunction with our full valuation report and should not be relied upon in isolation. The attached Discounted Cashflow is undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this calculations workbook on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.

Knight Frank Valuations

Valuation Calculations

8a Williamson Road Ingleburn

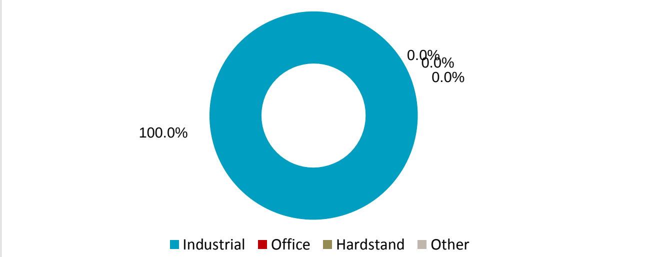
Display Tenancy Schedule

Date of Valuation 10/10/2017

#	*Tenant*	*Income Type*	*Level/Suite*	*Area (m ²)*	*No. of Car spaces*	*Lease Commencement*	*Lease Expiry*	*Rem.Term (Yrs)*	*Next Rent Review*	*Next Review Type*	*Lease Type*	*Rent Free Until*	***Base Rent $ p.a.** (before rebates, recoveries & rent free)*	*Annualised Rebate/Rent Free $pa*	***Outgoings Recovered** (Semi Gross and Net leases)*	***Passing Base Rent $ p.a** (after rebates, recoveries & rent free)*	*Current Net Rent ($/m² pa) (before rebates & rent free)*	*Net Market Rent ($/m² pa)*	*Net Market Rent ($ p.a.)*	*Applied Reversion Date*	*Leasing & Incentive Allowance for Vacant Areas*	*NPV Super Rent/Rental Shortfall for Leased Areas*
1	FFGL	Industrial	0	30,352.0		29/11/2017	28/11/2037	20.0	29/11/2018	4.00%	Net	-	$6,328,841	-	$682,920	$7,011,761	$209	$100	$3,035,200	29-Nov-37	-	$34,112,701
	Total			**30,352.0**	**0**								**$6,328,841**	**-**	**$682,920**	**$7,011,761**			**$3,035,200**		**$0**	**$34,112,701**

Income Summary	*Passing Income*		*Market Income*	
Industrial	$6,328,841	*100.0%*	$3,035,200	*100.0%*
Office	$0	*0.0%*	$0	*0.0%*
Hardstand	$0	*0.0%*	$0	*0.0%*
Other	$0	*0.0%*	$0	*0.0%*
Total Rental Income	**$6,328,841**		**$3,035,200**	
Less: Annual Rebates & Rent Free	-			
Plus: Outgoings Recoveries	$682,920		$682,920	
Less: Rental for Deferred tenancies	-			
Gross Income	**$7,011,761**		**$3,718,120**	
Less: Outgoings	$682,920		$682,920	
Net Income	**$6,328,841**		**$3,035,200**	

Passing Income Summary (before recoveries, rent free, rebates)



Lease Expiry Profile

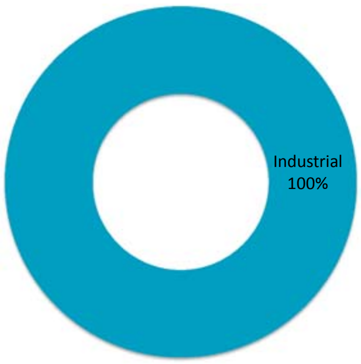
Knight Frank Valuations

Valuation Calculations
8a Williamson Road Ingleburn
Tenancy Overview
Date of Valuation: 10/10/2017

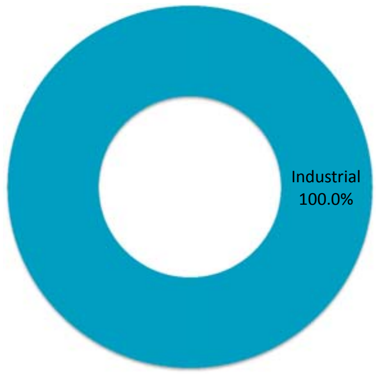
Tenancy Summary

Total Number of Tenants	1	***Current Occupancy***	100.0%	***Average Lease Duration***	20.0 yrs

Use Composition by Lettable Area



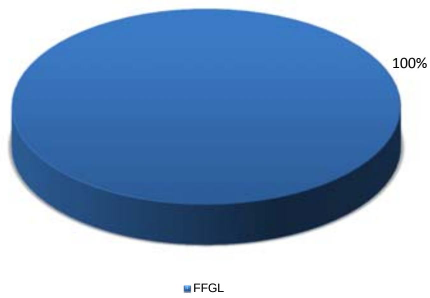
Use Composition by Passing Income



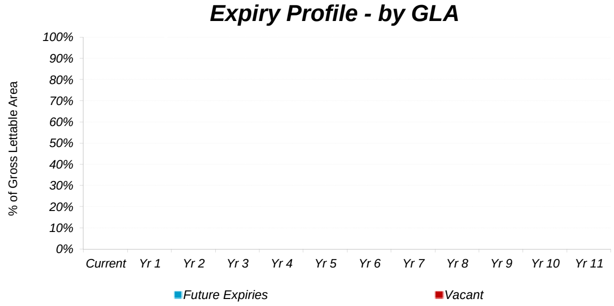
Major Tenant Summary

Tenant	*Expiry Date*	*GLA*	*% GLA*	*% Passing Rental*
FFGL	28-Nov-37	30,352	100.0%	100.0%
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
Total		***30,352***	***100.0%***	***100.0%***

Tenant Composition by Passing Income



Expiry Profile - by GLA

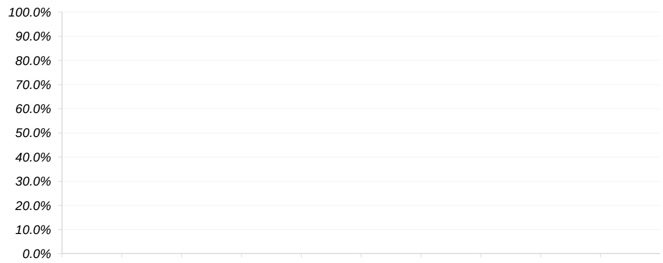


Expiry Profile Matrix (Initial Expiries)

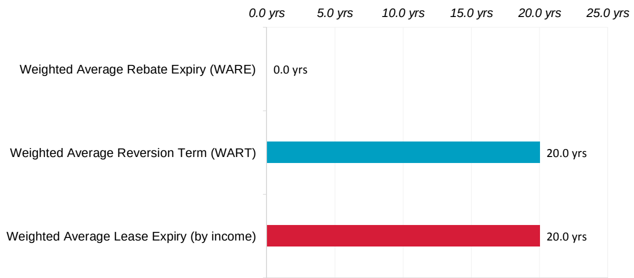
Year	*Year Ending*	*GLA*	*% GLA*
	Current Vacancy	-	-
1	Nov-18	-	-
2	Nov-19	-	-
3	Nov-20	-	-
4	Nov-21	-	-
5	Nov-22	-	-
6	Nov-23	-	-
7	Nov-24	-	-
8	Nov-25	-	-
9	Nov-26	-	-
10	Nov-27	-	-
11	Nov-28	-	-
		-	**-**

Outstanding Rebates & Rent Free Incentives

(% of Fully Leased Net Rental i.e. passing + market rental over vacant space)



WALE, WART & WARE (Yrs)



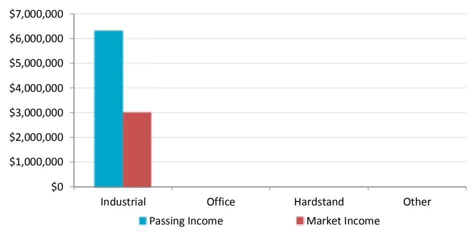
Knight Frank Valuations

Commercial Valuations Model
8a Williamson Road Ingleburn
Summary Data & Results
Date of Valuation: 10/10/2017

Income Summary

Use	Passing Income	$/m²pa	Market Income	$/m²pa
Industrial	$6,328,841	*$209*	$3,035,200	*$100*
Office	$0	-	$0	-
Hardstand	$0		$0	
Other	$0		$0	
Total Rental	***$6,328,841***		***$3,035,200***	
Less: Annual Rebates & Rent Free	$0			
Plus: Outgoings Recoveries	$682,920		$682,920	
Less: Rental for Deferred tenancies	$0			
Gross Income	**$7,011,761**		**$3,718,120**	
Less: Outgoings	$682,920	*$23*	*$682,920*	*$23*
Net Income	***$6,328,841***		***$3,035,200***	

Passing Income v Market Income
Current Gross Rent ($ pa) (before recoveries rebates & rent free)



Passing Rent v Market Rent

Rental differential including vacant areas
Industrial: *46.97%*
Office: *0.00%*
Rental differential excluding vacant areas
Industrial: *46.97%*
Office: *0.00%*

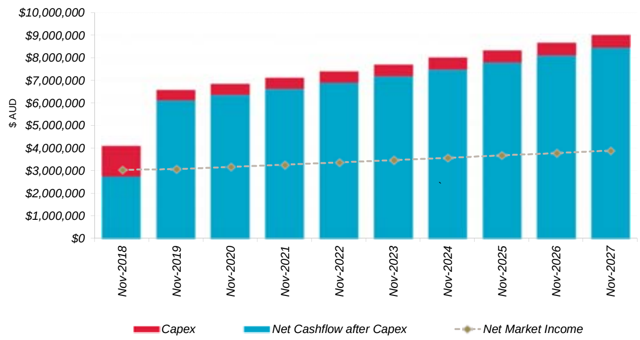
Current Vacancy

Use	*Vacancy (m²)*	*% of GLA*
Industrial	-	-
Office	-	-
Total	***0.0***	***0.0%***

Cashflow Summary

Analysis Date 29/11/2017

Net Cashflow Projections



Cashflow Profile (Year End)

	Net Cashflow (before capex)	*Capex*	*Net Cashflow (after capex)*
1	$4,135,150	*($1,363,412)*	$2,771,738
2	$6,581,994	*($478,795)*	$6,103,199
3	$6,845,274	*($491,244)*	$6,354,030
4	$7,119,085	*($502,542)*	$6,616,543
5	$7,403,849	*($515,106)*	$6,888,743
6	$7,700,003	*($527,469)*	$7,172,534
7	$8,008,003	*($539,600)*	$7,468,402
8	$8,328,323	*($551,472)*	$7,776,851
9	$8,661,456	*($564,155)*	$8,097,300
10	$90,836,714	*($578,259)*	$90,258,455

Capital Expenditure

Building Capex (10 yr)	$6,112,055
Operational Capex (10 year)	$0
Outstanding Capital Incentives	$0
Total Capex (10 year)	*$6,112,055*
Total Capex $/m2 of NLA (10 year)	$201/m²
% of Building Value	8.15%

Valuation Summary

DCF Analysis

Discount Rate	8.75%	
Terminal Yield	8.50%	
Present Value of Cashflow	$79,047,224	
Less Acquisition Costs	$4,191,898	
Indicated Value	***$74,855,326***	
NPV of Cashflow	$43,678,978	*58.4%*
PV Of Terminal Value	$31,176,348	*41.6%*

Capitalisation Approach

Net Market Income		***$3,035,200***	
Capitalisation Rate Range	*7.00%*	***7.25%***	*7.50%*
Core Value (pre adjustments)	$43,360,000	***$41,864,828***	$40,469,333
Adjustments	$33,215,951	$33,215,951	$33,215,951
Indicated Value Range	***$76,575,951***	***$75,080,778***	***$73,685,284***

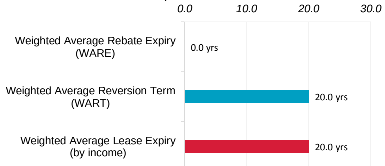
DCF Analysis Sensitivity

Discount Rate	*Terminal Yield* 8.25%	8.50%	8.75%
8.25%	$77,910,419	$77,292,049	$76,707,796
8.50%	$76,664,429	$76,060,160	$75,489,231
8.75%	$75,445,846	**$74,855,326**	$74,297,387
9.00%	$74,253,974	$73,676,859	$73,131,585
9.25%	$73,088,135	$72,524,092	$71,991,168

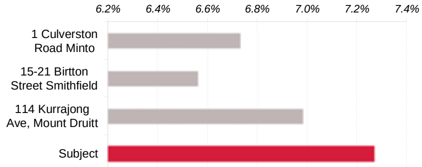
Adopted Value — *$75,000,000*

Passing Initial Yield		*8.44%*
Reversionary Yield		*4.05%*
Core Market Yield *(Analysed Capitalisation Rate)*		***7.26%***
Adopted Capitalisation Rate		*7.25%*
Rate per square metre of GLA		*$2,471*
Rate per square metre of Site Area		*$1,130*
Weighted Average Lease Expiry (by income)		*20.0 yrs*
Internal Rate of Return (after costs)	*10 years*	***8.7%***
	5 years	*6.5%*
Weighted Average Reversion Term (WART)		*20.0 yrs*
Weighted Average Rebate Expiry (WARE)		*0.0 yrs*

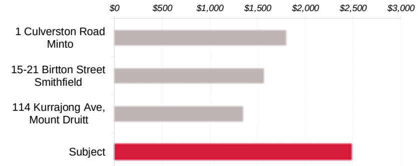
WALE, WART & WARE



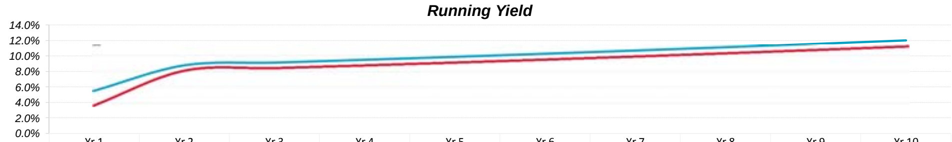
Core Market Yield Comparison



Rate per square metre of GLA



Running Yield



	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Running Yield (before capex)	5.5%	8.8%	9.1%	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%	12.0%
Running Yield (after capex)	3.7%	8.1%	8.5%	8.8%	9.2%	9.6%	10.0%	10.4%	10.8%	11.2%

Running Yield (before capex) — Running Yield (after capex)

Knight Frank Valuations

Valuation Calculations

8a Williamson Road Ingleburn

Rental Profile

Date of Valuation 10/10/2017

Assumptions Applied	*Total*	*Industrial*	
Adopted Outgoings $/m2	$22.50	$22.50	$0.00
Current Gross Incentive	0.0%	7.5%	0.0%
Assumed Lease Term	5 years	5 years	0 years
Gross Incentive (mths)	-	5 mths	-

Leasing Fees (% of first years gross rent)

Vacant	*13.0%*
Existing Tenant renewals	*5.0%*

Market Rental Assumptions

						Gross Face Assumptions (before semi-gross recoveries)			*Net Face Assumptions*			*Gross Effective Assumptions*			*Net Effective Assumptions*		
Tenant	**Income Type**	**Component**	**GLA (m²)**	**No. of Car spaces**	**Lease Type**	**Passing ($/m² pa)**	**Market ($/m² pa)**	**Differential (%)**	**Passing ($/m² pa)**	**Market ($/m² pa)**	**Differential (%)**	**Passing ($/m² pa)**	**Market ($/m² pa)**	**Differential (%)**	**Passing ($/m² pa)**	**Market ($/m² pa)**	**Differential (%)**
FFGL	Industrial	0	30,352.0		Net	$231	$123	*88.6%*	$209	**$100**	*108.5%*	$214	$113	*88.6%*	$191	$91	*110.5%*
*Average **Industrial** Rentals (incl Vacant Space)*						*$231*	*$123*	*46.97%*	*$209*	*$100*	*52.04%*	*$214*	*$113*	*46.97%*	*$191*	*$91*	*52.50%*
*Average **Office** Rentals (incl Vacant Space)*						-	-	*0.00%*	-	-	*0.00%*	-	-	*0.00%*	-	-	*0.00%*
*Average **Industrial** Rentals (excl Vacant Space)*						*$231*	*$123*	*46.97%*	*$209*	*$100*	*52.04%*	*$214*	*$113*	*46.97%*	*$191*	*$91*	*52.50%*
*Average **Office** Rentals (excl Vacant Space)*						-	-	*0.00%*	-	-	*0.00%*	-	-	*0.00%*	-	-	*0.00%*

Knight Frank Valuations

Valuation Calculations

8a Williamson Road Ingleburn

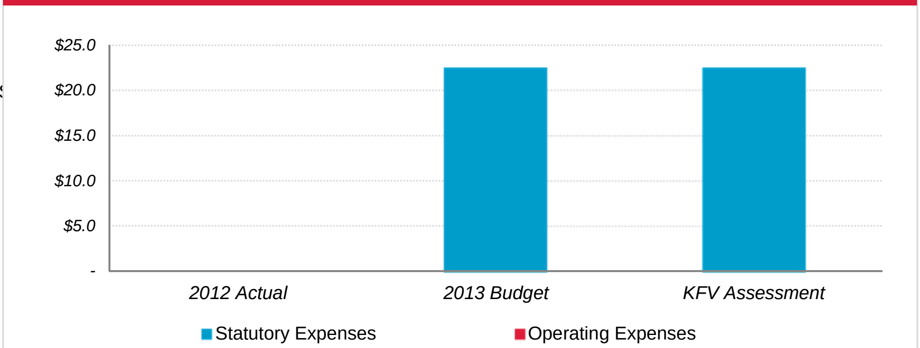
Outgoings Assumptions

Date of Valuation 10/10/2017

Total Outgoings

Total Outgoings	*2012 Actual*		*2013 Budget*		*KFV Assessment*	
Statutory	**per annum**	**per annum**	**per annum**	**per annum**	**per annum**	**per annum**
Council Rates	$0	-	$682,920	$22.50/m²	$682,920	$22.50/m²
Water Rates	$0	-	$0	-	$0	-
Land Tax	$0	-	$0	-	$0	-
Other Statutory Outgoings	$0	-	$0	-	$0	-
Total Statutory	*$0*	-	*$682,920*	*$22.50/m²*	*$682,920*	*$22.50/m²*
Operating Expenses						
Insurance	$0	-	$0	-	$0	-
Air conditioning	$0	-	$0	-	$0	-
Cleaning (Non Recoverable)	$0	-	$0	-	$0	-
Building Supervision	$0	-	$0	-	$0	-
Electricity	$0	-	$0	-	$0	-
Fire Protection	$0	-	$0	-	$0	-
Gas & Oil	$0	-	$0	-	$0	-
Lifts & Escalators	$0	-	$0	-	$0	-
Repairs & Maintenance	$0	-	$0	-	$0	-
Bldg. Auto / Energy Man.	$0	-	$0	-	$0	-
Security	$0	-	$0	-	$0	-
Miscellaneous	$0	-	$0	-	$0	-
Management	$0	-	$0	-	$0	-
Total Operating	*$0*	-	*$0*	-	*$0*	-
Total Statutory & Operating	***$0***	-	***$682,920***	*$22.50/m²*	***$682,920***	*$22.50/m²*

Outgoings Benchmarking



Knight Frank Valuations

Valuation Calculations

8a Williamson Road Ingleburn

Outstanding Rebates & Capital Incentives

Date of Valuation 10/10/2017

Tenant	Level/Suite	Incentive Type	Incentive Expiry Date	Months Remaining	Rebate ($ pa)	Capital and/or Rent Free	Total Incentive	PV of Incentive
FFGL	-	-			-	-	-	-
Totals						***Total (PV)***		***$0***

Knight Frank Valuations

Valuation Calculations

8a Williamson Road Ingleburn

Capital Expenditure Assumptions

Date of Valuation: 1010/2017

CAPEX ASSUMPTIONS

Ongoing Capital Expenditure	$15.00/m²	pa	$455,280 pa
Make Good/Capex at Expiry	$15/m²	pa	
Ongoing Capex & Make Good escalation (CPI or %)	CPI	pa	

Other/Budgeted Capital Expenditure allowances *(in addition to ongoing & make good allowances) - excludes Capital Incentives*

Capex Item	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13
Construciton of Concrete Slab Front Warehouse	$896,750												
Total Base Building Capex	***$896,750***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***	***$0***

TOTAL CAPEX - SUMMARY

Capital Expenditure Assumptions	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13
Capex Growth (Annual)	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%
Ongoing Capex ($/m2)	*$15*	*$16*	*$16*	*$17*	*$17*	*$17*	*$18*	*$18*	*$19*	*$19*	*$20*	*$20*	*$21*
Ongoing Capex Allowance ($/p.a)	$466,662	$478,795	$491,244	$502,542	$515,106	$527,469	$539,600	$551,472	$564,155	$578,259	**$592,716**	**$607,534**	**$622,722**
Capex at Expiry before renewals ($/m2)	*$15*	*$16*	*$16*	*$17*	*$17*	*$17*	*$18*	*$18*	*$19*	*$19*	*$20*	*$20*	*$21*
Capex at Expiry after renewals ($/p.a)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**	**$0**	**$0**
Other/Budgeted Capex ($/p.a)	$896,750	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**	**$0**	**$0**
Other/Budgeted Capex ($/m2)	*$30*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
Total Capex before Capital Incentives	*$1,363,412*	*$478,795*	*$491,244*	*$502,542*	*$515,106*	*$527,469*	*$539,600*	*$551,472*	*$564,155*	*$578,259*	*$592,716*	*$607,534*	*$622,722*
Capital Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**	**$0**	**$0**
Total Capex (annually)	***$1,363,412***	***$478,795***	***$491,244***	***$502,542***	***$515,106***	***$527,469***	***$539,600***	***$551,472***	***$564,155***	***$578,259***	**$592,716**	**$607,534**	**$622,722**
Total Capex ($/m2 pa)	*$45*	*$16*	*$16*	*$17*	*$17*	*$17*	*$18*	*$18*	*$19*	*$19*	*$20*	*$20*	*$21*
Total Capex (10 years)	**$6,112,055**												
Total capex ($/m2)	$201.37												
Total capex as % of Market Value	0.081494067												
NPV of Capex (10 years)	$4,517,810												
NPV of Capex (5 years)	$2,978,075												
NPV of Total capex as % of Market Value	0.060237464												
NPV of Capex before Capital Incentives	$4,517,810												

Knight Frank Valuations

Valuation Calculations

8a Williamson Road Ingleburn

Capitalisation Approach

Valuation Date: 10/10/2017

Core Market Yield Basis

Market Income				
Industrial			$3,035,200	
Office			$0	
Other			$0	
			$3,035,200	
Plus: Outgoings Recoveries			$682,920	
Gross Annual Income			**$3,718,120**	
Less: Outgoings			$682,920	
Net Annual Income *(after ongoing Vacancy allowances)*			**$3,035,200**	
Capitalised at		***7.00%***	***7.25%***	***7.50%***
Core Value Range (assuming fully leased)		**$43,360,000**	**$41,864,828**	**$40,469,333**
Rate per m² of Lettable Area		*$1,429*	*$1,379*	*$1,333*
Adjustments				
Net Present Value of Rental Reversions *(Note 1)*		$34,112,701	$34,112,701	$34,112,701
Current Vacancy Allowances (Note 2)				
Leasing Downtime		$0	$0	$0
Leasing Incentives		$0	$0	$0
Agents Fees & Leasing Costs *(Note 4)*		$0	$0	$0
Imminent Expiry Allowances (Note 3)				
Leasing Downtime over next	*12 mths*	$0	$0	$0
Leasing Incentives for New Leases next	*12 mths*	$0	$0	$0
Agents Fees & Leasing Costs *(Note 4)*	*12 mths*	$0	$0	$0
Outstanding Leasing Incentives (Note 5)				
PV of Rebates		$0	$0	$0
PV of Capital Incentives		$0	$0	$0
PV of Rent Free Incentives		$0	$0	$0
Capital Expenditure (Note 6)				
Make good at Expiries over next	*12 mths*	$0	$0	$0
Other/Budgeted Capital Expenditure over next	*24 mths*	-$896,750	-$896,750	-$896,750
Total Adjustments		**$33,215,951**	**$33,215,951**	**$33,215,951**
Resultant Capitalisation Value Range		**$76,575,951**	**$75,080,778**	**$73,685,284**
Rate per m² of Lettable Area		*$2,523*	*$2,474*	*$2,428*

Capitalisation Approach - Explanatory Notes:

Note 1 - Net Present Value of Rental Reversions

Rental reversions reflect a cumulative profit rental of: $34,112,701

Note 2 - Current Vacancy Allowances

Nil allowances as there are no vacancies

Note 3 - Imminent Expiry Allowances

Imminent Expiry allowances are nil.

The incentive probability is considered to reflect a balance between the full incentive granted to incoming tenants and the reduced incentives typically provided to sitting tenants.

Note 4 - Agents Fees & Leasing Costs

Agents Fees & Leasing Costs are nil.

Note 5 - Outstanding Leasing Incentives

Outstanding Lease Incentives are nil.

Note 6 - Capital Expenditure

Immediate Capital Expenditure of $896,750 which equates to $105.50/m² for construciton of a concrete slab floor for the Front Warehouse

Beyond the first 12 months, the commmencing make good allowances are inflated annually by CPI at tenant retention rates detailed within our DCF inputs summary.

Knight Frank Valuations

Valuation Calculations

8a Williamson Road Ingleburn

DCF Cashflow Summary

Valuation Date: 10-October-2017

DCF Analysis

Year ending	*Nov-2018*	*Nov-2019*	*Nov-2020*	*Nov-2021*	*Nov-2022*	*Nov-2023*	*Nov-2024*	*Nov-2025*	*Nov-2026*	*Nov-2027*
	Yr 1	*Yr 2*	*Yr 3*	*Yr 4*	*Yr 5*	*Yr 6*	*Yr 7*	*Yr 8*	*Yr 9*	*Yr 10*
Industrial Income	$6,328,841	$6,581,994	$6,845,274	$7,119,085	$7,403,849	$7,700,003	$8,008,003	$8,328,323	$8,661,456	$9,007,914
Contracted Income	*$6,328,841*	*$6,581,994*	*$6,845,274*	*$7,119,085*	*$7,403,849*	*$7,700,003*	*$8,008,003*	*$8,328,323*	*$8,661,456*	*$9,007,914*
Renewal/Speculative Income	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*
Office Income	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-
Special Income	-	-	-	-	-	-	-	-	-	-
Total Rental Income (Fully Leased)	***$6,328,841***	***$6,581,994***	***$6,845,274***	***$7,119,085***	***$7,403,849***	***$7,700,003***	***$8,008,003***	***$8,328,323***	***$8,661,456***	***$9,007,914***
Plus: Outgoings Recovered	$682,920	$699,993	$718,193	$736,866	$753,814	$772,659	$791,203	$809,401	$827,207	$846,233
Less: Outgoings	($682,920)	($699,993)	($718,193)	($736,866)	($753,814)	($772,659)	($791,203)	($809,401)	($827,207)	($846,233)
Net Income (Fully leased)	***$6,328,841***	***$6,581,994***	***$6,845,274***	***$7,119,085***	***$7,403,849***	***$7,700,003***	***$8,008,003***	***$8,328,323***	***$8,661,456***	***$9,007,914***
Current Vacancy Allowances										
Leasing Downtime	-	-	-	-	-					
Leasing Incentives	-	-	-	-	-					
Agents Fees & Leasing Costs	-	-	-	-	-					
Renewal Expiry Allowances										
Leasing Downtime	-	-	-	-	-	-	-	-	-	-
Leasing Incentives	($1,859,060)	-	-	-	-	-	-	-	-	-
Agents Fees & Leasing Costs	($334,631)	-	-	-	-	-	-	-	-	-
Outstanding Leasing Incentives										
Rebates	-	-	-	-	-	-	-	-	-	-
Capital Incentives	-	-	-	-	-	-	-	-	-	-
Rent Free Incentives	-	-	-	-	-	-	-	-	-	-
Net Cashflow (before Capital Exp)	***$4,135,150***	***$6,581,994***	***$6,845,274***	***$7,119,085***	***$7,403,849***	***$7,700,003***	***$8,008,003***	***$8,328,323***	***$8,661,456***	***$9,007,914***
Ongoing Capital Expenditure	($466,662)	($478,795)	($491,244)	($502,542)	($515,106)	($527,469)	($539,600)	($551,472)	($564,155)	($578,259)
Capex Allowance at Expiries	-	-	-	-	-	-	-	-	-	-
Other Capital Expenditure	($896,750)	-	-	-	-	-	-	-	-	-
Net Cashflow (after Capital Exp)	***$2,771,738***	***$6,103,199***	***$6,354,030***	***$6,616,543***	***$6,888,743***	***$7,172,534***	***$7,468,402***	***$7,776,851***	***$8,097,300***	***$8,429,655***
Sale Price (Terminal Value)										$82,240,000
Selling Costs										($411,200)
Annual Cashflow	***$2,771,738***	***$6,103,199***	***$6,354,030***	***$6,616,543***	***$6,888,743***	***$7,172,534***	***$7,468,402***	***$7,776,851***	***$8,097,300***	***$90,258,455***

Discounted Cashflow Approach

Effective Annual Discount Rate		8.75%	
Present Value of Cashflow		$79,047,224	
Less Acquisition Costs		$4,191,898	
DCF Based Market Value		***$74,855,326***	
Apportioned as	NPV Cashflow	$43,678,978	(58.35%)
	PV Terminal Value	$31,176,348	(41.65%)

Terminal Value Calculations

Market Rent (end of Year 10)	$4,063,084
Less: Outgoings	$0
Net Income	***$4,063,084***
Terminal Core Market Yield	8.50%
Capitalised Value	***$47,800,984***
-	-
Less Adjustments:	
Rental Reversions	34,436,495
Leasing Downtime	-
Leasing Incentives	-
Agents Fees & Leasing Costs	-
Capex Allowance at Expiries	-
Other Capital Expenditure	-
Total Adjustments	34,436,495
Gross Realisation (rounded)	***$82,240,000***

These calculations must be read in conjuntion with our report. The above detailed financial cash flow projections or terminal value calculations noted are a valuation tool only, undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.

Knight Frank Valuations

Valuation Calculations

8a Williamson Road Ingleburn

DCF Variables Summary

Valuation Date: 10-Oct-2017

Cash Flow Projections

Yearly cash flows are derived on a tenant by tenant basis taking into account actual rent review patterns, dates, and rental incentives as appropriate. The rental flows shown on the analysis page which follows are the sum of the anticipated income generated each year.

Discounted Cash Flow Analysis

The discounted cash flow analysis and internal rates of return take into account the actual rental received each month of the cash flow period with discounting based on monthly rests assuming all cash flows are received or paid in arrears. In calculating NPV's and IRR's both purchase costs and selling costs are included unless otherwise stated. The discount rate is the assumed investment rate for this type of property. This DCF analysis conforms with the Australian Property Institutes' DCF Practice Standard.

Market Growth Assumptions

		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Industrial - Gross Market Growth Forecast (%)		2.3%	3.5%	3.2%	2.9%	2.9%	2.9%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	3.0%	3.0%
Office - Gross Market Growth Forecast (%)		2.2%	2.5%	2.6%	2.5%	2.5%	2.5%	2.4%	2.5%	2.6%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%
CPI	NSW	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
CPI +	0.00%	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
CPI +	0.00%	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
Parking		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Vacancy Assumptions & Incentives

Industrial	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	9	6	6	6	6	9	6	6	6	6	6	9	6	7	7
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	**4.5**	**3.0**	**3.0**	**3.0**	**3.0**	**4.5**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**4.5**	**3.0**	**3.3**	**3.3**
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		
Incentive allowance after renewal probability (mths)	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	6.0	6.0
Total allowance after renewal probabilities (mths)	***10.5***	***9.0***	***9.0***	***9.0***	***9.0***	***10.5***	***9.0***	***9.0***	***9.0***	***9.0***	***9.0***	***10.5***	***9.0***	***9.3***	***9.3***

Office	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Incentive allowance after renewal probability (mths)	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	3.0	3.0
Total allowance after renewal probabilities (mths)	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***

Other Income (eg. Parking, storage, telcos)	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Vacancy/Downtime on Expiry (mths)	6	6	6	6	6	6	6	6	6	6	6	6	6	6	6
Renewal probability applied to Downtime	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Vacancy/Downtime on Expiry after renewal probability(mths)	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**
Incentive allowance	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Renewal probability applied to Incentive	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%		
Incentive allowance after renewal probability (mths)	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**	3.0	3.0
Total allowance after renewal probabilities (mths)	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***	***6.0***

Industrial Rental Growth Assumptions

	Current	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr CAGR	10yr CAGR
Gross Rental Assumptions																
Face Rental Growth (%)		2.3%	3.5%	3.2%	2.9%	2.9%	2.9%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	3.0%	3.0%
Average Gross Face Rental	$123/m²	$125/m²	$130/m²	$134/m²	$138/m²	$142/m²	$146/m²	$150/m²	$155/m²	$159/m²	$164/m²	$169/m²	$174/m²	$179/m²		
Average Gross Effective Rental	$113/m²	$113/m²	$117/m²	$120/m²	$124/m²	$128/m²	$131/m²	$135/m²	$139/m²	$143/m²	$148/m²	$152/m²	$156/m²	$161/m²		
Effective Rental Growth (%)		-0.5%	3.5%	3.2%	2.9%	2.9%	2.9%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.4%	2.7%
Net Rental Assumptions																
Face Rental Growth (%)		2.3%	3.7%	3.3%	3.0%	3.0%	3.0%	3.3%	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%
Average Net Face Rental	$100/m²	$102/m²	$106/m²	$110/m²	$113/m²	$116/m²	$120/m²	$124/m²	$128/m²	$131/m²	$135/m²	$139/m²	$144/m²	$148/m²		
Average Net Effective Rental	$91/m²	$90/m²	$93/m²	$96/m²	$99/m²	$102/m²	$105/m²	$109/m²	$112/m²	$116/m²	$119/m²	$123/m²	$126/m²	$130/m²		
Effective Rental Growth (%)		-1.2%	3.7%	3.4%	3.1%	3.0%	3.0%	3.3%	3.2%	3.0%	3.0%	3.0%	3.0%	3.0%	2.4%	2.7%

Current Vacancy Assumptions

Industrial		Office		Other Income	
Assumed Term	5 yrs	Assumed Term	5 yrs	Assumed Term	5 yrs
Avg Lease up period	6 mths	Avg Lease up period	6 mths	Avg Lease up period	6 mths
Total **Gross** Incentive	7.5%	Total Gross Incentive	10.0%	Total Gross Incentive	0.0%
Current Market Incentive (mths)	5 mths	Current Market Incentive (mths)	6 mths	Current Market Incentive (mths)	

Capital Expenditure Assumptions

	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	5yr Avg	10yr Avg
Capex Growth (Annual)	2.5%	2.6%	2.6%	2.3%	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.4%
Ongoing Capex ($/m2)	$15	$15	$16	$16	$17	$17	$17	$18	$18	$19	$19	$20	$20	$16	$17
Ongoing Capex ($/p.a)	$466,662	$478,795	$491,244	$502,542	$515,106	$527,469	$539,600	$551,472	$564,155	$578,259	$592,716	$607,534	$622,722	$490,870	$521,530
Capex at Expiry before renewals ($/m2)	$15	$16	$16	$17	$17	$17	$18	$18	$19	$19	$20	$20	$21	$16	$17
Capex at Expiry after renewals ($/p.a)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		
Other/Budgeted Capex ($/p.a)	$896,750	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		
Other/Budgeted Capex ($/m2)	$30	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		
Capital Incentives	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0		
Total Capex (annually)	***$1,363,412***	***$478,795***	***$491,244***	***$502,542***	***$515,106***	***$527,469***	***$539,600***	***$551,472***	***$564,155***	***$578,259***	***$592,716***	***$607,534***	***$622,722***		
PV of Capital Expenditure	$1,312,372	$460,871	$472,854	$483,729	$495,823	$507,722	$519,400	$530,827	$543,036	$556,612	$570,527	$584,790	$599,410		
Total Capex ($/m2 pa)	$45	$16	$16	$17	$17	$17	$18	$18	$19	$19	$20	$20	$21		
Total Capex (10 Years)	***$6,112,055***														
Total capex as % of Market Value	8.15%														
NPV of Capex	***$4,517,810***														
NPV of capex as % of Market Value	6.02%														

Other Cashflow Assumptions

Lease/Agent Fees - Vacant space (current & future)	13.00% (of first year's gross rent)	Acquisition Costs	5.60%
Lease Renewal Fees - Existing Tenants	5.00% (of first year's gross rent)	Terminal Disposal/Selling Costs	0.50%
Terminal Yield (end of Yr 10)	8.50%		
Discount Rate	8.75% pa		

Knight Frank Valuations Model

Valuation Calculations

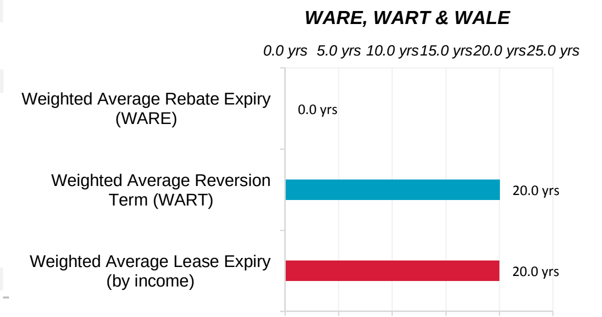
8a Williamson Road Ingleburn

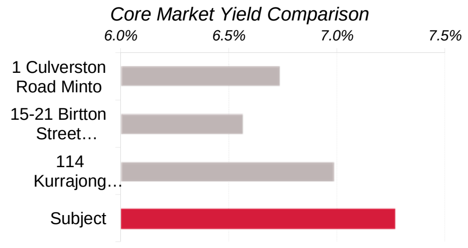
Valuation Summary

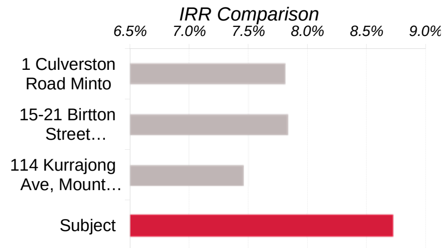
Date of Valuation: 10/10/2017

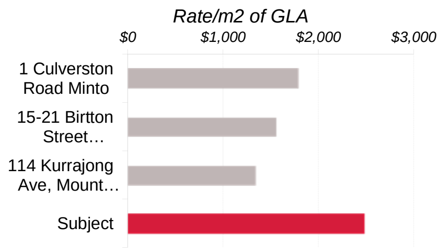
Adopted Value and Returns and Running Yields

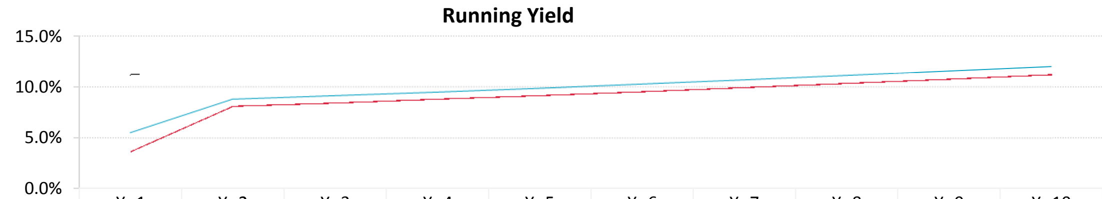
Adopted Value	***$75,000,000***
Passing Initial Yield (before capital expenditure)	n/a
Reversionary Yield	4.05%
Core Market Yield (Analysed Capitalisation Rate)	***7.26%***
Adopted Capitalisation Rate	7.25%
Rate per square metre of GLA	$2,471
Rate per square metre of Site Area	$1,130
Weighted Average Lease Expiry (by income)	20.0 yrs
Weighted Average Reversion Term (WART)	20.0 yrs
Weighted Average Rebate Expiry (WARE)	0.0 yrs
Internal Rate of Return after costs (10 yrs)	***8.72%***
Internal Rate of Return after costs (5 yrs)	6.51%











	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
Running Yield (before capex)	5.5%	8.8%	9.1%	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%	12.0%
Running Yield (after capex)	3.7%	8.1%	8.5%	8.8%	9.2%	9.6%	10.0%	10.4%	10.8%	11.2%

Running Yield (before capex) Running Yield (after capex)

Yield Definitions

***Core Market Yield** = the percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price plus adjustments to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc). In essence, this yield is risk adjusted.

***Passing Initial Yield** = the percentage return/yield based upon the current passing net income divided by the adopted value/price. No other adjustments are made. Can also be referred to as the passing yield.

***Equated Initial Yield** = the percentage return/yield analysed using the current passing net income + the net income of vacant space divided by the adopted value/price plus adjustments to account for property specific issues (ie. rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc. Rental reversions are not reflected). This yield differs from the fully leased initial yield which is typically expressed as the current passing net income + the net income of vacant space divided by the adopted value/price without adjustment.

***Running Yield** = the passing yield/return based upon the annual forecast net income divided by the price/value. This may be expressed before or after capital expenditure is accounted for.

***WALE** = Weighted Average Lease Expiry. Measures the average lease expiry for existing tenants across the asset, with the average being weighted by income and balanced by market income over vacant space (ie. is the average for the entire asset, not only the leased areas).

***WART** = Weighted Average Reversion Term. Measures the approximate average term across the asset until market reversions may be achieved. This may also be viewed as the average period for which a property may be under or over-rented.

***WARE** = Weighted Average Rebate Expiry. Measures the approximate average term until existing rebates expire across the entire asset.

SALES ANALYSIS

Sales Analysis

1 Culverston Road & 1 Huntsmore Road, Minto

Sale Date	December 2016
Sale Price	$27,700,000
Vendor	James Knox Investments Pty Limited
Purchaser	Charter Hall
Description	The property is situated to the eastern side of the Culverston Road and the southern side of Huntsmore Road within the industrial locality of Minto. Erected upon the land are two freestanding industrial buildings known as Building 1 and Building 2 constructed between 2002 and 2006. Building 1 comprises a circa 2002 constructed, medium clearance sprinklered industrial warehouse with internal clearances between 8.2 and 11.2 metres and associated offices extending to a total GLA of 11,406.5m². Building 2 comprises a circa 2006 medium clearance industrial warehouse split into two separate units known as Units 1 & 2, with internal clearances between 8.6 and 10.5 metres with associated offices extending to a total GLA of 4,112.6m². A total of 66 car spaces are provided to Building 1 (1:173m² of GLA) and a total of 50 spaces to Building 2 (1:82m² of GLA). Additionally there is also an unimproved parcel of land situated to the south-east of the Lot extending to an approximate developable area of 5,313m².
Land Area	34,620m² (3.462 hectares)
GLA	15,519.1m²
Parking	Total of 116 (1:113m² of GLA)
Vacancy	0.00%
No of Tenants	1 Tenant (Cospak Pty Ltd)
Net Passing Income	$1,742,238 (~$112/m²)

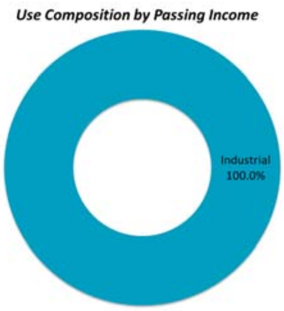
Inputs

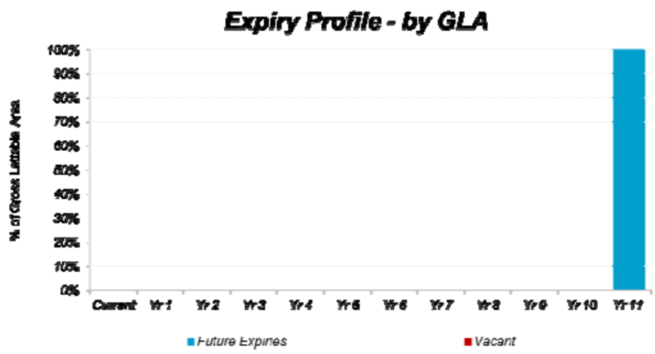
Market Rentals	$112/m²
Avg Cmpd Mkt Growth	3.2% (10 year)
Outgoings	$20.01/m² pa
Leasing Allowances	9 months @ 50% retention with a 10% incentive
Capital Expenditure	An annual allowance of $3.00/m² with $10/m² on expiry

Analysis

Passing Initial Yield	6.74%
Core Market Yield*	6.73%
IRR (after costs) ***10 yr***	7.81%
Rate/m² GLA	$1,785/m²
Passing v Market Rent Relativity	100.2%
Avg. Remaining Lease Duration (Yrs)	Income: 10.6 years
	Area 10.6 years

**Core Market Yield = the percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).*





Comments

- The subject property was purchased by Charter Hall in December 2016 via an off-market campaign.
- The sale is considered to be leased at market rent levels at the date of transaction.
- All three buildings are fully leased to a single tenant under three different lease agreements with annual CPI rent review structures and two face market reviews throughout each lease.
- Long WALE of 10.6 years with 5 + 5 year options on each lease.
- We have attributed a value of $1,850,000 ($348/m²) for the excess land component reflected as a below the line adjustment within our calculations.

Sales Analysis

15 – 21 Britton Street, Smithfield

Sale Date	October 2016
Sale Price	$19,000,000
Vendor	Britton Street Pty Ltd
Purchaser	Altis Property Partners
Description	The property is situated on the eastern side of Britton Street, some 50 metres north of the Tait Street intersection at Smithfield. A circa 1970s built medium to high clearance industrial factory with ground and first floor office accommodation, dock offices and ancillary stores buildings extending to an estimated GLA of 12,223m², plus on-grade parking for 140 cars. In addition to the primary buildings, a waste water treatment facility is provided to the northern boundary of the land together with a wash bay, palm oil and corn silos and a redundant gatehouse. A substantial amount of fixtures and fittings have been installed within the premises for the current use as a snack food manufacturing and packaging facility.
Land Area	34,480m2
GLA	12,223m² (~16.8% office component)
Parking	On-grade parking for 140 cars
Vacancy	Fully Leased
No of Tenants	1 Tenant (Snack Brands Australia)
Net Passing Income	$1,183,500 (Equates to $97/m² of GLA)

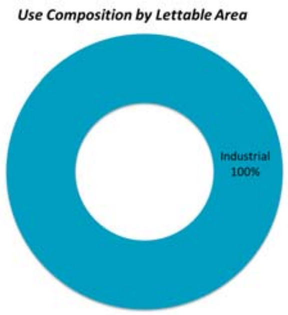
Inputs

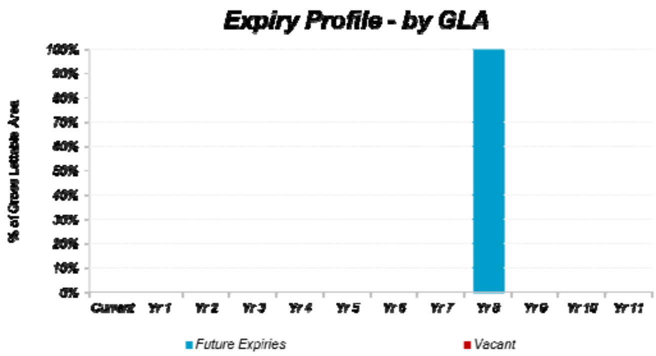
Market Rentals	$105/m² pa
Avg Cmpd Mkt Growth	3.09% (10 year)
Outgoings	Paid by tenant.
Leasing Allowances	9 months @ 50% retention with a 10% incentive
Capital Expenditure	An annual allowance of $2.50/m² with $10/m² on expiry

Analysis

Passing Initial Yield	6.23%	
Core Market Yield*	6.56%	
IRR (after costs) ***10 yr***	***7.83%***	
Rate/m² GLA	$1,554/m²	
Passing v Market Rent Relativity	94.3%	
Avg. Remaining Lease Duration (Yrs)	***Income***	***Area***
	7.6 yrs	7.6 yrs

**Core Market Yield = the percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).*





Comments

- The subject property was sold by Knight Frank as part of a portfolio via an Expressions of Interest campaign in October 2016 with settlement occurring in December 2016.
- The property was offered as a portfolio of 14 properties in New South Wales, Victoria & south-east Queensland& Brisbane for a combined purchase price of $89 million.
- The sale is considered to be leased below market rent levels and reflected a passing yield of 6.23% with a long 7.6 year WALE with 3.50% fixed rent review structure. The tenant has 4 x 5 year option periods.
- The property is situated in an established inner west industrial locality offering reasonable access and being within 5 kilometres of the M4 Motorway.

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Sales Analysis

114 Kurrajong Ave, Mount Druitt, NSW

Sale Date June 2016

Sale Price $24,300,000

Vendor Altis Property Partners

Purchaser Mapletree Logistics

Description Mount Druitt is an established north western Sydney industrial and residential suburb located approximately 37 Kilometres from the Sydney CBD. The property is located within close proximity of the M4 & M7 Motorways with good access to the Great Western Highway.
Erected upon the land circa 1997, are three freestanding medium to high clearance industrial warehouse buildings with associated offices extending to a combined GLA of 18,136.2m². Internal clearances in the warehouses vary between 5 - 11 metres and Building 2 is sprinklered. The site cover is approximately 34% and 68 car parking spaces are provided on grade (1:267m²).

GLA Total: 18,136.2m²

Vacancy Fully leased

No of Tenants 2 tenants

Major Tenants Dulux Group (Australia) (89% by GLA)

Net Passing Income $1,763,600 (Equates to $97.24/m² of GLA).

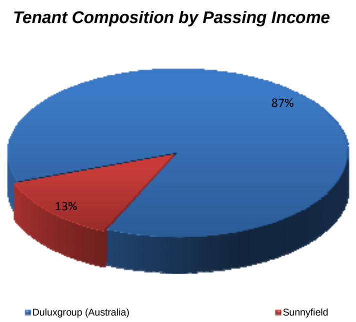
Inputs

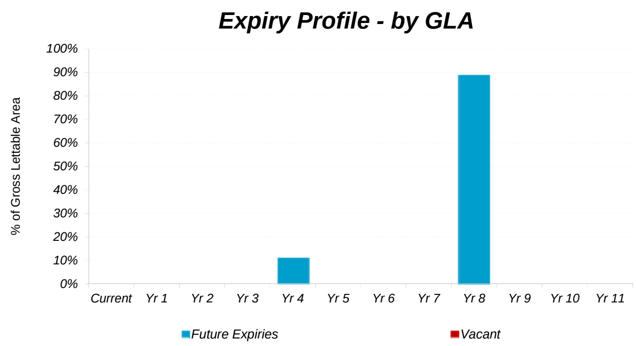
Market Rentals	Warehouse:	$91.55/m² pa (Blended)
Avg Cmpd Mkt Growth	3.16%	
Outgoings	Paid by tenant.	
Leasing Allowances	6 months @ 50% retention with a 10% incentive	
Capital Expenditure	An annual allowance of $3.00/m² with $10/m² on expiry	

Analysis

Passing Initial Yield	7.26%	
Core Market Yield*	6.98%	
IRR (after costs) *10 yr*	7.46%	
Rate/m² GLA	$1,340/m²	
Passing v Market Rent Relativity	105.6%	
Avg. Remaining Lease Duration (Yrs)	Income:	7.1 years
	Area	7.0 years

**Core Market Yield = the percentage return/yield analysed when the assessed fully leased net market income is divided by the adopted value/price which has been adjusted to account for property specific issues (i.e. rental reversions, rental downtime for imminent expiries, capital expenditure, current vacancies, incentives, etc).*





Comments

- The subject property was sold by Colliers as part of a portfolio via an Expressions of Interest campaign in April 2016 with settlement occurring in June 2016.
- The property was initially offered as a portfolio of 9 properties in Sydney, Melbourne & Brisbane however was subsequently split up with Mapletree Logistics picking up 4 of the NSW assets. It was understood that at the time AMP were shortlisted to pick up the remaining assets, however pulled out in favour of acquiring the JP Morgan portfolio.
- The sale is considered to be leased above market rent levels and reflected a strong passing yield of 7.26% with a 7.1 year WALE with income growth via fixed 3.00% rent reviews.