CORPORATE AND COMMERCIAL LAWYERS

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IAN DAVIS
Consultants

WATSON MANGIONI

Our Ref: PAV 206 6813 JLS

16 June 2006

BY ELECTRONIC LODGEMENT

The Manager
Company Announcements Platform
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Arrovest Pty Limited (Arrovest) Takeover Bid for So Natural Foods Australia Limited (ACN 002 814 235) (So Natural) - Documents sent to holders of bid class securities

Pursuant to Section 635(1) Item 8 of the Corporations Act, we enclose by way of lodgement copies of the following documents which were sent to each holder of bid class securities in So Natural on 16 June 2006:

1. Arrovest's Bidder's Statement in relation to Arrovest's market bid for all of the ordinary shares in so Natural that it does not already own; and

2. the announcement to the ASX regarding Arrovest's market bid.

No other documents have been sent by Arrovest to holders of bid class securities in So Natural.

Yours sincerely

Judith Strong
jstrong@wmlaw.com.au

00047231

LEVEL 13, 50 CARRINGTON ST, SYDNEY NSW 2000
PHONE (02) 9262 6666 FACSIMILE (02) 9262 2626 DX 530 SYDNEY
EMAIL mail@wmlaw.com.au ABN 41 882 056 891 WEB www.wmlaw.com.au

On-market Cash Offer by

Arrovest Pty Limited
(ABN 98 117 953 205)

to acquire all the ordinary shares in

So Natural Foods Australia Limited
(ABN 41 002 814 235)
(ASX Code SNF)

at $0.50 cash for each SNF Share

Westpac Broking

Broker to the Offer

WATSON MANGIONE

Solicitors to the Offer

To accept this Offer, please instruct your stockbroker to sell your SNF Shares on-market to Arrovest Pty Limited, through its broker, Westpac Broking.

This is an important document and requires your immediate attention.

00049591

Directory

Arrovest Pty Limited
1675 The Northern Road
Bringelly NSW 2556

Broker to the Offer
Westpac Securities Limited
trading as Westpac Broking
ABN 39 082 924 221
Level 12, 275 Kent Street
Sydney NSW 2000

Corporate Adviser
BCP Accounting and Business Advisers
ABN 28 529 642 805
Second Floor
121 Queen Street
Campbelltown NSW 2560

Directors
Anthony Mark Perich
Ronald Perich
Mark Vincent Perich
Wayne Perich
Michael Perich

Company Secretary
Anthony Mark Perich

Legal Advisers
Watson Mangioni
Level 13, 50 Carrington Street
Sydney NSW 2000

If you are in any doubt as to how to deal with it, you should consult your financial or other professional adviser.

Important Dates

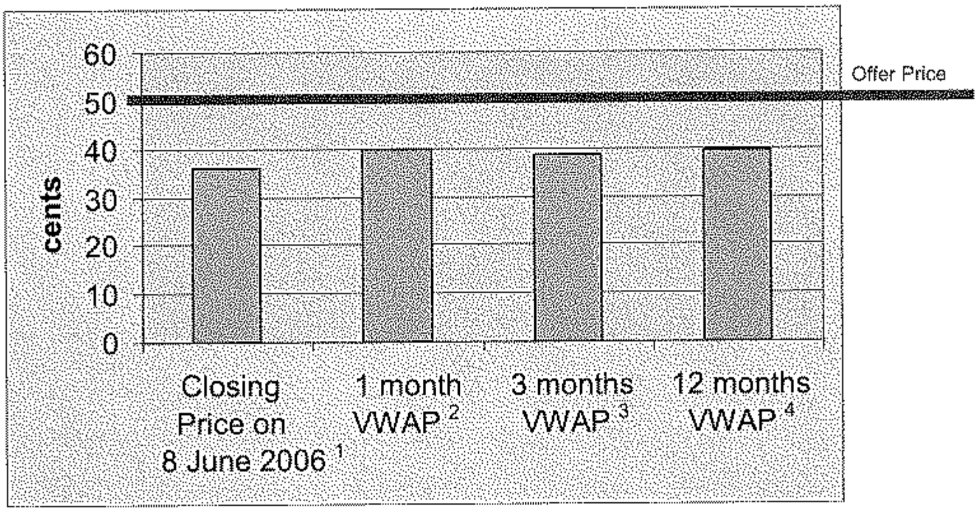
Event	Date
Date of Announcement A copy of the announcement is set out in Appendix A	9 June 2006
Date Bidder's Statement lodged with SNF, ASIC and ASX	9 June 2006
Date of Bidder's Statement	9 June 2006
Offers before bid	From 9 June 2006
Opening date of Offer Period	26 June 2006
Closing Date of Offer Period *	25 July 2006

* This date is indicative only and may be changed as permitted by the Corporations Act.

Why you should accept the Offer

➢ Premium to market price

The Offer Price of $0.50 per SNF Share represents a significant premium to the prices at which SNF Shares have recently traded on ASX.



1. Based on a closing price of $0.36 on 8 June 2006, the last trading day before the Announcement Date.
2. 1 month VWAP of $0.3977 is the volume weighted average price at which SNF Shares traded in the period 9 May to 8 June 2006.
3. 3 month VWAP of $0.3878 is the volume weighted average price at which SNF Shares traded in the period 9 March to 8 June 2006.
4. 12 month VWAP of $0.3930 is the volume weighted average price at which SNF Shares traded in the period 9 June 2005 to 8 June 2006.

➢ Liquidity

The Offer represents a rare opportunity for SNF Shareholders to liquidate their holdings at a premium to the prevailing market price.

SNF Shares have recently experienced very limited liquidity. In the 12 months to 8 June 2006, 10,111,656 SNF Shares have traded on ASX. Of these, Perich Enterprises, an Associate of Arrovest, has acquired 3,492,955 SNF Shares. The remaining 6,618,701 SNF Shares traded in this period represents only 14.9% of the total issued capital of SNF.

The daily average volume of SNF Shares traded on ASX was 39,809 including SNF Shares acquired by Associates of Arrovest or 26,058 SNF Shares excluding SNF Shares acquired by Associates of Arrovest.

Often liquidity and price are related. In Arrovest's opinion, if Perich Enterprises had not been purchasing significant numbers of SNF Shares since January 2005, the prices at which SNF Shares would have traded in this period may have been considerably lower.

Table 1 - Turnover and Share	2004	2005	2006
Number of SNF Shares on issue ('000,000)	32.7	44.5	44.5
Annual turnover (proportion of issued SNF Shares)	34.2%	22.1%	20.6%
Top 20 ownership (proportion of issued SNF Shares)	64.2%	68.3%	~71*%

** Estimate*

Table 1 above illustrates the change in volume of SNF Shares traded over the 3 years to 31 May 2006. While the number of SNF Shares on issue increased by 36% (by approximately 11.8 million), the volume of SNF Shares traded declined by around 39% over the same period while the proportion of SNF Shares owned by the top 20 shareholders increased from 64.2% to approximately 71%.

➢ Disappointing return for SNF Shareholders

SNF's financial performance in recent years has been disappointing. In the 3½ years to 31 December 2005, the SNF Group has received aggregate sales revenue of over $116,000,000. In the same period, operating profit after tax attributed to SNF Shareholders has totalled only $520,000.

This disappointing performance is reflected in the limited dividends paid by SNF.

In the same 3½ year period, SNF has paid only a 1 cent per SNF Share dividend in May 2003, being a total dividend payout of only $233,000.

To accept the Offer, please instruct your stockbroker to sell your shareholding in So Natural Foods Australia Limited on-market to Arrovest Pty Limited through its Broker, Westpac Broking.

About the Offer

What is Arrovest Offering for my SNF Shares?

The Offer Price is $0.50 for each SNF Share.

How do I accept the Offer?

As the Offer is an on-market Offer, acceptance is made by selling your SNF Shares to Arrovest through its Broker, Westpac Broking, as part of normal market trading. You are not required to complete a form to accept the Offer.

If your SNF shareholding is a CHESS Holding, you will need to instruct your stockbroker to sell your SNF Shares.

If your holding is an Issuer Sponsored Holding, you may sell your SNF Shares through a stockbroker of your choice, including Westpac Broking.

Westpac Broking can be contacted on 13 13 31. Westpac Broking does not provide personal advice and will not provide advice in relation to accepting the Offer or continuing to hold shares in SNF.

Beneficial owners whose SNF Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance in accepting the Offer.

Are there any conditions to the Offer?

No - the Offer is not subject to any conditions.

When will I be paid for my SNF Shares?

Acceptance of the Offer is only available by selling your SNF Shares on market to Westpac Broking. Once you have sold your SNF Shares, you will be paid as per normal market practice (T+3).

When does the Offer close?

The Offer closes at 7.00pm (Sydney time) on 25 July 2006, unless extended or withdrawn in accordance with the Corporations Act.

Will Arrovest proceed to compulsory acquisition of the remaining SNF Shares if it gains control of over 90% of the SNF Shares?

At this point in time Arrovest does not intend to proceed to compulsory acquisition of the remaining SNF Shares if it is entitled to do so under the Corporations Act.

However, if SNF does not have sufficient SNF Shareholders to maintain its listing on ASX and Arrovest is entitled to do so the under Corporations Act, it will proceed to compulsory acquisition of the remaining SNF Shares.

What happens if I do not accept?

If Arrovest does not compulsorily acquire your SNF Shares, unless you otherwise dispose of them, you will remain a SNF Shareholder.

What are the tax consequences of the Offer?

Our understanding of the major tax implications for SNF Shareholders resident for tax purposes in Australia are summarised in Section 6.

Your personal financial and other circumstances will influence your taxation position. You should read Section 6 carefully and seek your own independent professional taxation advice if necessary.

Will I pay any brokerage if I accept any of the Offer?

As the Offer will be on-market, accepting SNF Shareholders may only accept the Offer through brokers who are members of ASX. Any brokerage charged by such broker will be the sole responsibility of the accepting SNF Shareholder.

Arrovest will bear its own brokerage, if any, on transfers of SNF Shares acquired through acceptances of the Offer. No stamp duty or Goods and Services Tax (**GST**) will be payable on the transfer of your SNF Shares pursuant to the Offer (other than GST payable to your broker in respect of brokerage fees charged to you).

Questions

If you have any enquiries about the Offer or its terms, please submit your query in writing to Ben Hastings at 1675 The Northern Road, Bringelly NSW 2556, by fax on +612 4773 4104 or by email to benhastings@lpcmilk.com or consult your financial or other professional adviser.

Under the Corporations Act, if any telephone communication is undertaken with SNF Shareholders, those calls must be recorded, indexed and stored. As Arrovest does not have such recording facilities available to it, it will not address any queries regarding the Offer by telephone.

Important Information

Bidder's Statement and Offer

This is a Bidder's Statement dated 9 June 2006 given by Arrovest to SNF and each holder of SNF Shares under Part 6.5 of Chapter 6 of the Corporations Act and in compliance with sections 636 and 637 of the Corporations Act.

The Offer relates to all SNF Shares that exist or will exist at any time during the Offer Period.

ASIC

A copy of this Bidder's Statement was lodged with ASIC on 9 June 2006. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

Investment decision

This is an important document. This Bidder's Statement does not take into account the individual investment objectives, financial situation or any particular needs of each SNF Shareholder or any other person. SNF Shareholders may wish to seek independent financial and taxation advice before making a decision as to whether to accept the Offer.

Disclaimer

Except for historical information contained in this booklet, there may be matters discussed in this Bidder's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Forward-looking statements, which are based on assumptions and estimates and describe Arrovest's future plans, strategies and expectations, are generally identifiable by the use of the words 'anticipate', 'will', 'believe', 'estimate', 'expect', 'intend', 'seek' or similar expressions. SNF Shareholders are cautioned not to place undue reliance on forward-looking statements. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties both general and specific that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Those risks and uncertainties include factors and risks specific to the industry in which Arrovest and SNF operate as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially.

All forward-looking statements attributable to Arrovest, or persons acting on behalf of Arrovest, are expressly qualified in their entirety by the cautionary statements in this section. Except as expressly required by the Corporations Act, Arrovest undertakes no obligation to publicly update or revise any forward-looking statements provided in this Bidder's Statement, whether as a result of new information, future events or otherwise, or the list of risks affecting this information.

None of Arrovest's officers, any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law.

Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 9. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 9, words and phrases in the Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Sources of Information

Apart from the documentation relating to the Contract Beverage Joint Venture to which Leppington is a party, information included in this Bidder's Statement relating to SNF and its business has been derived solely from publicly available sources published by SNF, including SNF's 2005 and 2004 Annual Reports, its announcements to ASX and its website.

Subject to the foregoing and to the maximum extent permitted by law, Arrovest and its Directors disclaim all liability for any information concerning SNF included in this Bidder's Statement. SNF Shareholders should form their own views concerning SNF from publicly available information.

Arrovest Pty Ltd

1675 The Northern Road
BRINGELLY NSW 2556

Dear SNF Shareholders

Arrovest Pty Limited offers to acquire all your shares in So Natural Foods Australia Limited.

If you accept the Offer, you will receive $0.50 cash for each of your SNF Shares.

Arrovest is an Associate of the Perich Group of companies and is owned by members of the Perich family. Arrovest and the Perich Group see strategic mutual benefit from an increase in the holding of the Perich Group and its Associates from its present shareholding of 19.72%.

The Offer presents SNF Shareholders an opportunity to realise their investment in SNF at a significant premium to the prices at which SNF Shares have recently traded on the ASX.

The Offer values SNF at approximately $22.2 million compared to the market capitalisation at close of trading on 8 June 2006 of approximately $16 million.

The Offer Price represents a premium of:

- 14 cents or 38.9% to the closing price at which SNF Shares on 8 June 2006, the last trading day prior to the date of this Bidder's Statement;
- 11.2 cents or 28.9% to the volume weighted average price at which SNF Shares have traded on ASX over the 3 months to 8 June 2006;
- 10.7 cents or 27.2% to the volume weighted average price at which SNF Shares have traded on ASX over the 12 months to 8 June 2006;

SNF Shares have historically had limited liquidity. The average daily volume of SNF Shares traded on ASX over 12 months to 8 June 2006 was only 39,809. Excluding shares traded by Associates of Arrovest, the average daily volume was as low as 26,058.

SNF's financial performance in recent years has been disappointing. In the 3 ½ years to 31 December 2005, the SNF Group has received aggregate sales revenue of over $116,000,000. In the same period, operating profit after tax attributed to SNF Shareholders has totalled only $520,000.

This disappointing performance is reflected in the limited dividends paid by SNF. In the same 3½ year period, SNF has paid only a 1 cent per SNF Share dividend in May 2003, being a total dividend payout of $233,000.

It is important that you read the information in this booklet in deciding on our Offer and if necessary, contact a qualified investment adviser for assistance.

Yours sincerely

Ron Perich
Joint Managing Director
Arrovest Pty Limited

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Contents

1. Bidder's Statement

This is a Bidder's Statement dated 9 June 2006 given by Arrovest to SNF and each holder of SNF Shares under Part 6.5 of Chapter 6 of the Corporations Act and in compliance with sections 636 and 637 of the Corporations Act.

1.1 The Offer – On-market takeover bid

As disclosed to ASX by its formal written announcement date 9 June 2006, Arrovest will make Offers under an on-market bid to buy all SNF Shares that exist or will exist at any time during the Offer Period at the Offer Price. A copy of the takeover announcement is set out in Annexure A to this Bidder's Statement.

This Offer does not extend to SNF Options (of which there are 2,675,000 currently on issue) nor the SNF Notes (of which there are 8,333,333 currently on issue).

1.2 How the Offer will be made

The Offers will be made on behalf of Arrovest by Westpac Broking, through ASX during the Offer Period. Unless the Offer is extended or withdrawn in accordance with the Corporations Act, the Offer Period will commence at the start of trading on ASX on 26 June 2006 and finish immediately at the close of trading on ASX on 25 July 2006.

In addition, it is the intention of Arrovest to acquire SNF Shares offered on-market at the Offer Price from the time of the announcement on 9 June 2006 to close of trading on ASX on 25 July 2006 on the same terms as the Offer.

1.3 Extension of the Offer Period

Arrovest may, at its discretion and in accordance with the Corporations Act, extend the Offer Period.

1.4 How to accept

The Offer may be accepted on-market on ASX before the end of the Offer Period. A SNF Shareholder may only accept the Offer during the Offer Period by selling all or some of their SNF Shares on-market to Arrovest. **SNF Shareholders can also sell their SNF Shares on-market to Arrovest from and after 9 June 2006 to the closing date of the Offer Period.**

If your SNF shareholding is a CHESS Holding, you will need to instruct your sponsoring market participant or ASIC settlement participant (formerly "broker") to sell your SNF Shares. If your holding is an Issuer Sponsored Holding, you may sell your SNF Shares through your sponsoring market participant or ASIC settlement participant (formerly "broker") of your choice including Westpac Broking. Westpac Broking can be contacted on 13 13 31.

To accept the Offer, you should instruct your sponsoring market participant or ASIC settlement participant (formerly "broker") to accept the Offer on your behalf before the end of the Offer Period.

Beneficial owners whose SNF Shares are registered in the name of a market participant of ASTC settlement participant (formerly "broker"), investment dealer, bank, trust company or other nominee should contact that nominee for assistance in accepting the Offer.

1.5 Payment of Offer Price for your Shares

The usual rules for settlement of transactions which occur on-market on ASX will apply in respect of Arrovest's purchase of SNF Shares on-market. This means that, on accepting the on-market Offer, a SNF Shareholder will receive payment on a normal T+3 basis.

1.6 Brokerage and other costs

As the Offer will be on-market, accepting SNF Shareholders may only accept the Offer through brokers who are members of ASX. Any brokerage charged by such broker will be the sole responsibility of the accepting SNF Shareholder.

Arrovest will bear its own brokerage, if any, on transfers of SNF Shares acquired through acceptances of the Offer.

No stamp duty or Goods and Services Tax (**GST**) will be payable on the transfer of your SNF Shares pursuant to the Offer (other than GST payable to your broker in respect of brokerage fees charged to you).

1.7 Withdrawal

The Offer may be withdrawn by Arrovest in accordance with the Corporations Act.

2. About Arrovest Pty Limited

2.1 Corporate

Arrovest is a private company owned by members of the Perich family. It is an Associate of entities within the Perich Group which are owned or controlled by members of the Perich family. It was incorporated on 19 January 2006 for the purpose of making investments.

Since incorporation, Arrovest has not undertaken any business other than making the Offer, acquiring 8,771,289 SNF Shares and the acquisition of securities in other entities unrelated to SNF.

2.2 Overview of Perich Group and its principal activities

The Perich Group, including Perich Enterprises and Leppington, is a diversified privately owned family group with business interests in agriculture, manufacturing, property development and motor racing. Leppington is a major New South Wales-based dairy milk producer with a large intensive dairy farm located on the outskirts of Sydney at Bringelly.

Members of the Perich Group also include Greenfields Development Corporation Limited and Oran Park Raceway as well as Organic Fertilisers. Principal products of the Perich Group include milk, grain, fertiliser, and wood based animal bedding materials.

In March 2005, Leppington and SNF established a manufacturing joint venture for the soy and rice, dairy milk and associated beverage contract manufacturing activities undertaken at the SNF plant at Taren Point. Contract Beverage assumed the on-going manufacture and packaging of SNF's soy and rice products and Leppington's dairy milk and other beverages on a cost-recovery basis.

No substantive change to the Contract Beverage joint venture or the manner in which it conducts its business is proposed by Arrovest or the Perich Group. See Sections 4 and 8.3 for details.

2.3 Directors of Arrovest

Brief profiles of the joint managing directors of Arrovest are as follows:

Tony Perich (AM)

Mr Tony Perich is joint managing director of Leppington. He is also a property developer, motor racing promoter, farmer and business entrepreneur. Mr Perich is Past President of the Dairy Research Foundation, a member of the Narellan Rotary Club, member of Western Sydney Development Board, Vice President of the Narellan Chamber of Commerce and is actively involved in charity fundraising for cancer research.

Ronald Perich

Mr Ron Perich is joint managing director of Leppington, one of Australia's largest dairy producers. He is also a property developer, farmer and business entrepreneur. Mr Perich is a former director of United Dairies Limited.

Mr Perich was appointed a director of SNF in April 2004.

The remaining directors of Arrovest are:

- Mark Perich;
- Wayne Perich;
- Michael Perich.

3. The SNF Group

3.1 Disclaimer

The following description of the SNF Group and the financial information concerning the SNF Group contained in this Section have been prepared by Arrovest using publicly available information. To the extent permitted by law, Arrovest does not make any representation or warranty, express or implied, as to the currency, accuracy or completeness of such information.

The primary sources of information about the SNF Group's business used by Arrovest are as follows:

(a) SNF's 2005 and 2004 Annual Reports;

(b) announcements issued by SNF through ASX including the Appendix 4D announcement issued on 3 March 2006;

(c) SNF's website; and

(d) documentation relating to the Contract Beverage Joint Venture to which Leppington is a party.

3.2 Overview of SNF and its principal business activities

The SNF Group manufactures and/or distributes long life beverages, canned seafood, healthy snack foods and healthy cereals. Products currently manufactured and/or distributed by the SNF Group and major brands owned by the SNF Group include:

- Australia's own;
- So Natural;
- Smooth White;
- Vitalife;
- Paramount Seafoods;
- Freedom Foods;
- Thorpedo Foods;
- Thorpedo Seafoods.

3.3 Directors

As at the date of this Bidder's Statement, there are 7 directors of SNF, being:

- Christopher C Grubb (Non-executive Chairman)
- Geoffrey Babidge (Director and Managing Director)
- Maurice Van Ryn (Non-executive Director)
- Graham Reaney (Non-executive Director)
- Perry Gunner (Non-executive Director)
- Stephen Higgs (Non-executive Director)
- Ronald Perich (Non-executive Director)

3.4 Major shareholders

As at the date of this Bidder's Statement, substantial shareholder notices received by SNF and released to the market through ASX disclose the following substantial shareholders:

Name	Number of Shares	Percentage of issued capital
Arrovest and the Perich Group	8,771,289	19.72
Australian Food Holdings Pty Limited	6,291,775	14.14
Clover Leaf Seafoods LP	4,622,306	10.39

3.5 Overview of SNF's historical financial performance

A summary of the historical consolidated financial performance of SNF and its controlled entities since 1 July 2002 is set out below:

A$'000	2003 [1]	2004 [1]	2005 [1]	2006 [2 3]
Sales revenue	21,957	32,940	37,954	23,415
EBITDA	1,599	360	1,563	1,414

A$'000	2003 [1]	2004 [1]	2005 [1]	2006 [2 3]
Operating profit after tax attributed to members of the parent entity	564	(749)	58	647

Note:

1 The above information has been drawn from the audited financial statements for SNF and its controlled entities and associated disclosure included in its Annual Reports for the years ended 30 June 2003, 2004 and 2005. The above amounts have been rounded as set out in the Annual Reports (to the nearest $1,000).

2 The above information has been drawn from the audit-reviewed financial statements for SNF and its controlled entities for the half year ended 31 December 2005 and associated disclosure released to the market through ASX. The above amounts have been rounded as set out in SNF's Appendix 4D Half Yearly Report dated 3 March 2006 (to the nearest $1,000).

3. SNF transitioned its accounting policies and financial reporting from Australian Accounting Standards (**AGAAP**) to Australian Equivalents to International Financial Reporting Standards (**AIFRS**) for the financial year ending 30 June 2006. The historical financial results for the half year to 30 December 2005 were prepared in accordance with AIFRS. The historical financial results for the financial years ended 30 June 2003, 2004 and 2005 were prepared in accordance with AGAAP. In the Appendix 4D Half Yearly Report dated 3 March 2006, SNF provided a reconciliation of financial results for the year ended 30 June 2005 prepared in accordance with AGAAP to the results they would have recorded had SNF applied AIFRS as follows (rounded to the nearest $1,000):

Sales revenue	$37,954
EBITDA	not provided by SNF
Operating profit after tax attributed to members of the parent entity	$472

3.6 SNF commentary on financial results

In its Annual Report for the 2005 financial year, SNF reported that it had returned an improved trading result in 2005 with earnings before interest, tax, depreciation and amortisation of $1,563,000 and an operating profit after tax of $58,000. It was noted that the balance sheet of the SNF Group had changed markedly over the year with total assets at year-end increasing to $42.5 million, current assets to $21.7 million and shareholders funds to $22.9 million

On 3 March 2006, SNF announced that it had produced a consolidated profit after tax and amortisation for the six months ended 31 December 2005 of $646,603.

It also announced that the highlights of the first half results comprised the following:

- Net profit after tax of $647,000 up from the December 2004 half profit of $68,000, a significant improvement on both the corresponding and immediate six month periods.
- Consolidated sales up 27%, reflecting growth in existing business and impact of prior year acquisitions. Comparable sales growth for the half year period for key business units includes Soy & Rice beverages + 6%, Paramount Seafoods + 11.2% and Freedom Foods + 5.5%.
- Improved performance across each division with the benefits of the Contract Beverage joint venture and the acquisition of Brunswick Seafoods contributing to the result.

- Completion of a Strategic Partnership in Japan between Thorpedo Foods Pty Limited (a controlled entity of SNF) and Yakult Honsha of Japan.

3.7 Thorpedo Foods and Yakult strategic partnership

On 22 December 2005, SNF announced that Thorpedo Foods Pty Limited, SNF's joint venture company with leading swimming star Ian Thorpe, had entered into a master licence agreement with Yakult Honsha Co., Ltd of Japan. This master licence agreement was established to enable Yakult Honsha to develop, manufacture, market and sell beverages branded and endorsed using Thorpedo Foods' intellectual property on an exclusive basis for the Japanese market.

On 15 May 2006, Yakult Honsha announced the launch of a sports functional beverage using the image of Ian Thorpe. Yakult Honsha announced its objective to achieve sales of 3,500,000 cases of the "Thorpedo" sports functional beverage in the first year.

3.8 ASX Announcements

SNF is a disclosing entity for the purposes of Section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require SNF to:

(a) prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and

(b) immediately notify the ASX of any information concerning SNF of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in SNF, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to the Company may be obtained from or inspected at an office of ASIC. Copies of documents lodged with the ASX in relation to the Company may be obtained from, or inspected at, an office of the ASX.

Since 30 June 2005, SNF has issued the following announcements to the ASX:

Date	Announcement
17/05/2006	Change of Director's Interest Notice
15/05/2006	Header Corr: Yakult Announces Launch of Thorpedo in Japan
15/05/2006	Yukult announces launch of Thorpedo in Japan
04/05/2006	Change in substantial holding
04/05/2006	Change of Director's Interest Notice
03/05/2006	Thorpedo Foods Update
01/05/2006	Change of Director's Interest Notice
01/05/2006	Change in substantial holding
28/04/2006	Change of Director's Interest Notice
26/04/2006	Change in substantial holding
26/04/2006	Change of Director's Interest Notice
21/04/2006	Change of Director's Interest Notice

Date	Announcement
21/04/2006	Change of Director's Interest Notice
20/04/2006	Change in substantial holding
12/04/2006	Change in substantial holding
11/04/2006	Change of Director's Interest Notice
11/04/2006	Change of Director's Interest Notice
03/03/2006	Half Yearly Report & Half Year Accounts
03/02/2006	Change of Director's Interest Notice
22/12/2005	Japan Master Licence
15/12/2005	Change of Director's Interest Notice
15/12/2005	Change of Director's Interest Notice
15/12/2005	Japan Agreement
16/11/2005	Change of Director's Interest Notice
04/11/2005	Change of Director's Interest Notice
31/10/2005	Change of Director's Interest Notice
31/10/2005	Change of Director's Interest Notice
27/10/2005	Proxy Results
27/10/2005	AGM Presentation
27/10/2005	Chairman's Address at AGM
26/10/2005	Thorpedo Foods marketing partnership with Accor
29/09/2005	Proxy Results
26/09/2005	Annual Report
26/09/2005	Notice of Annual General Meeting
09/09/2005	Change in substantial holding
09/09/2005	Change of Director's Interest Notice
01/09/2005	Preliminary Final Report
23/08/2005	Notice of Extraordinary General Meeting
09/08/2005	Change in substantial holding
09/08/2005	Change of Director's Interest Notice
08/08/2005	Change of Director's Interest Notice
29/07/2005	Market Update

3.9 SNF Options

Senior employees of SNF are eligible to participate in a share scheme under which they may be issued options to acquire SNF Shares. As at the date of this Bidder's Statement, 2,675,000 SNF Options were on issue to employees of SNF. These options were granted over a period beginning on 1 January 2001 to 29 September 2005. The grant and exercise dates of these options are set out below:

Grant Date	Number of Options	Expiry & Exercise Date	Exercise Price
1 January 2001	333,334	28 March 2007	$0.90
1 January 2001	333,333	28 March 2007	$1.00
1 January 2001	333,333	28 March 2007	$1.10
29 January 2003	700,000	29 January 2008	$0.80
3 September 2003	275,000	3 September 2008	$0.85
29 September 2005	700,000	29 September 2010	$0.50

4. Arrovest's Intentions

4.1 General

This Section 4 sets out Arrovest's intention in relation to:

(a) the continuation of the business of the SNF Group;

(b) any significant changes to be made to the business of the SNF Group, including any redeployment of fixed assets of the SNF Group; and

(c) the future employment of the SNF Group's employees.

Arrovest's intentions are based on the information known and the circumstances that exist at the date of this Bidder's Statement.

Arrovest has reviewed information in the public domain concerning the SNF Group, its business and the general business environment in which it operates. Based on its review of that material, and on its current assessment of the operations of the SNF Group, Arrovest's intentions in relation to the SNF Group are summarised below. Statements set out in this Section are statements of current intentions only which may change as new information becomes available or circumstances change.

Arrovest's intentions as set out in this Bidder's Statement have been approved by, and reflect the intentions of the Perich Group.

4.2 Rationale for the Offer

It is Arrovest's intention to use a larger shareholding in SNF to provide stable focused direction at board level to support the present management team in accomplishing its stated goals of growing the company organically and through acquisition.

4.3 Strategic review

As Arrovest does not currently have access to all material information, facts and circumstances which it considers necessary to assess the operational, commercial, taxation and financial implications of its current intentions, final decisions on these matters have not been made. Upon completion of the Offer, Arrovest proposes to conduct a review of the strategy, operations, activities, assets and employees of the SNF Group in light of the information which then becomes available to it (**Review**).

Final decisions will only be reached in light of all material facts and circumstances. Accordingly, the statements set out in this Section are statements of current intention only which may change as new information becomes available or circumstances change.

4.4 Arrovest's intentions upon acquisition of 90% or more of SNF Shares

This Section sets out Arrovest's intentions if it acquires 90% or more of SNF Shares and becomes entitled to proceed to compulsory acquisition under the Corporations Act for the SNF Shares.

(a) At this point in time Arrovest does not intend to proceed to compulsory acquisition of the remaining SNF Shares if it is entitled to do so under the Corporations Act.

However, if SNF does not have a sufficient spread of SNF Shareholders to maintain its listing on ASX and Arrovest is entitled to do so the under Corporations Act, it will proceed to compulsory acquisition of the remaining SNF Shares.

(b) Arrovest will seek to maintain SNF's listing on ASX, subject to the requirements for listing (including a sufficient spread of investors) continuing to be satisfied (although in this event the liquidity of SNF Shares on ASX is likely to be materially diminished).

(c) If Arrovest proceeds with compulsory acquisition of the SNF Shares it does not own, it intends to replace all non-executive members of the SNF board of directors with nominees of Arrovest. If Arrovest does not proceed with compulsory acquisition of the SNF Shares it does not own, it will undertake the actions referred to in Section 4.5(b).

(d) Arrovest intends to undertake the Review.

(e) Subject to the outcome of the Review, Arrovest expects to continue to operate the SNF Group's business in substantially the same manner as it is presently operated by SNF. The results of the Review and any corresponding recommendations will be discussed with management.

(f) If SNF achieves profitability, Arrovest would also propose, through its nominees on the SNF board of directors, to review SNF's dividend policy.

(g) Arrovest may at, at some later time, acquire further SNF Shares in a manner consistent with the Corporations Act.

4.5 Arrovest's intentions upon acquisition of more than 50.1% but less than 90% of SNF Shares

This Section sets out Arrovest's intentions if, by virtue of acceptance of the Offer, Arrovest was to gain effective control of SNF without becoming entitled to compulsorily acquire the outstanding SNF Shares.

In the event that Arrovest achieves a Relevant Interest in SNF of more than 50.1% but less than 90%, Arrovest's current intentions are as set out below.

(a) SNF will become a controlled entity of Arrovest.

(b) Subject to the Corporations Act and the Review, Arrovest proposes to seek the appointment of a further Arrovest nominee to the board although it has not made any decision at to who would be nominated for appointment. Arrovest may also seek to add to, replace or reorganise the roles of a proportion of the members of the SNF Board of directors to reflect the proportionate ownership interest of Arrovest and other SNF Shareholders. Arrovest also proposes to maintain representation of minority shareholders by at least two independent directors.

(c) Arrovest will seek to maintain SNF's listing on ASX, subject to the requirement for listing (including a sufficient spread of investors) continuing to be satisfied (although in this event the liquidity of SNF Shares on ASX is likely to be materially diminished).

(d) Arrovest intends to undertake the Review.

(e) Arrovest intends to undertake the activities referred to in Sections 4.4(e) and 4.4(f) to the extent permitted by its control of SNF.

(f) Arrovest may at, at some later time, acquire further SNF Shares in a manner consistent with the Corporations Act.

(g) If Arrovest becomes entitled at some later time to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act, it may exercise those rights.

4.6 Arrovest's intentions upon acquisition of less than 50.1% of SNF Shares

If Arrovest does not achieve a Relevant Interest in SNF of 50.1%, Arrovest will endeavour, to the extent possible through its non-controlling holding of SNF Shares, to give effect to the intentions set out in Sections 4.5(b) - 4.5(f). However, Arrovest considers that its ability to effect the intentions set out in Sections 4.5(b), 4.5(d) and 4.5(e) will be significantly limited if Arrovest is unable to achieve a Relevant Interest in SNF of more than 50.1%.

Arrovest may consider acquiring additional SNF Shares under the "creep" provisions of Item 9 in Section 611 of the Corporations Act (which provides that Arrovest and its Associates may acquire up to 3% of SNF Shares every 6 months) until it achieves a majority Voting Power. Arrovest has not yet decided whether it will acquire further SNF Shares as this will depend upon the extent to which Arrovest has the capacity to acquire further SNF Shares and market conditions at that time.

4.7 Intentions generally

Except for the changes and intentions set out in Section 4, Arrovest intends, based on the information presently known to it:

(a) to continue the business of the SNF Group;

(b) not to make any major changes to the business of the SNF Group (other than to implement the initiatives previously announced by SNF through ASX) or the deployment of the SNF Group's assets; and

(c) to continue the employment of the SNF Group's employees.

4.8 Limitations on intentions

The intentions and statements of future conduct set out in this Section 4 must be read as being subject to:

(a) the law (including the Corporations Act) and the Listing Rules, including in particular the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and "related party" transactions given that, if Arrovest gains control of SNF but does not acquire all of the SNF Shares, it will be treated as a related party of SNF for these purposes;

(b) the legal obligation of the SNF directors at the time, including any nominees of Arrovest, to act in good faith and the best interests of SNF and for proper purposes and to have regard to the interest of all SNF Shareholders (in which regard the role of independent directors of SNF will also be important); and

(c) the outcome of the Review.

5. Sources of Bid Consideration

5.1 Consideration under the Offer

The total amount that Arrovest would be required to pay for SNF Shares if Arrovest acquires all of the SNF Shares on issue on the date of this Bidder's Statement in which it does not have a Relevant Interest is $17,856,860.50.

5.2 Commitment of Arrovest Funding

Arrovest will fund the cash consideration payable to accepting SNF Shareholders and meet associated transaction costs using cash Leppington will provide to Arrovest.

Leppington has given Arrovest a commitment (**Commitment**) to ensure that Arrovest receives sufficient funds to satisfy:

- the total cash consideration payable to the holders of SNF Shares under the Offer; and
- the amounts required to meet all transaction and other costs associated with the Offer.

The obligation of Leppington to provide funds under the Commitment is conditional only on Leppington being able to drawdown the balance of the necessary funds under the Facility referred to in Section 5.4.

5.3 Sources of Leppington Funds

The funds which are to be made available by Leppington under the Commitment will be obtained by Leppington:

- from its existing cash resources; and
- drawing down funds under a flexible options finance facility which includes a combination of an overdraft, commercial bill line and bank bill business loan provided to Leppington by its existing banker Westpac Banking Corporation (**Bank**). See Section 5.4 for details.

As at the date of this Bidder's Statement Leppington has cash reserves in excess of $9.75 million.

5.4 Committed Bank Facility

Leppington has a flexible options finance facility with the Bank (**Facility**). Under the Facility, Leppington may borrow an aggregate amount from the Bank which, together with its existing cash reserves, is in excess of the amount required to be provided to Arrovest under the Commitment.

The material terms and conditions of the Facility are summarised below:

Conditions precedent to availability of funds

The principal conditions precedent to the ability of Leppington to drawdown under the Facility are that:

- the representations and warranties given by Leppington under the loan agreement for the Facility (**Loan Agreement**) and in the drawdown notice in respect of the drawdown (see below for details) are true and correct in all material respects; and
- no event of default or potential event of default (see below for details) under the Loan Agreement is continuing or would result from the provision of the amount of the proposed drawdown.

The remaining conditions precedent to drawdown are conditions precedent which Leppington considers to be procedural in nature and in the sole control of Leppington.

Events of default

The events of default applicable to the Facility are considered by Leppington and Arrovest to be customary for facilities and arrangements of this nature. These events of default include (among other things):

- failure to pay any amount owing in respect of a facility when due;
- breach of representations and warranties;
- the occurrence of an insolvency event in respect of Leppington, any of its controlled entities or Arrovest;
- the revocation, termination or expiry of any government authorisation which is material to the performance by Leppington of its payment obligations under the Facility;
- cross defaults in relation to other debt of Leppington, its controlled entities or Arrovest (including debt with the Bank); and
- the occurrence of a material adverse change in the financial condition of Leppington, any of its controlled entities or Arrovest.

Representations and warranties

The representations and warranties to be given by Leppington in the Loan Agreement are considered by Leppington and Arrovest to be customary for borrowing arrangements of this nature and the same as the representations and warranties provided by Leppington and its controlled entities under Leppington's existing facilities with the Bank.

Undertakings

The undertakings by Leppington contained in the Loan Agreement are considered by Leppington and Arrovest to be customary for banking arrangements of this nature. These include undertakings:

- not to create or allow to exist a security interest on or over its present or future property except for security interests arising in certain circumstances including where

Leppington acquires encumbered assets (including companies) after the date of the Loan Agreement;

- not to dispose of all or a substantial part of its property, other than by certain types of disposals including disposals made in the ordinary course of trading or on arm's length commercial terms; and
- to maintain certain financial ratios regarding interest cover, secured property valuations and gearing.

Specific conditions relating to the Facility include an obligation on Leppington to:

- reduce the limit and require repayment of principal and interest payments applying to its bank bill business loan;
- commence making principal reductions in addition to the yield and acceptance fee components paid at maturity of each tenor of its commercial bills,
- provide completed 30 June financial statements by the following February of fiscal year end; and
- provide half yearly management accounts for the 6 months ending December and June within 45 days of period end.

The terms of the undertakings for the Facility are the same as the undertakings provided under Leppington's existing facilities.

In addition, the prior consent of the Bank is required for any amendment of the terms of the Offer.

Repayment

Funds made available under the Facility will be due to be repaid by September 2019. Early repayment may be required if an event of default (see above) under the Loan Agreement occurs.

Security

The obligations of Leppington under the Facility are secured by:

- unlimited interlocking cross guarantees and indemnities to be provided by Leppington, each of its controlled entities and Arrovest;
- first ranking fixed and floating charges over the assets of Leppington, each of its controlled entities and Arrovest;
- registered mortgages of certain parcels of land held by Leppington;
- mortgage over water access licences and other water use authorisations;
- guarantees provided by directors of Leppington and other individuals.

These securities are on terms consistent with those previously granted to the Bank to secure Leppington's existing facilities.

SNF and its controlled entities will not be obliged to be a guarantor or provide security in support of the Facility or any of Leppington's existing facilities until SNF is a wholly owned subsidiary of Arrovest.

5.5 Provision of consideration

Leppington has advised Arrovest that it is unaware of any reason which would prevent any condition precedent to drawdown under the Facility from being satisfied in sufficient time to allow funds to be advanced by Leppington to Arrovest under the Commitment to enable Arrovest to pay SNF Shareholders who accept the Offer, in accordance with the terms of the Offer.

On the basis of the arrangements described in this Section 5, Arrovest is of the opinion that it has a reasonable basis for holding the view, and it holds the view, that it will be able to provide the consideration required to satisfy its obligations under the Offer.

6. Taxation Implications

6.1 Introduction

The following is a broad outline of the principal Australian income tax consequences for Australian resident individual and company SNF Shareholders associated with acceptance of the Offer. This outline is not exhaustive of all possible income tax considerations that could apply to particular SNF Shareholders. There are a number of limitations to the outline including that:

(a) it applies only to Australian resident individual and company taxpayers. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of SNF who acquired their SNF Shares in respect of their employment;

(b) it applies only where SNF Shareholders hold their SNF Shares on capital account. It does not apply where the SNF Shares are held on revenue account (eg. shares held by SNF Shareholders who trade in Securities or hold SNF Shares as trading stock); and

(c) it is based on Australian tax law in effect at the date of this Bidder's Statement. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

Arrovest and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Offer or in respect of the taxation consequences themselves. All SNF Shareholders, and particularly those shareholders whose situation is not addressed in this outline as noted above, should consult their own independent professional tax advisers regarding the tax consequences of disposing of SNF Shares.

6.2 Acceptance of the Offer and disposal of SNF Shares

Capital gain or loss

The disposal of SNF Shares by a SNF Shareholder pursuant to the Offer constitutes a capital gains tax (**CGT**) event for Australian income tax purposes.

SNF Shareholders may realise a capital gain or a capital loss in respect of the disposal of their SNF Shares.

In certain circumstances, SNF Shareholders may be eligible to apply the CGT discount to reduce their assessable capital gain (the eligibility requirements for the CGT discount are discussed in the following paragraphs). The relevant rate of the CGT discount is 50% for individuals, and $33^{1}/_{3}$% for complying superannuation funds.

The tax consequences of the disposal of SNF Shares should be as follows:

- a capital gain should arise to the extent that the capital proceeds from the disposal of SNF Shares (being the cash consideration) exceeds the cost base of the SNF Shares (or, in some cases, the indexed cost base); or
- a capital loss should be realised to the extent the capital proceeds received by an SNF Shareholder are less than the reduced cost base of the SNF Shares.

Any capital gain realised in respect of the disposal of the SNF Shares should be included in the SNF Shareholder's assessable income in the tax year in which the Offer is accepted (unless the resulting capital gains are completely offset against other capital losses of the SNF Shareholder). Capital losses may be applied against any other capital gains derived by the SNF Shareholder in the same year. Any unapplied capital losses may be carried forward to be applied against future capital gains.

The availability of indexation or a CGT discount in calculating the amount of the capital gains included in assessable income depends on the date of acquisition of the SNF Shares whether the Shareholders are companies or individuals.

(a) SNF Shares acquired at or before 11.45am on 21 September 1999.

The cost base of SNF Shares is generally equal to the amount paid by the SNF Shareholder for the SNF Shares plus certain incidental costs incurred (for example, brokerage fees). If SNF Shares were acquired at or before 11.45am on 21 September 1999, the cost base of the SNF Shares may be adjusted to include indexation. This is done by reference to changes in the Consumer Price Index from the quarter in which the SNF Shares were acquired until the quarter ended 30 September 1999. While indexation adjustments are taken into account for the purposes of calculating any capital gain, they are ignored when calculating the amount of any capital loss.

Instead of applying indexation to the cost base of their SNF Shares, individuals and complying superannuation funds may instead choose to apply the CGT discount to the net capital gain resulting from the disposal of SNF Shares (i.e. after any capital losses have been applied). The CGT discount is only available to individuals and complying superannuation funds that have held their SNF Shares for at least 12 months prior to the date the Offer is accepted.

Whether it is better for a company or individual SNF Shareholder to choose to include indexation or not will depend upon the particular SNF Shareholder's individual circumstances, including the cost base of the SNF Shares and whether the SNF Shareholder has any available capital losses. SNF Shareholders should consult their own tax advisers in this regard.

(b) SNF Shares acquired after 11.45am on 21 September 1999.

If SNF Shares are held by an individual and:

- they were acquired after 11.45am on 21 September 1999; and
- have been held for more than 12 months before the date on which the SNF Shareholder accepted the Offer,

then the CGT discount referred to above should generally be available.

There is no entitlement to indexation of the cost base for the SNF Shareholder in these circumstances.

It should be noted that the CGT discount is not available where SNF Shares are held by a company.

6.3 Stamp duty

All Australian States and Territories currently exempt the transfer of shares quoted on a recognised stock exchange from stamp duty. Therefore, no stamp duty should be payable on the transfer of SNF Shares pursuant to the Offer.

6.4 GST

On the basis of current GST law, the disposal of SNF Shares pursuant to the Offer would not be subject to GST, with the exception of GST payable on any brokerage charged by your Controlling Participant for carrying out your instructions.

7. Information on SNF Securities

7.1 SNF Capital Structure

As at the date of this Bidder's Statement, there are 44,485,010 SNF Shares on issue.

As at the date of this Bidder's Statement, the only options issued by SNF are SNF Options issued under an executive employee share scheme. As at the date of this Bidder's Statement, there were 2,675,000 SNF Options on issue. Arrovest is not bidding for these SNF Options under the Offer.

As at the date of this Bidder's Statement SNF had 8,333,333 unsecured convertible notes with a face value of $0.60 each (**SNF Notes**) on issue. Arrovest is not bidding for these SNF Notes under the Offer. These SNF Notes may be redeemed by SNF as a result of the Offer. See Section 8.1 for details.

7.2 SNF Share Trading

SNF Shares are thinly traded. The average daily volume of SNF Shares traded on ASX in the 12 month period to 8 June 2006 was 39,809. In that period, the highest price, lowest price and VWAP of SNF Shares traded on ASX were as follows:

Low	–	$0.335
High	–	$0.50
VWAP	–	$0.393

Over the same period, Perich Enterprises, an Associate of Arrovest, has acquired a total of 3,492,955 SNF Shares. The remaining 6,618,701 SNF Shares traded over that period represent only 14.9% of the total issued capital of SNF.

7.3 Arrovest's interests in SNF

As at the date of this Bidder's Statement, Arrovest had a Relevant Interest in 8,771,289 SNF Shares.

As at the date of this Bidder's Statement, Arrovest and its Associates had Voting Power of 19.72% in SNF.

7.4 No Collateral benefits

Neither Arrovest nor any Associate of Arrovest has, during the period of 4 months ending on the day immediately before the date of Offer, given, or offered or agreed to give, a benefit to another person likely to induce the other person, or an Associate, to:

(a) accept the Offer; or

(b) dispose of SNF Shares,

which benefit was not offered to all SNF Shareholders under the Offer.

7.5 No escalation agreements

Neither Arrovest nor any Associate of Arrovest has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

7.6 Dealings in SNF Shares

In the 4 months prior to the date of the Offer, Arrovest or its Associates engaged in the following dealings in SNF Shares:

Arrovest

Date of Transaction	Relevant Party	Details of transaction	Consideration
8 June 2006	Arrovest	Purchased 8,771,289 SNF Shares from Perich Enterprises as trustee for the Perich Family Settlement	$0.50 per share

Associates of Arrovest

Date of Transaction	Relevant Party	Details of transaction	Consideration
8 June 2006	Perich Enterprises as trustee for the Perich Family Settlement	Sold 8,771,289 SNF Shares to Arrovest	$0.50 per share
4 May 2006	Perich Enterprises as trustee for the Perich Family Settlement	Purchased 550,000 SNF Shares on-market	$0.395 per share
4 May 2006	Perich Enterprises as trustee for the Perich Family Settlement	Purchased 550,000 SNF Shares on-market	$0.39 per share

Date of Transaction	Relevant Party	Details of transaction	Consideration
27 April 2006	Perich Enterprises as trustee for the Perich Family Settlement	Purchased 5,000 SNF Shares on-market	$0.37 per share
21 April 2006	Perich Enterprises as trustee for the Perich Family Settlement	Purchased 180,408 SNF Shares on-market	$0.38 per share
11 April 2006	Perich Enterprises as trustee for the Perich Family Settlement	Purchased 108,563 SNF Shares on-market	$0.378 per share
11 April 2006	Perich Enterprises as trustee for the Perich Family Settlement	Purchased 7,100 SNF Shares on-market	$0.365 per share
10 April 2006	Perich Enterprises as trustee for the Perich Family Settlement	Purchased 42,900 SNF Shares on-market	$0.365 per share
7 April 2006	Perich Enterprises as trustee for the Perich Family Settlement	Purchased 18,000 SNF Shares on-market	$0.3589 per share

8. Additional Information

8.1 Change of Control under Convertible Note Terms

As at the date of this Bidder's Statement, SNF had 8,333,333 SNF Notes on issue.

Under the terms of issue of the SNF Notes, a Change of Control will occur as a result of the Offer if:

(a) Arrovest and its Associates achieve a Relevant Interest in more than 50% of the issued SNF Shares; or

(b) the Directors of SNF unanimously recommend that SNF Shareholders accept the Offer (whether or not subject to any conditions).

Arrovest has not discussed the Offer with any director of SNF (other than Ron Perich who is the nominee of Perich Enterprises) and so is not able to indicate whether a favourable recommendation is likely to be provided by the SNF board of directors.

If a Change of Control occurs, SNF may redeem the SNF Notes. SNF must redeem the SNF Notes if it:

(a) is requested in writing from holders of SNF Notes holding at least one half of the face value of all SNF Notes; or

(b) is directed by an extraordinary resolution of holders of SNF Notes to redeem the SNF Notes.

On redemption, SNF must pay an early redemption amount equal to the higher of:

(a) the price offered by Arrovest under the Offer, being $0.50; and

(b) the face value of the SNF Notes being $0.60.

If a Change of Control occurs and the SNF directors resolve to redeem, or are required to redeem the SNF Notes, SNF will be required to pay the sum of $5,000,000 to holders of SNF Notes. Arrovest anticipates that any such redemption would be funded from existing cash reserves of SNF and, in the event of any shortfall, from replacement debt funding or sale of assets as required.

8.2 Material Contracts

Apart from the terms of issue of the SNF Notes, Arrovest is not aware of any contracts to which SNF or any of its controlled entities are a party which contain provisions entitling the contract counterparty to terminate the contract in the event of a change of control of SNF.

Arrovest has not engaged in any discussions with any party with whom SNF or a controlled entity of SNF has a substantive contract for the provision of goods or services to assess the impact of a change of control of SNF on any contract.

8.3 Contract Beverage Joint Venture

In March 2005, SNF and Leppington entered into a 50:50 manufacturing joint venture. Contract Beverage, owned as to 50% by Leppington and 50% by SNF, acquired the beverage manufacturing assets of SNF.

In its 2005 Annual Report, SNF stated that over time, Contract Beverage proposes to introduce new packaging formats to support growth in soy, dairy milk and contract packaging for third parties.

The relationship between SNF and Leppington with respect to Contract Beverage is governed by a joint venture agreement and an associated shareholders agreement.

The joint venture commenced on 1 March 2005 and continues for an initial period of 5 years subject to renewal by agreement of the parties or termination earlier as a result of, among other things, material breach or occurrence of an insolvency event.

The joint venture agreement provides, among other things, that:

- Contract Beverage undertakes processing and packaging of soy and rice products on behalf of SNF;
- Contract Beverage undertakes processing and packaging of diary milk products on behalf of Leppington;
- Contract Beverage undertakes purchasing, processing and packaging beverage products for sale to third parties;
- Contract Beverage will provide warehouse services for raw materials, packaging and finished products for all parties together with some distribution services as agreed from time to time;
- the parties intend that Contract Beverage will develop the capability to process and package ESL and pasteurised (plastic bottle) products in the future;
- the processing and packaging of soy and rice products for SNF and dairy milk products for Leppington will be at cost with all profits received for processing and

packaging beverage products under agreements with third parties for the benefit of Contract Beverage;

- each of SNF and Leppington have undertaken to use Contract Beverage for the provision of packaging services on an exclusive basis, subject to Contract Beverage maintaining the technical capability and expertise and the capacity to process and package products in accordance with the technical specifications or timetable required by that party; and

- Contract Beverage will initially run its business out of the factory premises previously owned by SNF at Taren Point with the intention of relocating to a new factory and warehouse facility to be constructed by Leppington at its cost in south west Sydney.

Subject to approval of the directors of Contract Beverage, Contract Beverage will move all of its manufacturing plant and equipment from its current Taren Point factory to a new purpose-built factory on Leppington's premises. A development application for this new factory has been recently approved by Liverpool City Council.

Over the past 18 months, Contract Beverage has focused on improving the efficiency of the plant at Taren Point and has achieved success in reducing the average per unit cost of manufacture benefiting both SNF and Leppington.

Neither Arrovest nor the Perich Group intends to implement any substantive changes to the terms of the Contract Beverage joint venture and associated documentation or the manner in which Contract Beverage conducts its business.

8.4 Regulatory Approvals

There are no regulatory approvals that Arrovest needs to obtain before acquiring SNF Shares under the Offer.

8.5 Common directorships

Ronald Perich is a director of both Arrovest and SNF. In the course of the performance of his duties as a director of SNF, Mr Perich has received limited financial and operating information regarding SNF.

Notwithstanding the access of Mr Perich to this information, Arrovest does not consider that it is in possession of any information regarding the financial and operating position of SNF and its controlled entities that is material to the making of a decision by SNF Shareholder whether to accept the Offer that is not disclosed in this Bidder's Statement.

8.6 Consents

BCP Accounting and Business Advisers has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as financial adviser to the Offer in the form and context in which it is named.

Westpac Broking has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as Broker to the Offer in this Bidder's Statement in the form and context in which it is so named.

Watson Mangioni has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as legal advisers to the Offer in the form and context in which it is named.

Each of BCP Accounting and Business Advisers, Westpac Broking and Watson Mangioni:

(a) has not authorised or caused the issue of the Bidder's Statement;

(b) does not make, or purport to make, any statement in this Bidder's Statement other than as specified as in this Section;

(c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder's Statement other than the reference to its name and the statements (if any) included in this Bidder's Statement with the consent of that party as specified in this Section.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in documents lodged with ASIC or given to ASX. Pursuant to ASIC Class Order 01/1543, the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents (free of charge) please contact Ben Hastings, by fax on +61 2 4773 4291 or by email to benhastings@lpcmilk.com.

8.7 Other material information

There is no other information material to the making of a decision by an offeree whether or not to accept an Offer (being information that is known to Arrovest and has not previously been disclosed to the holders of SNF Shares) other than as disclosed in this Bidder's Statement.

9. Definitions and Interpretation

9.1 Definitions

The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires. These terms are used throughout this Bidder's Statement.

$	Australian Dollars.
Announcement Date	The date on which the Offer was announced to ASX, namely 9 June 2006.
Arrovest	Arrovest Pty Limited (ABN 98 117 953 205).
ASIC	Australian Securities and Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act.
ASTC	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532) which administers CHESS in Australia in relation to relevant transactions.
ASX	Australian Stock Exchange Limited (ABN 98 008 624 691).
Bidder	Arrovest Pty Limited (ABN 98 117 953 205).
Bidder's Statement	The contents of this booklet.

Broker	Westpac Securities Limited trading as Westpac Broking (ABN 39 082 924 221)
CGT	Capital gains tax.
CHESS	The Clearing House Electronic Subregister System which provides for the electronic transfer, settlement and registration of securities in Australia.
CHESS Holding	A holding of SNF Shares on the CHESS subregister of SNF.
Contract Beverage	Contract Beverage Packers of Australia Pty Limited (ABN 92 112 913 336).
controlled entity	Has the meaning given to that word in the Corporations Act.
Corporations Act	The Corporations Act 2001 (Cth).
Director	A director of Arrovest.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Governmental Agency	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
GST	Goods and services tax.
Leppington	Leppington Pastoral Co. Pty Limited (ABN 83 000 420 404).
Listing Rules	The listing rules of the ASX.
Offer	The offer to acquire SNF Shares which will be made on-market by Arrovest, as set out in Section 1 of this Bidder's Statement.
Offer Period	The period for which the Offer remains open being the period from 26 June 2006 to 25 July 2006 unless extended or withdrawn in accordance with the Corporations Act.
Offer Price	$0.50 per SNF Share.
Perich Enterprises	Perich Enterprises Pty Limited (ABN 54 838 713 439).
Perich Group	Perich Enterprises and its controlled entities and entities controlled by Anthony Perich and Ronald Perich.
Relevant Interest	Has the meaning given in sections 608 and 609 of the Corporations Act.
Security	Has the meaning given in Section 92 of the Corporations Act.

SNF	So Natural Foods Australia Limited (ABN 41 002 814 235).
SNF Group	SNF and its controlled entities.
SNF Note	An unsecured convertible note issued by SNF with a face value of $0.60.
SNF Option	An executive employee option to acquire SNF Shares as described in Section 3.9.
SNF Share	A fully paid ordinary share in the capital of SNF.
SNF Shareholder	A registered holder of SNF Shares.
Trading Day	Has the meaning given in the ASX Listing Rules.
Voting Power	Has the same meaning given to that term in section 610 of the Corporations Act.
VWAP	Volume weighted average price

9.2 Interpretation

In this Bidder's Statement, unless the context requires otherwise:

(a) a reference to a word includes the singular and the plural of the word and vice versa;

(b) a reference to a person in this Bidder's Statement or any other document or agreement includes its successors and permitted assigns;

(c) a reference to a gender includes any gender;

(d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the section of or schedule, annexure or appendix to this Bidder's Statement and references to this Bidder's Statement include its schedules and any annexures;

(e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;

(f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;

(g) headings are included for convenience only and do not affect interpretation;

(h) a reference to a document or agreement including this Bidder's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;

(i) a reference to a thing includes a part of that thing and includes but is not limited to a right;

(j) the terms **included**, **including** and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;

(k) a reference to a statute or statutory provision includes but is not limited to:

(i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;

(ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and

(iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;

(l) reference to **$, A$, Australian Dollars** or **dollars** is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;

(m) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

10. Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution of the directors of Arrovest.

Dated 9 June 2006

Signed

For and on behalf of Arrovest

Ron Perich
Joint Managing Director

Annexure A

Westpac

ONLINE INVESTING

9 June 2006

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

For immediate release to the market

Market Bid for ordinary shares in So Natural Foods Limited ABN 41 002 814 235 (SNF) (ASX code: SNF)
Bidder: Arrovest Pty Limited ABN 98 117 953 205 (Bidder)

Offer

Westpac Securities Limited ABN 39 087 924 221, trading as Westpac Broking (**Westpac Broking**), announces that during the period commencing on 26 June 2006 and ending at **[4pm]** (Sydney time) on 25 July 2006 (**Offer Period**), Arrovest Pty Ltd ABN 98 117 953 205 (**Bidder**) will offer (**Offer**) to acquire on-market, pursuant to section 635 of the Corporations Act 2001, all of the fully paid ordinary shares in So Natural Foods Australia Limited ABN 41 002 814 235 (**SNF**) that exist or will exist at any time during the Offer Period (**SNF Shares**).

The Offer will be made at a price of A$0.50 per share (**Offer Price**).

As the bid is an on-market bid, the Offer is unconditional and payment of the consideration will be by way of cash.

Acquisitions before Offer Period

From the time of this announcement and ending on 26 June 2006, Bidder will also accept at the Offer Price every SNF Share offered to it at an official meeting of ASX.

Broker

Bidder has appointed Westpac Broking as its agent for the purchase of SNF Shares on-market at official meetings of the Australian Stock Exchange Limited (**ASX**).

Acceptance

Offers may be accepted during the Offer Period at official meetings of ASX held on the stock market of ASX.

Variation of Offer

Bidder may extend the Offer Period and/or increase the Offer Price in accordance with the Corporations Act.

In accordance with the Corporations Act, at any time before the end of the period in which the Offer remains open for acceptance, Bidder reserves the right to withdraw or make an application to ASIC to suspend acceptances in respect of those Offers which have not been accepted.

Payment of consideration for Shares and brokerage

The usual rules for settlement of transactions which occur on-market with ASX will apply in respect of acceptance of the Offer and purchases of SNF Shares by Westpac Broking on behalf of Bidder.

Any brokerage charged by brokers acting for holders of SNF Shares wishing to sell their shares will be the sole responsibility of the SNF shareholders. Bidder will bear its own brokerage costs, if any, on any purchases of SNF Shares made on-market.

Bidder's Statement

In accordance with section 635 of the Corporations Act, a Bidder's Statement will today be served on SNF. Copies of the Bidder's Statement will also be sent to the ASX and lodged with the Australian Securities and Investments Commission (**ASIC**). A copy of the Bidder's Statement will also be sent to holders of SNF Shares before commencement of the Offer Period.

SNF Shares

SNF Shares, being the shares the subject of the takeover bid, are ordinary fully paid shares in SNF.

Immediately prior to the making of this announcement:

(a) as far as Bidder is aware, SNF had a total of 44,485,010 SNF Shares on issue;

(b) Bidder and its Associates had a relevant interest in 8,771,289 SNF Shares; and

(c) Bidder had voting power in SNF of 19.72%.

Signed for and on behalf of
Westpac Securities Limited

Kevin Powell
Director
Westpac Securities Limited

Westpac

ONLINE INVESTING

9 June 2006

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

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Signed for and on behalf of
Westpac Securities Limited

Kevin Powell
Director
Westpac Securities Limited