Allens Arthur Robinson

31 August 2006

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Dear Sir/Madam

Takeover Bid by Rank Group Australia Pty Limited in relation to Burns, Philp & Company Limited

We act on behalf of Burns, Philp & Company Limited (ACN 000 000 359) (***Burns Philp***).

As required by item 14 of section 633(1) of the *Corporations Act 2001* (2001), we enclose a copy of the Target's Statement served today by Burns Philp on Rank Group Australia Pty Limited (ACN 121 366 041) in response to its Bidder's Statement dated 28 August 2006.

Yours sincerely

Guy Alexander
Partner
Guy.Alexander@aar.com.au
Tel 61 2 9230 4874

Hein Vogel
Lawyer
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Enc

Our Ref HZVS:205737020

hzvs A0107483017v1 205737020 31.8.2006

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

Burns, Philp & Company Limited

(ABN 65 000 000 359)

Target's Statement

This Target's Statement has been issued in response to the off-market takeover bid made by Rank Group Australia Pty Limited (ACN 121 366 041) (a wholly owned subsidiary of Rank Group Limited) for all the ordinary shares in Burns, Philp & Company Limited.

Allens Arthur Robinson

LAZARD

Financial Adviser

Legal Adviser

Key dates

Date of Rank Group Australia Pty Limited's Offer	7 September 2006
Date of this Target's Statement	31 August 2006
Offer closes (unless extended or withdrawn)	7.00 pm (Sydney time) on 9 October 2006

Burns Philp shareholder information

Burns Philp has established a shareholder information line which Burns Philp shareholders may call if they have any queries in relation to Rank Australia's Offer. The telephone number for the shareholder information line is 1800 237 764 (for calls made from within Australia), 0800 767 556 (for calls made from within New Zealand) or +61 2 8280 7615 (for calls made from outside Australia and New Zealand).

As required by the Corporations Act, calls to the shareholder information line will be recorded, indexed and stored.

Further information relating to Rank Australia's Offer can be obtained from Burns Philp's website at www.burnsphilp.com.

Important information

This document is a Target's Statement issued by Burns Philp under Part 6.5 Division 3 of the Corporations Act in response to Rank Australia's Bidder's Statement and Offer.

A copy of this Target's Statement was lodged with ASIC on 31 August 2006. Neither ASIC nor its officers take any responsibility for the content of this Target's Statement.

Investment advice

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Defined terms

A number of defined terms are used in this Target's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in clause 9.1 of this Target's Statement, words and phrases in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

Contents of this Target's Statement

Burns Philp

BURNS, PHILP & COMPANY LIMITED
ABN 65 000 000 359

LEVEL 23, 56 PITT STREET
SYDNEY NSW 2000
GPO BOX 543
SYDNEY NSW 2001
AUSTRALIA

31 August 2006

Dear Shareholders

Takeover Offer by Rank Australia

On 22 August 2006, Burns Philp announced that it had been advised by its major shareholder, Rank Group Limited, that Rank Group Limited proposed to make a full takeover offer of A$1.10 cash per share (***Offer***) for all of the shares in Burns Philp that it did not already own. A Bidder's Statement in relation to that Offer was later served on Burns Philp and released to the ASX on 28 August 2006. A copy of that Bidder's Statement is enclosed with this Target's Statement.

The Offer, which is being made by Rank Group Limited's wholly owned subsidiary, Rank Group Australia Pty Limited (***Rank Australia***), is subject to Foreign Investment Review Board approval in Australia and New Zealand Overseas Investment Act consent, together with a 90% minimum acceptance condition. The Offer is presently scheduled to close on 9 October 2006, subject to Rank Australia's rights to extend the Offer Period in accordance with the Corporations Act.

A committee of directors, comprising Mark Burrows and Fred Smith (Independent Directors) and Tom Degnan (the Managing Director), have carefully considered Rank Australia's Offer and each of those directors recommends that shareholders accept the Offer, in the absence of a higher offer. The key reasons for the recommendation are as follows:

- The Offer price of A$1.10 per Share is in excess of the net asset value per Share as assessed by Rank Australia. Burns Philp agrees with Rank Australia's assessment of the net asset value per Share of A$1.09. The Offer price is also within the value range as assessed by Grant Samuel & Associates Pty Limited, the independent expert appointed to opine on the Offer, of A$1.084 to A$1.105 per Share. Given that following the sale of Burns Philp's yeast and spice businesses, the IPO of Goodman Fielder and the sale of the Uncle Tobys' snacks business, Burns Philp's assets comprise cash, a retained 20% shareholding in Goodman Fielder and two smaller businesses (Bluebird Foods and an investment in the Fresh Start Bakeries joint venture), determination of the net asset value is relatively transparent.
- The Offer price of A$1.10 per Share represents a 14.2% premium to Burns Philp's VWAP of $0.9629 for the one month ended 21 August 2006[1], and a 15.1% premium to Burns Philp's VWAP of $0.9557 for the three months ended 21 August 2006[2].
- Given that the Rank Group already owns approximately 57.6% of the Shares in Burns Philp and controls the Company, it is highly unlikely that Burns Philp will receive a higher offer from any third party. Rank Australia has also stated in its Bidder's Statement that its Offer

[1] Volume-weighted average share price (VWAP) on ASX over the period 21 July 2006 to 21 August 2006.

[2] Volume-weighted average share price (VWAP) on ASX over the period 22 May 2006 to 21 August 2006.

price of A$1.10 will not be increased, and under relevant laws Rank Australia is bound by this statement.

- Rank Australia has indicated in the Bidder's Statement that, if the Offer is not successful, Rank Group Limited will discuss with the Burns Philp directors the payment of dividends and undertaking of capital returns to all shareholders. It is likely that any dividends and capital returns will be unfranked or have only nominal franking credits attached to them because Burns Philp only has a small franking credit balance.

In these circumstances, the Independent Directors and Managing Director believe that the market price of Burns Philp Shares may fall if the Offer is unsuccessful and that accepting Rank Australia's Offer is the best way for you to crystallise value for your Burns Philp Shares. We note that Grant Samuel & Associates Pty Limited, the independent expert appointed to assess the Offer, has also concluded that the Offer is fair and reasonable for Burns Philp shareholders.

Each of these points is explained in further detail in this Target's Statement. You are encouraged to read this Target's Statement, including the Independent Expert's Report, before making your decision in relation to Rank Australia's Offer.

Yours sincerely

Mark Burrows　　　　Fred Smith　　　　Tom Degnan

1. Frequently asked questions

This section answers some commonly asked questions about the Offer. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is Rank Australia's Offer for my Burns Philp Shares?	Rank Australia is offering A$1.10 for each Burns Philp Share held by you.
What choices do I have as a Burns Philp shareholder?	As a Burns Philp shareholder, you have the following choices in respect of your Shares: • accept the Offer; • sell your Shares on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or • do nothing. There are several implications in relation to each of the above choices. A summary of these implications is set out in section 4 of this Target's Statement.
What are the directors of Burns Philp recommending?	Each of the Independent Directors and the Managing Director recommends that you accept the Offer, in the absence of a higher offer. Each of Mr Graeme Hart (Chairman) and Mr Bryce Murray (Non-executive Director) (who are not considered to be independent directors) recommends that you accept the Offer, in the absence of a higher offer.
How do I accept the Offer?	Details of how to accept the Offer are set out in section 8.3 of the Bidder's Statement.
What are the consequences of accepting the Offer now?	If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your Shares on the ASX or otherwise deal with your Shares while the Offer remains open.

Question	Answer
If I accept the Offer, can I withdraw my acceptance?	You may withdraw your acceptance at any time until the FIRB Condition of the Offer has been fulfilled. After the FIRB Condition is satisfied, you may only withdraw your acceptance if Rank Australia varies the Offer in a way that postpones the time when Rank Australia is required to satisfy its obligations by more than one month. (See section 5.8 of this Target's Statement for further details.)
When does the Offer close?	The Offer is presently scheduled to close at 7.00 pm (Sydney time) on 9 October 2006, but the Offer period can be extended in certain circumstances. (See section 5.5 of this Target's Statement for details of the circumstances in which the Offer period can be extended.)
What are the conditions to the Offer?	The conditions to the Offer are: • approval by FIRB in Australia and OIO in New Zealand; and • the 90% Minimum Acceptance Condition. (See section 8.2 of the Bidder's Statement for further details.)
What happens if the conditions of the Offer are not satisfied or waived?	If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse.
When will I be sent my consideration if I accept the Offer?	Payment will be made within 5 Business Days of the later of your acceptance of the Offer and the Offer becoming unconditional. (See section 8.6 of the Bidder's Statement for further details on when you will be sent your consideration.)

2. Directors' recommendation

2.1 Summary of Offer

The consideration being offered by Rank Australia under its Offer is A$1.10 for each Burns Philp Share.

The Offer is subject to a number of conditions; those conditions are summarised in section 5.2 of this Target's Statement.

2.2 Directors of Burns Philp

As at the date of this Target's Statement, the directors of Burns Philp are:

Name	Position
Mr Graeme Hart	Chairman Non-executive Director (also a director of Rank Australia and Rank Group Limited)
Mr Bryce Murray	Non-executive Director
Mr Thomas Degnan	Managing Director and Chief Executive Officer
Mr Mark Burrows	Independent non-executive Director and Lead independent Director
Mr Fred Smith	Independent non-executive Director

2.3 Independent Directors' and Managing Director's recommendations

Mr Mark Burrows and Mr Fred Smith (the ***Independent Directors***) and Mr Thomas Degnan (the ***Managing Director***), as a committee of the Board, have considered the Offer and Bidder's Statement and engaged Grant Samuel to prepare the Independent Expert's Report.

After taking into account each of the matters in this Target's Statement (including the Independent Expert's Report) and in the Bidder's Statement, each of the Independent Directors and the Managing Director recommends that you accept the Offer, in the absence of a higher offer. The reasons for that recommendation is set out in section 2.5 of this Target's Statement.

In considering whether to accept the Offer, the Independent Directors and the Managing Director encourage you to:

- read this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and

- obtain financial advice from your broker or financial adviser upon the Offer and obtain taxation advice on the effect of accepting the Offer.

Mr Mark Burrows considers himself to be independent and in a position to make a recommendation to Burns Philp shareholders, notwithstanding that he is also a non-executive director of Carter Holt Harvey Limited, a wholly owned subsidiary of Rank Group Limited.

Mr Thomas Degnan considers himself to be in a position to make a recommendation to Burns Philp shareholders, notwithstanding that he is an executive director of Burns Philp and also a non-executive director of Carter Holt Harvey Limited, a wholly owned subsidiary of Rank Group Limited.

2.4 Recommendation of Graeme Hart and Bryce Murray

Mr Graeme Hart and Mr Bryce Murray are not considered to be independent directors of Burns Philp because:

- Mr Graeme Hart (directly and indirectly through 100% owned companies) owns 100% of Rank Group Limited (a substantial shareholder of Burns Philp); and
- Mr Bryce Murray is a senior executive of Rank Group Limited (a substantial shareholder of Burns Philp).

Although Mr Graeme Hart and Mr Bryce Murray are connected with Rank Australia, each of them believes that the Offer is fair and reasonable and in the best interests of shareholders not associated with Rank Group and recommends that you accept the Offer, in the absence of a higher offer. The reasons for that recommendation is set out in section 2.5 of this Target's Statement.

2.5 Why do the directors of Burns Philp recommend the Offer?

(a) The Offer price is in excess of Burns Philp's assessment of the net asset value per Share and within the value range as assessed by the Independent Expert

The Offer price of A$1.10 per Share is in excess of the net asset value per Share, as assessed by Rank Australia. Burns Philp agrees with Rank Australia's assessment of the net asset value per Share of A$1.09. Rank Australia's net asset value calculation is set out in the Bidder's Statement, as follows:

Burns Philp Net Asset Value Calculation		A$MM	% of Total NAV
Cash(1)		3,270	
Term loan facilities(2)		(630)	
NZ Capital Notes(3)		(180)	
Net Cash Position		2,460	79.6%
(+) Market Value Goodman Fielder 20% Shareholding(4)		530	17.2%
(+) Other Assets(1)		230	
(-) Other Liabilities(1)		(130)	
Net Asset Value		3,090	100%
Ordinary Shares Outstanding	(MM)	2,829.1	
Net Asset Value per Share	(A$ per share)	**$1.09**	
Offer price	(A$ per share)	**$1.10**	

(1) Estimate as at 22 August 2006 and reflecting events after audited financials as at 30 June 2006 (such as sale of Uncle Tobys for A$890 million).
(2) Term loan facilities are as at 22 August 2006 and reflect foreign exchange movements since 30 June 2006.
(3) Estimate as at 22 August 2006 and reflecting break costs to repay New Zealand Capital Notes and foreign exchange movements since 30 June 2006.
(4) Volume-weighted average price for Goodman Fielder shares on ASX for the one month ended 22 August 2006, the date of the announcement of the Offer.

On 29 August 2006, after the date of the Bidder's Statement, Burns Philp repaid the term loan facilities in full (without penalties) using existing cash reserves. This does not have any effect on the Company's net cash position.

The Offer price of A$1.10 per Share is also within the value range as assessed by Grant Samuel, the Independent Expert appointed to opine on the Offer, of A$1.084 to A$1.105 per Share. (See page 1 of the Independent Expert's Report.)

(b) The Offer price represents a premium to the pre-announcement price for Burns Philp Shares

The Offer price of A$1.10 per Share represents a 14.2% premium to Burns Philp's VWAP of $0.9629 for the one month ended 21 August 2006[1], and a 15.1% premium to Burns Philp's VWAP of $0.9557 for the three months ended 21 August 2006[2].

(c) It is unlikely that there will be a higher offer

Given that Rank Group already owns approximately 57.6% of the Shares in Burns Philp and controls the Company, it is highly unlikely that Burns Philp will receive a higher offer from any third party. Rank Australia has also stated in its Bidder's Statement that its Offer price of A$1.10 will not be increased, and under relevant laws Rank Australia is bound by this statement.

[1] Volume-weighted average share price (VWAP) on ASX over the period 21 July 2006 to 21 August 2006.

[2] Volume-weighted average share price (VWAP) on ASX over the period 22 May 2006 to 21 August 2006.

(d) **Rank Group's proposal for Burns Philp to pay dividends and capital returns if the Offer is unsuccessful**

Rank Australia has indicated in the Bidder's Statement that, if the Offer is not successful, Rank will discuss with the Burns Philp directors the payment of dividends and undertaking of capital returns to all shareholders. It is likely that any dividends and capital returns will be unfranked or have only nominal franking credits attached to them because Burns Philp only has a small franking credit balance.

(e) **No brokerage payable**

No brokerage will be paid by accepting shareholders.

2.6 Intentions of the directors in relation to the Offer

Each director of Burns Philp who holds Burns Philp Shares, intends to accept the Offer in relation to those Shares, in the absence of a higher offer.

Millstreet Investments Limited and Kintron Developments Limited, wholly owned subsidiaries of Rank Group Limited which jointly already hold 57.59% of the Shares in Burns Philp, will not accept the Offer. Rank Group Limited is 100% owned by Mr Graeme Hart (directly and through 100% owned companies).

Details of the relevant interests of each Burns Philp director in Burns Philp Shares are set out in section 6 of this Target's Statement.

3. Important matters for Burns Philp shareholders to consider

3.1 The Offer

Rank Australia's Offer is open for acceptance until 7.00pm on 9 October 2006, unless it is extended or withdrawn (sections 5.5 and 5.6 of this Target's Statement describe the circumstances in which Rank Australia can extend or withdraw its Offer).

Rank Group Limited advised Burns Philp of its intention to make a takeover bid for Burns Philp on 22 August 2006. The detailed terms of the Offer are contained in the Bidder's Statement. A summary of the Offer is contained in section 5 of this Target's Statement.

3.2 Information on Burns Philp

For information on Burns Philp, please refer to section 2 of the Bidder's Statement and Burns Philp's 2006 Annual Report, which was released to the ASX on 25 August 2006 and will be mailed to shareholders at or around the same time as this Target's Statement is despatched to shareholders.

3.3 Independent Expert's Report

This Target's Statement includes, in Annexure A, a copy of a report by Grant Samuel (an independent expert not associated with either Burns Philp or Rank Group) stating whether, in its opinion, the Offer is fair and reasonable and giving reasons for forming that opinion.

Burns Philp's directors recommend that you read the report in full.

By way of summary, Grant Samuel has concluded that the Offer is fair and reasonable.

3.4 Minority ownership consequences

At the date of this Target's Statement Rank Group's shareholding in Burns Philp is 57.59%. Rank Australia's Offer is presently subject to a 90% Minimum Acceptance Condition.

If the 90% Minimum Acceptance Condition is fulfilled, Rank Australia will be entitled to acquire all outstanding Burns Philp Shares compulsorily. In this case, Burns Philp will become 100% owned by Rank Group and no minority shareholders will remain.

If the 90% Minimum Acceptance Condition is not satisfied or it is waived but Rank Australia does not have a relevant interest in at least 90% of the Shares at the end of the Offer Period, then Rank Group will continue to be in a position to cast the majority of votes at a general meeting of Burns Philp. This enables it to control the composition of Burns Philp's Board, determine Burns Philp's dividend and capital management policies and control the strategic direction of the businesses of Burns Philp and its subsidiaries. If the 90% Minimum Acceptance Condition is waived but Rank Australia does not have a relevant interest in at least 90% of the Shares at the end of the Offer Period, then any Shares acquired by Rank Group under the Offer will also reduce the number of Shares which can be expected to be available for trading on the ASX. This is likely to reduce the liquidity of Burns Philp Shares, and may adversely affect the price at which they might otherwise be expected to trade.

3.5 Other alternatives to the Offer

At this stage, the Board has not received any higher offers to Rank Australia's Offer. Given that the Rank Group's shareholding in Burns Philp is already 57.59%, and the assets of Burns Philp are comprised primarily of cash, the Independent Directors and the Managing Director do not believe a higher offer is likely. However, the Board will keep shareholders informed of any material developments.

3.6 Burns Philp Share price absent the Offer

While there are many factors that influence the market price of Burns Philp Shares, the directors anticipate that, following the close of the Offer, the market price of Burns Philp Shares may fall if Rank Australia's Offer is unsuccessful.

3.7 Taxation consequences of accepting the Offer

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian and New Zealand taxation considerations of accepting the Offer are set out in section 7 of this Target's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in this Target's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

4. Your choices as a Burns Philp shareholder

Each of the directors of Burns Philp recommends that you accept the Offer, in the absence of a higher offer.

However, as a Burns Philp shareholder you have three choices currently available to you:

4.1 Accept the Offer

Burns Philp shareholders may elect to accept the Offer. Details of the consideration that will be received by Burns Philp shareholders who accept the Offer (once the conditions are satisfied or waived) are set out in section 5.1 and in the Bidder's Statement.

Australian shareholders who accept the Offer may be liable for CGT on the disposal of their shares (see section 7 of this Target's Statement); however, they will not incur any brokerage charge.

The Bidder's Statement contains details of how to accept the Offer in section 8.3.

4.2 Sell your Shares on market

During a takeover, shareholders in a target company can still sell their shares on market for cash.

On 30 August 2006 Burns Philp's Share price closed at $1.075, which is lower than Rank Australia's Offer price of A$1.10 per Share. The latest price for Burns Philp Shares may be obtained from the ASX website www.asx.com.au.

Shareholders who sell their Shares on market may incur a brokerage charge.

Burns Philp shareholders who wish to sell their Shares on market should contact their broker for information on how to effect that sale.

4.3 Do not accept the Offer or sell your Shares on market

If you do not wish to accept the Offer or sell your Shares on market you should do nothing.

Shareholders should note that if Rank Australia acquires Shares so that it and its associates acquire a relevant interest in 90% or more of the Shares, it will be entitled to compulsorily acquire the Shares that it and its associates do not already own (see section 5.11 for further details). If you decide to retain your Shares and Rank Australia does not become entitled to compulsory acquisition of those shares, you should consider the risk associated with an investment in Burns Philp. You can expect that the price of your Shares will fluctuate and may fall below the Offer price, depending on Burns Philp's operating performance, issues affecting its remaining businesses and changes in market sentiment generally.

5. Key features of Rank Australia's Offer

5.1 Consideration payable to shareholders who accept the Offer

The consideration being offered by Rank Australia is A$1.10 for each Burns Philp Share it does not already own.

Millstreet Investments Limited and Kintron Developments Limited, wholly owned subsidiaries of Rank Group Limited which jointly already hold 57.59% of the Shares in Burns Philp, will not accept the Offer. Rank Group Limited is 100% owned by Mr Graeme Hart (directly and through 100% owned companies).

5.2 Conditions to the Offer

Rank Australia's Offer is subject to a number of conditions. Those conditions are set out in full in section 8.7 of the Bidder's Statement.

By way of broad overview, the conditions to the Offer are:

- the 90% Minimum Acceptance Condition; and
- FIRB and OIO approval.

5.3 Notice of Status of Conditions

Section 8.10 of the Bidder's Statement indicates that Rank Australia will give a Notice of Status of Conditions to the ASX and Burns Philp on 1 October 2006.

Rank Australia is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as Rank Australia knows, any of the conditions have been fulfilled; and
- Rank Australia's voting power in Burns Philp.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Rank Australia is required, as soon as practicable after the extension, to give a notice to the ASX and Burns Philp that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, Rank Australia must, as soon as practicable, give the ASX and Burns Philp a notice that states that the particular condition has been fulfilled.

5.4 Offer Period

Unless Rank Australia's Offer is extended or withdrawn, it is open for acceptance from 7 September 2006 until 7.00 pm Sydney time on 9 October 2006.

The circumstances in which Rank Australia may extend or withdraw its Offer are set out in section 5.5 and section 5.6 respectively of this Target's Statement.

5.5 Extension of the Offer Period

Rank Australia may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 5.3 of this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are fulfilled or freed), Rank Australia may extend the Offer Period at any time before the end of the Offer Period.

5.6 Withdrawal of Offer

Rank Australia may not withdraw the Offer if you have already accepted it. Before you accept the Offer, Rank Australia may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

5.7 Effect of acceptance

The effect of acceptance of the Offer is set out in section 8.5 of the Bidder's Statement. Burns Philp shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Shares and the representations and warranties which they give by accepting the Offer.

5.8 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if:

- Rank Australia's FIRB Condition has not, at the time of your purported withdrawal, been fulfilled; or
- Rank Australia varies the Offer in a way that postpones, for more than one month, the time when Rank Australia needs to meet its obligations under the Offer. This will occur if Rank Australia extends the Offer Period by more than one month and the Offer is still subject to conditions.

5.9 When you will receive your consideration if you accept the Offer

Rank Australia will provide the consideration due to you for your Shares on or before 5 Business Days after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within 5 Business Days after this Offer becomes unconditional.

Full details of when you will be issued your consideration are set out in section 8.6 of the Bidder's Statement.

5.10 Lapse of Offer

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Burns Philp Shares as you see fit.

5.11 Compulsory acquisition

Rank Australia has indicated in section 5.2 of its Bidder's Statement that if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding Burns Philp Shares.

Rank Australia will be entitled to compulsorily acquire any Burns Philp Shares in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- Rank Australia and its associates have a relevant interest in at least 90% (by number) of the Burns Philp Shares; and

- Rank Australia and its associates have acquired at least 75% (by number) of the Burns Philp Shares that Rank Australia offered to acquire (excluding Burns Philp Shares in which Rank Australia or its associates had a relevant interest at the date of the Offer and also excluding Burns Philp Shares issued to an associate of Rank Australia during the Offer Period).

If this threshold is met, Rank Australia will have one month after the end of the Offer Period within which to give compulsory acquisition notices to Burns Philp shareholders who have not accepted the Offer. Burns Philp shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their Burns Philp Shares. If compulsory acquisition occurs, Burns Philp shareholders who have their Burns Philp Shares compulsorily acquired are likely to be paid their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are despatched to them.

6. Information relating to your directors

6.1 Interests and dealings in Burns Philp securities

(a) Interests in Burns Philp Shares

As at the date of this Target's Statement, the directors of Burns Philp had the following relevant interests in Burns Philp Shares:

Director	Number of Shares
Mr Graeme Hart	1,629,315,312
Mr Thomas Degnan	4,010,172
Mr Bryce Murray	Nil
Mr Mark Burrows	5,843
Mr Fred Smith	19,502
Total	**1,633,350,829**

(b) Dealings in Burns Philp Shares

No director of Burns Philp has acquired or disposed of a relevant interest in any Shares in the 4 month period ending on the date immediately before the date of this Target's Statement, other than as follows:

Holder of relevant interest	Date of dealing	Description of dealing
Mr Graeme Hart	13 August 2006	Conversion of 537,644,211 Converting Preference Shares in accordance with their terms of issue.

Mr Thomas Degnan	13 August 2006	Conversion of 619,122 Converting Preference Shares in accordance with their terms of issue.
Mr Fred Smith	13 August 2006	Conversion of 5,779 Converting Preference Shares in accordance with their terms of issue.

6.2 Interests and dealings in Rank Group Limited securities

(a) Interests in Rank Group Limited securities

As at the date immediately before the date of this Target's Statement, Mr Graeme Hart (directly and through 100% owned companies) owns 100% of Rank Group Limited securities.

(b) Dealings in Rank Group Limited securities

No director of Burns Philp acquired or disposed of a relevant interest in any Rank Group Limited securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

6.3 Benefits and agreements

(a) **Benefits in connection with retirement from office as a result of the Offer**

Rank Australia indicated in the Bidder's Statement that if the Offer is successful, it intends to maintain the current Board, subject to discussions with each individual Burns Philp director after the close of the Offer.

As a result of the Offer, no person has been or will be given any benefit in connection with the retirement of that person, or someone else, from a board or managerial office of Burns Philp or related body corporate of Burns Philp.

Mr Burrows or Mr Smith will be entitled to certain retirement benefits when they retire, which are not linked to the Offer. These benefits are disclosed in Burns Philp's 2006 Annual Report.

(b) **Agreements connected with or conditional on the Offer**

There are no agreements made between any director of Burns Philp and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Shares.

(c) **Benefits from Rank Group**

None of the directors of Burns Philp has agreed to receive, or is entitled to receive, any benefit from Rank Group which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Shares.

(d) **Interests of directors in contracts with Rank Group**

Mr Graeme Hart (directly and indirectly through 100% owned companies) owns 100%, and is the sole director, of Rank Group Limited. Mr Hart is also a non-executive director of Carter Holt Harvey Limited, a wholly owned subsidiary of Rank Group Limited.

Mr Bryce Murray is a senior executive of Rank Group Limited and has been employed by Rank Group Limited since 1996. Mr Murray is also a non-executive director of Carter Holt Harvey Limited, a wholly owned subsidiary of Rank Group Limited.

Mr Thomas Degnan is a non-executive director of Carter Holt Harvey Limited, a wholly owned subsidiary of Rank Group Limited.

Mr Mark Burrows is a non-executive director of Carter Holt Harvey Limited, a wholly owned subsidiary of Rank Group Limited.

Other than is set out in this Target's Statement, none of the directors of Burns Philp has any interest in any contract entered into by Rank Australia.

7. Taxation consequences

7.1 Introduction

The following is a general description of the Australian and New Zealand income and capital gains tax consequences to Burns Philp shareholders on disposing of their Shares (through acceptance of the Offer) in return for cash consideration. The comments set out below in relation to Australian taxation are relevant only to those shareholders who hold their Shares as capital assets for the purpose of investment and who do not (or would not) hold those shares in connection with the conduct of a business.

Certain Australian resident shareholders (such as those engaged in a business of trading or investment, those who acquired their Shares for the purpose of resale at a profit or those which are banks, insurance companies, tax exempt organisations, superannuation funds, or persons who acquired their Shares in respect of their employment) will or may be subject to special or different tax consequences peculiar to their circumstances.

Shareholders who are not resident in Australia for tax purposes should also take into account the tax consequences, under the laws of their country of residence, as well as under Australian law, of the disposal of Shares under the Offer.

The following description is based upon taxation law and practice in effect as at the date of this Target's Statement. It is not intended to be an authoritative or complete statement or analysis of the taxation laws applicable to the particular circumstances of every shareholder. Shareholders should seek independent professional advice regarding the taxation consequences of disposing of Shares in the light of their own particular circumstances.

7.2 Australian resident shareholders

Acceptance of the Offer will involve the disposal by Burns Philp shareholders of their Shares, by way of transfer to Rank Australia.

In relation to Shares held on capital account and acquired, or deemed to have been acquired, by the relevant shareholders before 20 September 1985, such disposal should not give rise to any CGT implications.

The disposal of Shares acquired, or deemed to have been acquired, on or after 20 September 1985 and which are held on capital account will generally have CGT implications. Such disposal will constitute a CGT event for CGT purposes.

Australian resident shareholders may make a capital gain or capital loss on the disposal of their Shares under the Offer.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. If so, that net capital gain is included in assessable income and is subject to income tax. However, a 'CGT Discount' may be available to reduce the taxable gain for certain shareholders (see further below).

Capital losses may not be deducted against other income for income tax purposes, but may be offset against capital gains realised in the same income year or be carried forward to be offset against future capital gains.

In general, the capital gain or loss on disposal of a Share under the Offer will be calculated on the basis of the difference between the value of the capital proceeds (ie, the cash consideration received from Rank Australia) and the cost base of the share.

The cost base of Shares is generally their cost of acquisition or deemed cost of acquisition. Certain other amounts associated with acquisition and disposal, such as brokerage or stamp duty, may be added to the cost base. The capital loss will be calculated on the basis of the difference between the capital proceeds and the reduced cost base of the share.

However, if the Share was acquired (or deemed to be acquired) *at or before* 11.45 am on 21 September 1999, the cost base may be indexed for inflation, by reference to changes in the Consumer Price Index from the calendar quarter in which the Share was acquired (or deemed to be acquired) until the calendar quarter ended 30 September 1999. Shareholders who are individuals, complying superannuation entities or trustees of a trust must make an election if they wish to rely on indexation. Companies will be entitled to include the indexation without making an election. Indexation adjustments are taken into account only for the purposes of calculating a capital gain, and not a capital loss.

On the other hand, if the Share was acquired (or deemed to be acquired) *after* 11.45 am on 21 September 1999, the capital gain or loss is generally calculated on the difference between the capital proceeds and the cost base for the Share, with no indexation.

A shareholder who is an individual, complying superannuation entity or trustee of a trust, and who does not or cannot elect to adjust their cost base for indexation (as described above), may choose to claim a 'CGT Discount' if they acquired (or are deemed to have acquired) their Shares 12 months or more before the time at which the 90% Minimum Acceptance Condition is satisfied (or, if later, the time when the FIRB Condition is satisfied or waived). This means that:

- in the case of an individual (and, generally speaking, a trustee of a trust), only one-half of their net capital gain (after deducting available capital losses) will be taxable; and
- in the case of a complying superannuation entity, only two-thirds of their net capital gain (after deducting available capital losses) will be taxable.

However, the methodology for trustees is complex, and such shareholders should obtain specific advice in this regard, including in relation to the tax consequences of distributions attributable to discounted capital gains.

Whether it is better for any given shareholder to make the indexation election or not will depend upon the particular shareholder's individual circumstances, including the cost base of the Shares and whether the shareholder has any available losses. Shareholders should consult their own tax advisers in this regard.

The 'CGT Discount' is not available to companies, nor does it apply to Shares owned (or deemed to be owned) for less than the relevant 12 month period.

7.3 New Zealand resident shareholders

The comments set out below are relevant to Burns Philp shareholders resident in New Zealand for tax purposes.

Gains or losses derived or incurred by a New Zealand tax resident Burns Philp shareholder on the sale of the Shares to Rank Australia will only be assessable or deductible for New Zealand tax purposes if the Burns Philp shareholder:

- is in the business of dealing in shares (or similar property);
- purchased the Shares for the purpose of sale; or
- acquired and is selling the Shares as part of a profit-making undertaking or scheme.

Note that a gain or loss will only arise to the extent that the Offer price received exceeds or is less than the cost of the Shares to the relevant Burns Philp shareholder.

7.4 Non Australian resident shareholders

As Burns Philp will be treated as a public company for tax purposes, under the taxation laws in force as at the date of this Offer, a Burns Philp shareholder who is a non-resident of Australia for taxation purposes and holds their Shares on capital account will not make a taxable capital gain in Australia on the disposal of Shares under the Offer, if that shareholder (together with any associates) has not, at any time during the five years immediately preceding the disposal, owned 10% or more (by value) of the issued share capital of Burns Philp. If this requirement is not satisfied, then the CGT provisions will apply to the disposal, unless a shareholder is entitled to claim relief from Australian taxation under a relevant double tax treaty.

The Australian Government recently released legislation that will change the CGT rules that apply to non-residents by narrowing the current range of assets to which those rules apply. Assuming that the new CGT rules are enacted in their released form, the CGT rules will continue to apply to non-residents who hold an interest in shares in an Australian company that has direct and/or indirect interests in Australian real property and Australian mining, quarrying or prospecting rights the total value of which is greater than 50% of the value of all of the company's assets, provided that the interest (together with those of associates) in such shares carries 10% or more of the rights to vote or participate in distributions, or did carry 10% or more of those rights, throughout a 12 month period within 2 years before the date of disposal. These new rules will apply from the date of Royal

Assent, which is not yet known. Non-Australian resident shareholders should take independent taxation advice in respect of these new rules if they are enacted prior to the 90% Minimum Acceptance Condition being satisfied (or, if later, the time when the FIRB Condition is satisfied.)

7.5 Stamp duty and GST

Rank Australia will pay the stamp duty (if any) payable in Australia on the transfers of Shares under the Offer. New Zealand does not levy stamp duty on the transfer of shares. No GST will be payable in Australia or New Zealand on such transfers.

8. Other material information

8.1 Material contracts

(a) Uncle Tobys' Share Sale Agreement

On 23 May 2006, Burns Philp disposed of its Uncle Tobys' business to Nestlé Australia Ltd. Burns Philp gave various warranties and indemnities in relation to certain aspects of the Uncle Tobys' business including the separation of the Goodman Fielder business, intellectual property and assets. As at the date of this Target's Statement, no claims have been made under the agreement in relation to the disposal.

(b) Goodman Fielder Separation Agreements

Burns Philp disposed of its baking, spreads and oils business by way of an IPO of Goodman Fielder, in which Burns Philp retains a 20% shareholding. Burns Philp entered into various agreements with Goodman Fielder in connection with the separation of that business.

The general principle in the agreements, subject to a few limited exceptions, is that Goodman Fielder will be treated as if it always owned the relevant Goodman Fielder business so that all associated benefits and ordinary course liabilities will be transferred to Goodman Fielder and that the relevant Burns Philp companies will likewise be treated as if they had always owned the relevant assets relating to the businesses they retained.

The obligations and liabilities in relation to these agreements are set out in detail in the Goodman Fielder Prospectus. A copy of the Goodman Fielder Prospectus is available on www.asx.com.au or can be made available upon request. As at the date of this Target's Statement, no claims have been made under the agreements.

(c) Agreements in relation to Yeast and Spices Businesses

In 2004 Burns Philp also disposed of its yeast and spices businesses. Under the contracts for sale of these businesses Burns Philp warrants and indemnifies the purchasers in relation to various matters. As at the date of this Target's Statement, no claims have been made under the agreements in relation to these disposals that have not otherwise been provided for in the audited accounts of the Burns Philp group for the year ended 30 June 2006, as set out in the Company's 2006 Annual Report.

(d) Burns Philp Finance New Zealand Limited Capital Notes

Burns Philp Finance New Zealand Limited (***Burns Philp Finance***), a New Zealand incorporated wholly owned subsidiary of Burns Philp, issued capital notes to the public in New Zealand and other investors in 2003 (***Capital Notes***). The Capital Notes were issued in two tranches, five year notes which mature on 15 December 2008 and eight year notes which mature on 15 November 2011. Each of those maturity dates is an "election date" for the purposes of the trust deed for the Capital Notes (***Capital Notes Trust Deed***). The Offer has the following consequences in relation to the Capital Notes.

Compulsory Redemption on next election date

If the Offer results in Rank Australia compulsorily acquiring the outstanding Shares in Burns Philp, Burns Philp Finance will be required to Offer to redeem or purchase all Capital Notes for cash on their next election date (15 December 2008 for five year notes and 15 December 2011 for eight year notes). In addition, Burns Philp Finance may offer new terms and conditions to apply to the Capital Notes from the next election date. Such revised terms will not be binding on noteholders who may request redemption on the election date.

Ineligibility to be quoted on ASX

The Capital Notes Trust Deed also provides that if at any time the Burns Philp ordinary shares cease to be eligible to be quoted on ASX, the Capital Notes will continue unaffected on their existing terms until their next election date. If on that election date the Burns Philp shares remain ineligible to be quoted on ASX, all rights of redemption of the Capital Notes by the issue of Burns Philp ordinary shares will be suspended and Burns Philp Finance may elect to compulsorily redeem or purchase the Capital Notes by payment of cash. If the Capital Notes are not redeemed, they will be deemed to be rolled over at a higher margin.

8.2 Litigation

Various Burns Philp group companies are involved in litigation in the ordinary course. A provision of approximately $27 million has been made for contingent liabilities in relation to litigation in the audited accounts of the Burns Philp group for the year ended 30 June 2006, as set out in the Company's 2006 Annual Report.

8.3 Issued capital

As at the date of this Target's Statement, Burns Philp's issued capital consisted of 2,829,134,695 fully paid ordinary shares.

8.4 Substantial holders

As at the date of this Target's Statement, Burns Philp has two substantial shareholders:

Shareholder	Number of Shares	% Voting power
Rank Group Limited*	1,629,315,312	57.59%
Lazard Asset Management Pacific Co	226,909,305	8.02%

* This includes holdings in the names of Millstreet Investments Ltd and Kintron Developments Ltd

8.5 Consents

The following persons have given and have not, before the date of this Target's Statement, withdrawn their consent:

- to be named in this Target's Statement in the form and context in which they are named;
- for the inclusion of their respective reports or statements (if any) noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- the inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of person	Named as	Reports or statements
Allens Arthur Robinson	Legal adviser	None
Lazard Pty Ltd	Financial adviser	None
Grant Samuel	Independent Expert	Independent and Managing Directors' Letter, sections 2.3, 2.5, 3.3 and 8.7 and Annexure A.

Each of the above persons:

- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 01/1543 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Rank Australia or Goodman Fielder with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Rank Australia or Goodman Fielder. Pursuant to the Class Order, the consent of Rank Australia and Goodman Fielder is not required for the inclusion of such statements in this Target's Statement. Any Burns Philp shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Burns Philp shareholder line on 1800 237 764 (for calls made from within Australia), 0800 767 556 (for calls made from within New Zealand) or +61 2 8280 7615 (for calls made from outside Australia and New Zealand). (Any telephone calls to these numbers will, as required by the Corporations Act, be recorded, indexed and stored.)

In addition, as permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

8.6 Continuous Disclosure

Burns Philp is a disclosing entity under the Corporations Act and subject to regular reporting and disclosure obligations under the Corporations Act and the listing rules of the ASX. These obligations require Burns Philp to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Burns Philp has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Shares.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au and Burns Philp's website at www.burnsphilp.com.

In addition, Burns Philp will make copies of the following documents available for inspection at Level 23, 56 Pitt Street, Sydney, New South Wales, Australia (between 9am and 5pm on Business Days):

- its 2006 Annual Report;
- its constitution; and
- any document lodged in relation to Burns Philp with the ASX and announced to the market between the lodgement of Burns Philp's 2006 Annual Report on 25 August 2006 and the date of this Target's Statement. A list of these documents is included in Annexure B.

A copy of these documents may be requested to be provided free of charge by contacting the Burns Philp shareholder information line on 1800 237 764 (for calls made from within Australia), 0800 767556 (for calls made from within New Zealand) or +61 2 8280 7615 (for calls made from outside Australia and New Zealand), Monday to Friday during normal business hours.

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

8.7 No other material information

This Target's Statement is required to include all the information that Burns Philp shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and

- only if the information is known to any director of Burns Philp.

The directors of Burns Philp are of the opinion that the information that Burns Philp shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Burns Philp's releases to the ASX, and in the documents lodged by Burns Philp with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement (including the information contained in the Independent Expert's Report).

The Independent Directors and Managing Director of Burns Philp have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, the Independent Directors and Managing Director of Burns Philp do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the directors of Burns Philp have had regard to:

- the nature of the Shares;
- the matters that shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to shareholders' professional advisers; and
- the time available to Burns Philp to prepare this Target's Statement.

9. Glossary and interpretation

9.1 Glossary

In this Target's Statement defined terms have the meanings set out below:

Term	Meaning
$, A$ or AUD	Australian dollar.
90% Minimum Acceptance Condition	the condition in section 8.7 of the Bidder's Statement (and summarised in section 5.2 of this Target's Statement).
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange Limited.
Bidder's Statement	the bidder's statement of Rank Australia dated 28 August 2006.
Board	the board of directors of Burns Philp.

Burns Philp or **Company**	Burns, Philp & Company Limited (ABN 65 000 000 359)
Business Day	a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday.
CGT	capital gains tax.
Converting Preference Shares	the converting preference shares issued on 13 August 2001 and which were automatically converted into Shares on 13 August 2006 in accordance with their terms.
Corporations Act	the *Corporations Act 2001* (Cth) (as modified or varied by ASIC).
FIRB	the Foreign Investment Review Board.
FIRB Condition	the condition contained in section 8.7(a) of the Bidder's Statement (and summarised in section 5.2 of this Target's Statement).
Goodman Fielder	Goodman Fielder Limited (ACN 116 399 430)
Goodman Fielder Prospectus	the prospectus in relation to the initial public offering for Goodman Fielder, dated 15 November 2005.
Independent Directors	Mr Mark Burrows and Mr Fred Smith.
Independent Expert or **Grant Samuel**	Grant Samuel & Associates Pty Limited (ABN 28 050 036 372).
Independent Expert's Report	the independent expert's report prepared by Grant Samuel and dated 31 August 2006, which is contained in Annexure A to this Target's Statement.
IPO	initial public offering.
Managing Director	Mr Thomas Degnan.
Notice of Status of Conditions	Rank Australia's notice disclosing the status of the conditions to the Offer which is required to be given by subsection 630(3) of the Corporations Act.
Offer or **Rank Australia's Offer**	the Offer by Rank Australia for the Shares, which Offer is contained in section 8.1 of the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 8.2 of the Bidder's Statement.
OIO	the New Zealand Overseas Investment Office.
Rank Australia	Rank Group Australia Pty Limited (ACN 121 366 041).
Rank Group	Rank Group Limited and any of its subsidiaries.

Rank Group Limited	Rank Group Limited, the ultimate holding company of Rank Australia.
Rights	has the meaning given in section 9 of the Bidder's Statement.
Shares	fully paid ordinary shares in the capital of Burns Philp.
Target's Statement	this document (including the annexures), being the statement of Burns Philp under Part 6.5 Division 3 of the Corporations Act.
VWAP	volume-weighted average share price.
2006 Annual Report	Burns Philp's Annual Report for the year ended June 2006, which was lodged with the ASX on 25 August 2006 and will be mailed to Burns Philp shareholders at or around the same time as this Target's Statement is dispatched to shareholders.

9.2 Interpretation

In this Target's Statement:

(a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.

(b) Words of any gender include all genders.

(c) Words importing the singular include the plural and vice versa.

(d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.

(e) A reference to a section, clause, annexure and schedule is a reference to a section of, clause of and an annexure and schedule to this Target's Statement as relevant.

(f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.

(h) A reference to time is a reference to Sydney time.

10. Authorisation

This Target's Statement has been approved by a resolution passed by the directors of Burns Philp. All Burns Philp directors voted in favour of that resolution.

Signed for and on behalf of Burns Philp:

Date: 31 August 2006

Mark Burrows

Mark Burrows

Annexure A

Independent Expert's Report

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

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31 August 2006

The Directors
Burns, Philp & Company Limited
Level 23
56 Pitt Street
Sydney NSW 2000

Dear Directors

Rank Group Offer

1 Introduction

On 22 August 2006, Rank Group Limited ("Rank Group") announced its intention to make takeover offers (through its subsidiary, Rank Group Australia Pty Limited) for all of the ordinary shares in Burns, Philp & Company Limited ("Burns Philp") that it does not already own at a price of $1.10 cash per share (the "Rank Group Offer"). Rank Group is a private company owned by the Chairman of Burns Philp, Mr Graeme Hart and Rank Group is Burns Philp's largest shareholder.

The Rank Group Offer is subject to a number of conditions which are set out in full in the Bidder's Statement by Rank Group. In summary, these conditions are:

- Rank Group and its subsidiaries obtain a relevant interest in at least 90% of the number of Burns Philp shares on issue; and

- Rank Group receives approval for the acquisition from the Foreign Investment Review Board in Australia and the Overseas Investment Office in New Zealand.

Rank Group has a 57.6% interest in Burns Philp. Mr Graeme Hart is a director of both Rank Group and Burns Philp. Accordingly, under Section 640 of the Corporations Act, Burns Philp is required to include in its Target's Statement an independent expert's report in relation to the Rank Group Offer. The directors of Burns Philp not associated with Rank Group have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report setting out whether, in its opinion, the Rank Group Offer is fair and reasonable. Grant Samuel is independent of Burns Philp and has no other involvement with, or interest in the outcome of, the Rank Group Offer. A copy of the report will accompany the Target's Statement to be sent by Burns Philp to its shareholders.

This letter contains a summary of Grant Samuel's opinion and main conclusions.

2 Summary of Opinion

Grant Samuel has valued Burns Philp in the range $1.084-1.105 per share. The valuation represents the full underlying value of Burns Philp assuming that 100% of the company was available to be acquired. The Rank Group Offer is $1.10 per share. Accordingly, the Rank Group Offer is fair and reasonable.

3 Key Conclusions

- **Grant Samuel has valued Burns Philp in the range $1.084-1.105 per share.**

Grant Samuel estimates that the value of Burns Philp is in the range $1.084-1.105 per share. The valuation is summarised below:

Burns Philp - Valuation Summary ($ millions)	Valuation Range	
	Low	High
Net value of operating businesses	203.5	233.7
Pro forma net cash at 30 June 2006	2,496.4	2,496.4
20% interest in Goodman Fielder	530.0	556.5
Corporate costs	(33.0)	(30.0)
Other assets/(liabilities)	(130.3)	(130.3)
Value of equity	**3,066.6**	**3,126.3**
Fully diluted shares on issue (millions)	2,829.1	2,829.1
Value per share	**$1.084**	**$1.105**

Grant Samuel's valuation of Burns Philp has been estimated by aggregating the estimated market value of its operating businesses together with the realisable value of non-trading assets (including investments and cash) and deducting external borrowings and non-trading liabilities as at 30 June 2006 (adjusted for certain significant events that have occurred subsequent to 30 June 2006). The value of the operating businesses has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The valuation of Burns Philp differs from the valuation of most companies where the majority of value is attributable to the company's operating businesses. The vast majority of the value of Burns Philp is attributable to its net cash reserves of $2.5 billion and its 20% interest in Goodman Fielder (which has been valued on the basis of current market prices). These assets alone represent approximately $1.07-1.08 of the value attributed to Burns Philp's shares. As a result, Burns Philp's underlying value is not dissimilar to the value of its net assets.

While the value is in excess of the level at which, under current market conditions, shares in Burns Philp could be expected to trade on the sharemarket in the absence of a takeover offer, the difference is less than that usually observed in the shares of listed companies with substantial operating businesses (which normally trade at a discount of 15-25% to the underlying value of the company as a whole). Burns Philp shares have generally traded at a smaller discount to net assets.

- **The Rank Group Offer is fair and reasonable.**

Grant Samuel has valued Burns Philp in the range $1.084-1.105 per share. This value represents the full underlying value of Burns Philp assuming that 100% of the company was available to be acquired.

The Rank Group Offer is $1.10 for each Burns Philp share. The offer is within the valuation range and, accordingly, the Rank Group Offer is fair. As the Rank Group Offer is fair, it is also reasonable.

- **The premium over the share price appears low but reflects the nature of Burns Philp's assets and expectations about its future strategy.**

The Burns Philp share price prior to the announcement of the Rank Group Offer was around $0.95 per share (although it increased to $1.02 per share immediately prior to the announcement of the Rank Group Offer). In the previous six months, Burns Philp shares had generally traded in the range $0.90-1.07 per share. Accordingly, the Rank Group Offer provides a relatively low premium compared to most successful takeovers which typically provide premiums of 20-35% and sometimes higher. However:

- the low premium perhaps reflects the nature of Burns Philp's assets, i.e. primarily cash and a passive investment in Goodman Fielder; and
- more importantly, the share price has arguably been influenced by expectations that Burns Philp would be Rank Group's investment vehicle for expansion. Since the float of Goodman Fielder, there has been an expectation that Burns Philp would seek new investments.

- **No more attractive alternative is available, or is likely to become available, to Burns Philp shareholders.**

  Rank Group holds 57.6% of the issued shares in Burns Philp. An alternative acquisition proposal by any other bidder could not succeed without the agreement of Rank Group. Grant Samuel is not aware of any alternative acquisition proposals or that Rank Group would have any interest in disposing of its controlling shareholding. In any event, the price to be paid under the Rank Group Offer represents a full price for 100% of Burns Philp and it is improbable that alternative bidders would be prepared to offer a price equal to or higher than $1.10 per share given the nature of Burns Philp's asset base.

  Shareholders could hold out for a higher offer from Rank Group but Rank Group has stated that it will not increase its offer.

  A possible alternative is liquidation of the company. However, liquidation would be unlikely to realise a value in excess of $1.10 per share and given the existence of contingent liabilities, would take a number of years to complete. In any event, the cash that is ultimately returned to shareholders could be substantially less than $1.10. In a liquidation, the maximum capital return to shareholders would be $0.39 per share, with the balance being treated as a dividend. It is likely that any dividend will be largely unfranked because Burns Philp has limited franking credits.

- **It is probable that Burns Philp's shares will trade at prices lower than the offer price if the Rank Group Offer is not successful.**

  Shares in Burns Philp are likely to trade at well below $1.10 if the Rank Group Offer is unsuccessful. Most "cash boxes" trade at a discount to net tangible assets and the recent Burns Philp share price has been influenced by expectations that Burns Philp would be used as an investment vehicle. As it now appears unlikely that future investments will be made through Burns Philp, it is possible that the share price discount to net tangible asset backing could be significantly larger than it has been in the past as many investors may decide to sell their Burns Philp shares.

  In any event, Rank Group has stated that if the takeover offer is unsuccessful, it proposes to discuss with the directors of Burns Philp that they consider returning cash directly to all shareholders early in 2007 in the form of dividends and capital returns. However, this will face the same issues in terms of the returns to shareholders as a liquidation.

4 Other Matters

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual shareholders in Burns Philp. Because of that, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Bidder's Statement issued by Rank Group and the Target's Statement issued by Burns Philp in relation to the Rank Group Offer.

Acceptance or rejection of the Rank Group Offer is a matter for individual shareholders, based on their own views as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Rank Group Offer should consult their own professional adviser.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act, 2001. The Financial Services Guide is included at the beginning of the full report.

This letter is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary.

The opinion is made as at the date of this letter and reflects circumstances and conditions as at that date.

Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

Grant Samuel & Associates

Burns Philp

Financial Services Guide
and
Independent Expert's Report
in relation to the Offer by
Rank Group Australia Pty Limited

Grant Samuel & Associates Pty Limited
(ABN 28 050 036 372)

31 August 2006

GRANT SAMUEL

GRANT SAMUEL & ASSOCIATES

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Financial Services Guide

Grant Samuel & Associates Pty Limited ("Grant Samuel") holds Australian Financial Services Licence No. 240985 authorising it to provide financial product advice on securities and interests in managed investments schemes to wholesale and retail clients.

The Corporations Act, 2001 requires Grant Samuel to provide this Financial Services Guide ("FSG") in connection with its provision of an independent expert's report ("Report") which is included in a document ("Disclosure Document") provided to members by the company or other entity ("Entity") for which Grant Samuel prepares the Report.

Grant Samuel does not accept instructions from retail clients. Grant Samuel provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Samuel does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, Grant Samuel's client is the Entity to which it provides the Report. Grant Samuel receives its remuneration from the Entity. In respect of the Report for Burns, Philp & Company Limited in relation to the takeover offers by Rank Group Australia Pty Limited (the "Burns Philp Report"), Grant Samuel will receive a fixed fee of $225,000 plus reimbursement of out-of-pocket expenses for the preparation of the Report (as stated in Section 6.3 of the Burns Philp Report).

No related body corporate of Grant Samuel, or any of the directors or employees of Grant Samuel or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

Grant Samuel is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Practice Note 42 issued by the Australian Securities Commission (the predecessor to the Australian Securities & Investments Commission ("ASIC")) on 8 December 1993. The following information in relation to the independence of Grant Samuel is stated in Section 6.3 of the Burns Philp Report:

"Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Burns Philp or Rank Group that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Rank Group Offer. Grant Samuel advises that in the previous five years the following roles have been undertaken:

- *Grant Samuel has prepared for Burns Philp:*
  - *an independent expert's report dated 14 November 2005 on whether the proposed acquisition of New Zealand Dairy Foods Holdings Limited ("NZDF") from Rank Group was on arm's length terms and fair and reasonable having regard to the interests of Burns Philp shareholders other than Rank Group; and*
  - *a non-public expert's report dated 26 November 2001 on the calculation of the adjustment to the conversion price of Burns Philp's euroconvertible notes as a result of a rights issue of converting preference shares;*
- *Grant Samuel Corporate Finance Pty Limited, a related company of Grant Samuel, was engaged by Burns Philp:*
  - *to advise Burns Philp in connection with the acquisition of a New Zealand business known as "Nature's Oven" owned by the daughter of Graeme Hart and her husband in August 2004; and*
  - *to advise Burns Philp in connection with the possible acquisition of NZDF from Rank Group in May 2003. This transaction did not proceed; and*
- *Grant Samuel & Associates Limited, an associated company of Grant Samuel incorporated in New Zealand, has prepared for Carter Holt Harvey Limited ("Carter Holt Harvey"):*
  - *an independent adviser's report dated 15 September 2005 in relation to the takeover offer by Rank Group Investments Limited, a subsidiary of Rank Group, for all of the ordinary shares in Carter Holt Harvey; and*
  - *an independent adviser's report dated 17 February 2006 in relation to the new takeover offer by Rank Group Investments Limited for all of the ordinary shares in Carter Holt Harvey that it did not already own.*

Grant Samuel commenced a review of factual material, in preparation for the possibility of this report being required, in August 2006 prior to the announcement of the Rank Group Offer. This work did not involve Grant Samuel participating in the setting the terms of, or any negotiations leading to, the Rank Group Offer. Its only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $225,000 for the preparation of this report. This fee is not contingent on the outcome of the Rank Group Offer. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993."

Grant Samuel has internal complaints-handling mechanisms and is a member of the Financial Industry Complaints Services' Complaints Handling Tribunal, No. F 4197.

Grant Samuel is only responsible for the Report and this FSG. Complaints or questions about the Disclosure Document should not be directed to Grant Samuel which is not responsible for that document. Grant Samuel will not respond in any way that might involve any provision of financial product advice to any retail investor.

GRANT SAMUEL

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1 Details of the Rank Group Offer

On 22 August 2006, Rank Group Limited ("Rank Group") announced its intention to make takeover offers (through its subsidiary, Rank Group Australia Pty Limited ("Rank Australia")) for all of the ordinary shares in Burns, Philp & Company Limited ("Burns Philp") that it does not already own at a price of $1.10 cash per share (the "Rank Group Offer"). Rank Group is a private company owned by the Chairman of Burns Philp, Mr Graeme Hart and Rank Group is Burns Philp's largest shareholder.

The Rank Group Offer is subject to a number of conditions which are set out in full in the Bidder's Statement by Rank Australia. In summary, these conditions are:

- Rank Group and its subsidiaries obtain a relevant interest in at least 90% of the number of Burns Philp shares on issue; and

- Rank Australia receives approval for the acquisition from the Foreign Investment Review Board in Australia and the Overseas Investment Office in New Zealand.

2 Scope of the Report

2.1 Purpose of the Report

Section 640 of the Corporations Act 2001 ("Corporations Act") states that a target's statement made in response to a takeover offer for shares in an Australian public listed company must be accompanied by an independent expert's report if:

- the bidder's voting power in the target is 30% or more; or
- a director of the bidder is also a director of the target company.

In this case, Rank Group had a relevant interest in 57.6% of the issued shares in Burns Philp immediately prior to announcing its offer. Mr Graeme Hart is a director of each of Rank Group, Rank Australia and Burns Philp. Accordingly, the directors of Burns Philp not associated with Rank Group ("the independent directors") have engaged Grant Samuel & Associates Pty Limited ("Grant Samuel") to prepare an independent expert's report for the purposes of Section 640 of the Corporations Act. The report is to set out Grant Samuel's opinion as to whether the Rank Group Offer is fair and reasonable and to state reasons for that opinion.

The sole purpose of this report is an expression of Grant Samuel's opinion as to whether the Rank Group Offer is fair and reasonable. A copy of this report is to accompany the Target's Statement to be despatched to shareholders by Burns Philp.

This report is general financial product advice only and has been prepared without taking into account the objectives, financial situation or needs of individual Burns Philp shareholders. Because of that, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Bidder's Statement issued by Rank Australia and the Target's Statement issued by Burns Philp in relation to the Rank Group Offer.

Whether or not to accept the Rank Group Offer is a matter for individual shareholders based on their expectations as to value and future market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Rank Group Offer should consult their own professional adviser.

2.2 Basis of Evaluation

The term "fair and reasonable" has no legal definition although over time a commonly accepted interpretation has evolved. In the context of a takeover, an offer is considered fair and reasonable if the price fully reflects the value of a company's underlying businesses and assets.

Policy Statement 75 issued by the Australian Securities Commission, the predecessor to the Australian Securities & Investment Commission ("ASIC"), attempts to provide a precise definition of fair and reasonable. The Policy Statement continues earlier regulatory guidelines that create a distinction between "fair" and "reasonable". Fairness is said to involve a comparison of the offer price with the value that may be attributed to the securities that are the subject of the offer based on the value of the underlying businesses and assets. In determining fairness any existing entitlement to shares by the offerer is to be ignored. Reasonableness is said to involve an analysis of other factors that shareholders might consider prior to accepting a takeover offer such as:

- the offeror's existing shareholding;
- other significant shareholdings;
- the probability of an alternative offer; and
- the liquidity of the market for the target company's shares.

A takeover offer could be considered "reasonable" if there were valid reasons to accept the offer notwithstanding that it was not "fair".

For the purpose of this report, Grant Samuel has treated "fair" and "reasonable" as separate concepts in accordance with Policy Statement 75. Fairness is a more demanding criteria. A "fair" offer will always be "reasonable" but a "reasonable" offer will not necessarily be "fair".

A fair offer is one that reflects the full market value of a company's businesses and assets. A takeover offer that is in excess of the pre-bid market prices but less than full value will not be fair but may be reasonable if shareholders are otherwise unlikely in the foreseeable future to realise an amount for their shares in excess of the bid price. This is commonly the case in takeover offers where the bidder already controls the target company. In that situation the minority shareholders have little prospect of receiving full value from a third party offeror unless the controlling shareholder is prepared to sell its controlling shareholding.

Grant Samuel has determined whether the Rank Group Offer is fair by comparing the estimated underlying value of Burns Philp with the offer price. The Rank Group Offer will be fair if it falls within the estimated underlying value range. In considering whether the Rank Group Offer is reasonable, the factors that have been considered include:

- the estimated value of Burns Philp compared to the offer price;
- the existing shareholding structure of Burns Philp;
- the likelihood of an alternative offer and alternative transactions that could realise fair value;
- the likely market price and liquidity of Burns Philp shares in the absence of the Rank Group Offer; and
- other advantages and disadvantages for Burns Philp shareholders of accepting the Rank Group Offer.

2.3 Sources of the Information

The following information was utilised and relied upon, without independent verification, in preparing this report:

Publicly Available Information

- the Bidder's Statement;
- the Target's Statement;
- annual reports of Burns Philp for the three years ended 30 June 2005;
- half year announcement of Burns Philp for the six months ended 31 December 2005;
- results for Burns Philp for the year ended 30 June 2006;
- press releases, public announcements, media and analyst presentation material and other public filings by Burns Philp including information available on its website;
- brokers' reports and recent press articles on Burns Philp and the food industry; and
- sharemarket data and related information on Australian and New Zealand listed companies engaged in the food industry and on acquisitions of companies and businesses in this industry.

Non Public Information provided by Burns Philp

- the Bluebird Foods Limited ("Bluebird Foods") Information Memorandum;
- financial statements for Bluebird Foods for the year ended 30 June 2006;
- forecasts for Bluebird Foods for the year ending 30 June 2007 prepared by management of Bluebird Foods;
- financial statements for Fresh Start Bakeries Australia Pty Limited ("Fresh Start Bakeries Australia") for the year ended 30 June 2005;
- management accounts for Fresh Start Bakeries Australia for the year ended 30 June 2006;
- extracts from the Fresh Start Bakeries Australia joint venture agreement; and
- other confidential documents, presentations and working papers.

Grant Samuel has also held discussions with, and obtained information from, senior management of Burns Philp.

2.4 Limitations and Reliance on Information

Grant Samuel believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

Grant Samuel's opinion is based on economic, sharemarket, business trading, financial and other conditions and expectations prevailing at the date of this report. These conditions can change significantly over relatively short periods of time. If they did change materially, subsequent to the date of this report, the opinion could be different in these changed circumstances. However, subject to Section 670C of the Corporations Act, Grant Samuel has no obligation or undertaking to advise any person of any change in circumstances which has come to its attention after the date of this report or to review, revise or update its report or opinion.

This report is also based upon financial and other information provided by Burns Philp. Grant Samuel has considered and relied upon this information. Burns Philp has represented in writing to Grant Samuel that to the best of its knowledge and belief, the information provided by it was not incomplete, incorrect or misleading in any material respect. Grant Samuel has no reason to believe that any material facts have been withheld.

The information provided to Grant Samuel has been evaluated through analysis, inquiry and review to the extent that it considers necessary or appropriate for the purposes of forming an opinion as to whether the Rank Group Offer is fair and reasonable to Burns Philp shareholders. However, Grant Samuel does not warrant that its inquiries have identified or verified all of the matters that an audit, extensive examination or "due diligence" investigation might disclose. While Grant Samuel has made what it considers to be appropriate inquiries for the purposes of forming its opinion, "due diligence" is beyond the scope of an independent expert. Grant Samuel is not in a position nor is it practicable to undertake its own "due diligence" investigation of the type undertaken by accountants, lawyers or other advisers.

Accordingly, this report and the opinions expressed in it should be considered more in the nature of an overall review rather than a comprehensive audit or investigation of detailed matters.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

Preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Burns Philp. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles and in a manner consistent with the method of accounting in previous years (except where noted).

The information provided to Grant Samuel included forecasts for Bluebird Foods and Fresh Start Bakeries Australia for the year ending 30 June 2007 prepared by management of the relevant entities. Burns Philp is responsible for, but does not warrant or guarantee the ability to achieve, these forecasts.

Grant Samuel has used and relied on this financial information for the purposes of its analysis. The major assumptions underlying the forecasts were reviewed by Grant Samuel in the context of current economic, financial and other conditions. However, it should be noted that the forecasts and the underlying assumptions have not been reviewed (nor is there a statutory or regulatory requirement for such a review) by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions.

Subject to these limitations, Grant Samuel considers that, based on the inquiries it has undertaken and only for the purposes of its analysis for this report (which do not constitute, and are not as extensive as, an audit or accountant's examination), there are reasonable grounds to believe that the forecasts have been prepared on a reasonable basis. In forming this view, Grant Samuel has taken the following factors, inter alia, into account that:

- the forecasts were reviewed by directors of Burns Philp;
- the forecasts have been prepared through a detailed budgeting process involving preparation of "ground up" budgets by the management of individual operations and review by management of Burns Philp;
- Bluebird Foods and Fresh Start Bakeries Australia are both mature businesses and the forecasts are consistent with actual performance in prior years in the case of Fresh Start Bakeries Australia and in the case of Bluebird Foods, the difference can be attributed to specific initiatives; and
- senior management has advised that:
  - while the financial performance of Bluebird Foods for July 2006 was slightly below the forecast, performance to August 2006 is in line with the forecast; and
  - the financial performance of Fresh Start Bakeries Australia for the first six weeks of the year ending 30 June 2007 has been broadly in line with the forecast.

Forecasts for Fresh Start Bakeries Australia have not been disclosed in this report on the grounds of commercial confidentiality.

Grant Samuel has no reason to believe that the forecasts reflect any material bias, either positive or negative. However, the achievability of these forecasts is not warranted or guaranteed by Grant Samuel or Burns Philp. Future profits and cash flows are inherently uncertain. They are predictions by management of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of the company or its management. Actual results may be significantly more or less favourable.

In forming its opinion, Grant Samuel has also assumed that:

- matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so and that there are no material legal proceedings, other than as publicly disclosed;

- the information set out in the Target's Statement sent by Burns Philp to its shareholders is complete, accurate and fairly presented in all material respects;
- the publicly available information relied on by Grant Samuel in its analysis was accurate and not misleading;
- the Rank Group Offer will be implemented in accordance with its terms; and
- the legal mechanisms to implement the Rank Group Offer are correct and will be effective.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue.

3 Profile of Burns Philp

3.1 Background

Burns Philp has been listed on the ASX since January 1970 (and prior to this had been listed on the Sydney Stock Exchange since 1896). Originally a diversified group with interests in shipping, distribution and retailing, by the late 1990s Burns Philp was a global food ingredients company and one of the world's major manufacturers and distributors of yeast and bakery ingredients and herbs and spices.

An operating loss in the year ended 30 June 1996 and an unsuccessful sales process for the North American and European herbs and spices business culminated in a substantial write down (by $837 million) of the carrying value of the herbs and spices business. This write down resulted in Burns Philp reporting an $873 million loss in the year ended 30 June 1997, increased Burns Philp's gearing to 354% and led to Burns Philp breaching various covenants with its bankers. Burns Philp's share price fell substantially, from above $2.00 to $0.85 on the announcement of the write down and subsequently fell to a low of $0.035 after the announcement that the sale of the herbs and spices business would not proceed. Burns Philp negotiated a standstill agreement with its lenders to give it time to implement a critical restructuring proposal. This restructuring proposal involved:

- the sale of non-core businesses (including the May 1998 sale of its food ingredients division in Australia and New Zealand and its European herbs and spices business);
- a recapitalisation under which Burns Philp raised $300 million through the issue of five year notes and attaching options:
  - $250 million was raised through a shareholder approved placement of notes (with attaching options) with Burns Philp's major shareholders. These major shareholders included Rank Group, which in June 1997 had acquired a 19.9% interest in Burns Philp. $201.5 million was raised from the three largest shareholders in August 1998 and the remaining $48.5 million was placed with Rank Group (which had an option to take up some or all of this amount) in December 1999; and
  - $50 million was raised through a renounceable rights issue of notes (with attaching options) to all shareholders. This component of the recapitalisation was completed in December 1999; and
- a refinancing of Burns Philp's term debt under a three year agreement with its major lenders.

The outcome of the restructuring proposal was that bank debt was reduced by approximately $700 million ($400 million from the sale of non-core businesses and $300 million through the recapitalisation).

As a result of its participation in the $250 million placement and the $50 million rights issue, Rank Group was issued with 986.1 million options. These options had an exercise price of 20 cents and expired on 14 August 2003. Rank Group exercised all of its options between December 2002 and August 2003, increasing its shareholding in Burns Philp to 53.7%.

In August 2001, Burns Philp raised $240 million of equity through the issue of 799.0 million converting preference shares. The purpose of the issue was to increase Burns Philp's equity base, repay $233 million of notes and facilitate the refinancing of existing senior debt on more favourable terms. The converting preference shares were entitled to a preferred cumulative dividend of 7.5% per annum on their issue price of $0.30 and had a term of five years, converting to ordinary shares on a one for one basis on 13 August 2006. Rank Group was issued with 537.6 million converting preference shares through the rights issue and the buy-back of the notes. As a result of the conversion of these preference shares to ordinary shares, Rank Group's shareholding in Burns Philp increased to 57.6%.

Burns Philp returned to profitability in the year ended 30 June 1999, reporting an after tax profit of $65.9 million. Profitability increased considerably over the next three years, with Burns Philp reporting an after tax profit of $146.2 million in the year ended 30 June 2002. In June 2003, Burns Philp completed the takeover of Goodman Fielder Limited ("Goodman Fielder") for approximately $2.0 billion, significantly increasing the scale and diversifying the portfolio of the group. Goodman Fielder was Australia's largest food manufacturer and consumer branded food company, involved in the manufacture, marketing and distribution of bread, snack foods, breakfast cereals, edible oils and meal components through brands such as Uncle Tobys, Quality Bakers and Meadow Lea.

Burns Philp commenced a sale process for its North American herbs and spices business in early 2004. In September 2004, Burns Philp sold this business and its yeast and bakery ingredients business to Associated British Foods plc for $1.9 billion. Following these divestments, Burns Philp's activities were the Goodman Fielder businesses. In December 2005, Burns Philp spun off the Goodman Fielder businesses, excluding its snack foods division (the Uncle Tobys business and Bluebird Foods) into a separate listed company. Burns Philp retained a 20% shareholding in the newly listed Goodman Fielder. In July 2006, Burns Philp completed the sale of the Uncle Tobys business to Nestlé Australia Limited ("Nestlé") for $890 million.

Following the sale of the Uncle Tobys business, Burns Philp's activities are its 20% interest in Goodman Fielder, the Bluebird Foods business and a 50% interest in the Fresh Start Bakeries Australia joint venture.

3.2 Profile of Business Operations

3.2.1 Bluebird Foods

Bluebird Foods is the leading manufacturer and marketer of salty snacks (potato chips, packaged nuts, cereal based snacks, corn chips and extruded snacks) and wrapped snacks (muesli bars, fruit filled bars, fruit snacks and dipping) in New Zealand. The *Bluebird* brand and its sub-brands are some of the most recognised brands in New Zealand. Bluebird Foods also markets wrapped snacks under the *Uncle Tobys* brand which it is able to continue to use until May 2007.

Distribution is primarily through the retail grocery market which accounts for approximately 80% of sales. There are two main participants in the New Zealand retail grocery market, Foodstuffs Co-operative ("Foodstuffs") and Progressive Enterprises Limited ("Progressive"). The remaining sales are generated through the route market (convenience stores (including stores co-located with petrol stations), cinemas, sporting grounds) and vending machines (located in airports, schools and sporting grounds). Bluebird Foods is the leader in food vending in New Zealand with over 1,350 vending machines, including exclusive distribution to key sites such as airports, hospitals and tertiary institutions.

Bluebird Foods was originally part of Goodman Fielder. Bluebird Foods has undergone a number of significant changes over the last three years:

- effective from July 2004, Goodman Fielder's baking business was transferred to a new company, Goodman Fielder New Zealand Limited and the original company, renamed Bluebird Foods, retained the snacks and cooking, baking, spreads and oils brands;

- during the year ended 30 June 2005, Bluebird Foods acquired Nature's Oven Limited, a producer of wrapped snacks for NZ$700,000. In October 2005, the salty snacks business of Hansells (N.Z.) Limited ("Hansells") was acquired for NZ$3.6 million. Hansells owned the *Krispa* potato chips, *Aztec* corn chips and *Poppa Jacks* extrusions brands. The rationale for the acquisition was that the *Krispa* potato chips brand targets the value segment of the potato chips market;

- in November 2005, the Meadow Lea cooking, baking, spreads and oils business was separated from Bluebird Foods and included as part of the Goodman Fielder businesses that were spun off into a separate listed entity;

- in October 2005, as part of the separation, the business was restructured, resulting in a substantial reduction in the number of employees and other savings and benefits in relation to materials sourcing, freight, indirect overhead and direct marketing expenses;

- Bluebird Foods' three manufacturing facilities were consolidated onto one site during 2006. This consolidation, in conjunction with operational initiatives, is expected to generate substantial cost savings; and

- in July 2006, when Burns Philp sold the Uncle Tobys wrapped snacks and cereals business to Nestlé, the oats business operated by Bluebird Foods in New Zealand under the *Uncle Tobys* brand was sold as part of the sale.

Burns Philp announced in January 2006 that it had appointed Deutsche Bank to advise it on strategic options with regard to its snacks business. Following the sale of the Uncle Tobys business, Burns Philp continues to assess its strategic options for the Bluebird Foods business. A sale process in relation to this business is underway.

3.2.2 Fresh Start Bakeries Australia

Fresh Start Bakeries Australia is an incorporated joint venture between Burns Philp and Fresh Start Bakeries Inc, a privately owned United States company that manufactures buns, muffins and other products for McDonald's restaurants in the United States and in other countries. Fresh Start Bakeries Australia was established in 2002 to manufacture buns, muffins and other products for McDonald's restaurants in Australia. It also manufactures buns and muffins for Goodman Fielder. The manufacture of products for McDonald's restaurants represents approximately 80% of revenue and earnings.

Fresh Start Bakeries Australia has a supply contract with Goodman Fielder which is able to be terminated in May 2007 and is under review. There is no formal contract with McDonald's restaurants.

Fresh Start Bakeries Australia operates from manufacturing facilities at Liverpool in New South Wales and a newly constructed facility at Lyndhurst in Victoria (which replaced a leased facility in Clayton). The Lyndhurst bakery commenced production in May 2005.

The relevant features of the joint venture agreement are:

- joint ownership, 50% by Burns Philp and 50% by Fresh Start Bakeries Inc;

- equal representation on the board (each owner appoints one director) and all major decisions (including approval of accounts and budgets, issuing shares, declaring a dividend, amending the Constitution, changing business operations, appointment/dismissal of key management etc.) require a unanimous decision; and

- the existence of a pre-emptive right in favour of the other joint venture partner in the event that one owner wishes to sell its interest in the joint venture.

3.3 Historical Financial Performance

The historical financial performance of Burns Philp for the four years ended 30 June 2006 is summarised below:

Burns Philp – Financial Performance (A$ millions)					
	Year ended 30 June				
	2003 AGAAP actual	2004 AGAAP actual	2005 AGAAP actual	2005 AIFRS actual	2006 AIFRS actual
Total sales revenue	**1,887.2**	**3,354.9**	**2,571.3**	**2,030.1**	**1,061.6**
EBITDA[1]	**347.6**	**575.6**	**432.4**	**312.9**	**162.1**
Depreciation and amortisation	(109.9)	(161.2)	(104.2)	(52.7)	(29.1)
EBIT[2]	**237.7**	**414.4**	**328.2**	**260.2**	**133.0**
Net interest expense	(156.8)	(281.8)	(158.0)	(124.2)	(192.2)
Share of net profits of associates and joint ventures	11.1	12.6	4.2	1.8	23.7
Amortisation of goodwill	(21.8)	(72.0)	(67.0)	-	-
Significant items	112.7	84.1	824.8	(12.9)	699.2
Operating profit before tax	**182.9**	**157.3**	**932.2**	**124.9**	**663.7**
Income tax benefit/(expense)	(8.6)	(40.8)	(66.5)	55.3	134.1
Operating profit after tax	**174.3**	**116.5**	**865.7**	**180.2**	**797.8**
Profit after tax from discontinued operations	-	-	-	84.2	41.3
Gain on sale of discontinued operations	-	-	-	812.7	(10.4)
Outside equity interests	(4.3)	(5.6)	(3.8)	(4.0)	(1.6)
Profit after tax attributable to Burns Philp shareholders	**170.0**	**110.9**	**861.9**	**1,073.1**	**827.1**
Statistics					
Diluted earnings per share	*6.8¢*	*3.9¢*	*30.5¢*	*38.0¢*	*27.8¢*
Dividends per ordinary share	-	-	-	-	-

Source: Burns Philp

Analysis of Burns Philp's recent financial performance is difficult as it was a period of significant corporate activity, including:

- the $2.0 billion takeover of Goodman Fielder, completed in June 2003, which significantly increased the scale and diversity of the Burns Philp group;
- the sale of its North American herbs and spices business and its yeast and bakery ingredients business for $1.9 billion in September 2004; and
- the spin off of the Goodman Fielder businesses, excluding the snack foods division in December 2005 (with Burns Philp retaining a 20% interest).

In addition, Burns Philp's historical financial performance does not reflect the July 2006 sale of its Uncle Tobys business to Nestlé for $890 million (although it does show it as a discontinued operation in the years ended 30 June 2005 and 2006).

Burns Philp's financial performance has also been impacted by the adoption of the Australian equivalents to International Financial Reporting Standards ("AIFRS") from June 2006, which has resulted in higher reported profit after tax (compared to profit after tax under Australian Generally Accepted Accounting Principles ("AGAAP")). The principal differences are the exclusion of

1 EBITDA is earnings before net interest, tax, depreciation, amortisation and significant items. It excludes the share of net profits of associates and joint ventures.

2 EBIT is earnings before net interest, tax and significant items. It excludes the share of net profits of associates and joint ventures. EBIT is also before amortisation of goodwill in years where Burns Philp's accounts were prepared under AGAAP.

amortisation of goodwill and other intangible assets, changes to the basis of tax accounting that result in an increase in the deferred tax assets recognised and a reduction in the net book value of net assets sold which results in an increase in gain on sale of discontinued operations. Profit after tax from discontinued operations has been reclassified under AIFRS to be shown separately from continuing businesses, as a one line item[3]. The profit after tax from discontinued operations in the year ended 30 June 2005 represents the results of the herbs and spices and yeast and bakery ingredients businesses and the Uncle Tobys snacks business and in the year ended 30 June 2006, represents the results of the Uncle Tobys snacks business.

Of greater relevance is the performance of Burns Philp's current business operations, Bluebird Foods and Fresh Start Bakeries Australia:

- the historical financial performance of Bluebird Foods for the four years ended 30 June 2006 and its forecast financial performance for the year ending 30 June 2007 are summarised below:

Bluebird Foods – Financial Performance (NZ$ millions)[4]

	Year end 30 June				
	2003 NZGAAP actual	**2004 NZGAAP actual**	**2005 NZGAAP actual**	**2006 NZGAAP actual**	**2007 NZGAAP forecast**
Net sales revenue	**134.1**	**135.2**	**134.6**	**186.5**	**160.2**
Contribution after marketing	**29.8**	**29.3**	**26.7**	**na[5]**	**na**
EBITDA				**26.7**	**33.0**
Depreciation and amortisation				(8.5)	(8.4)
EBIT[6]				**18.2**	**24.6**
Statistics					
Growth in EBITDA	*nc[7]*	*nc*	*nc*	*nc*	*23.6%*
EBITDA margin	*nc*	*nc*	*nc*	*14.3%*	*20.6%*

Source: Burns Philp

As a result of the restructure of the Bluebird Foods business in July 2004 and October 2005 and the removal of the Meadow Lea business, historical information for the years ended 30 June 2003 to 2005 is set out to the contribution after marketing line (i.e. before indirect overheads).

Performance in the year ended 30 June 2006 includes the Meadow Lea business from July 2005 to November 2005, the acquisition of Hansells from October 2005 and the Uncle Tobys oats business sold to Nestlé in July 2006. Adjusting the performance for the year ended 30 June 2006 to remove the contribution of the Meadow Lea and Uncle Tobys oats businesses and to include a full year impact of the Hansells acquisition, the cost savings achieved through the October 2005 restructure and the consolidation of manufacturing facilities in the first half of 2006 reduces EBITDA to approximately NZ$25.0 million (and EBIT to NZ$16.1 million). The substantial improvement in performance forecast for the year ending 30 June 2007 primarily reflects a budgeted increase in revenue from the continuing businesses of Bluebird Foods in the year ending 30 June 2007; and

3 In addition, under AIFRS, once a business has been classified as a discontinued operation, depreciation of assets owned by that business is suspended, resulting in higher reported profit under AIFRS than under AGAAP.

4 The financial performance for the three years ended 30 June 2005 has been sourced from management accounts and as a result of changes in the business over this period, does not reconcile to Bluebird Food's statutory accounts for these years.

5 na = not available.

6 EBIT is before amortisation of goodwill.

7 nc = not calculated.

- the historical financial performance of Fresh Start Bakeries Australia for the three years ended 30 June 2006 is summarised below:

Fresh Start Bakeries Australia – Financial Performance (A$ millions)			
	Year end 30 June		
	2004 AGAAP actual	2005 AGAAP actual	2006 AGAAP actual
Net sales revenue	**67.1**	**67.1**	**71.8**
EBITDA	**10.4**	**10.6**	**12.7**
Depreciation and amortisation	(3.1)	(4.2)	(6.8)
EBIT	**7.3**	**6.4**	**5.9**
Statistics			
Growth in net sales revenue	*nc*	*-*	*7.0%*
Growth in EBITDA	*nc*	*1.9%*	*19.8%*
EBITDA margin	*15.5%*	*15.8%*	*17.7%*

Source: Burns Philp

The following points should be noted in relation to the financial performance of Fresh Start Bakeries Australia:

- the increase in EBITDA in the year ended 30 June 2006 primarily reflects increased production and sale of French Rolls for McDonald's restaurants which were introduced during the 2005 financial year; and
- the increase in depreciation expense in the year ended 30 June 2006 reflects a full year of depreciation on the new facility at Lyndhurst in Victoria.

3.4 Financial Position

The actual and pro forma financial position of Burns Philp as at 30 June 2006 is summarised below:

Burns Philp - Financial Position ($ millions)		
	As at 30 June 2006 AIFRS	
	actual	pro forma
Debtors and prepayments	50.9	18.9
Inventories	9.1	-
Creditors and accruals	(38.8)	(25.5)
Net working capital	**21.2**	**(6.6)**
Property, plant and equipment	44.2	3.8
Intangible assets	88.0	-
Investments accounted for using the equity method	359.0	359.0
Derivative financial instruments (net)	(43.0)	(43.0)
Deferred tax assets (net)	162.3	32.4
Employee benefits	(17.1)	(14.8)
Tax provision	(2.7)	(2.7)
Other provisions	(60.1)	(59.5)
Assets classified as held for resale	462.3	141.5
Total funds employed	**1,014.1**	**410.1**
Cash and deposits	2,405.9	3,306.7
Bank loans and finance lease liabilities	(810.3)	(810.3)
Net cash	**1,595.6**	**2,496.4**
Net assets attributable to Burns Philp shareholders	**2,609.7**	**2,906.5**
Statistics		
Net assets per share	*$0.92*	*$1.03*
NTA[8] per share	*$0.89*	*$1.03*

Source: Burns Philp

The pro forma financial position at 30 June 2006 is after adjusting for the sale of the Uncle Tobys business in July 2006 (which is treated as an asset held for resale), the treatment of Bluebird Foods as a business held for resale and payment of the final dividend on the converting preference shares (covering the period from 1 July 2006 to 14 August 2006).

Burns Philp's principal assets at 30 June 2006, after making the pro forma adjustments, are $2.5 billion of net cash and its 20% interest in Goodman Fielder (accounted for using the equity method). Interest bearing liabilities at 30 June 2006 were a US$475 million floating rate term facility (fully drawn) which is due in October 2006 (but will be paid by the end of August 2006 without any penalty) and NZ$212.5 million of capital notes, of which one series matures in 2008 and bears interest at 9.75% and the second matures in 2011 and bears interest at 9.95%. These notes are listed on the New Zealand Exchange.

Other provisions are primarily for workers' compensation claims ($32.0 million) and legal claims ($27.2 million).

Assets classified as held for resale of $141.5 million primarily represents the book value of Bluebird Foods.

8 NTA is net tangible assets, which is calculated as net assets less intangible assets.

Burns Philp also had a deferred tax asset (net of a deferred tax liability) of $32.4 million. The decline in the deferred tax asset from the reported $162.3 million at 30 June 2006 to $32.4 million on a pro forma basis reflects the utilisation of tax losses to offset the capital gain payable on the sale of the Uncle Tobys snacks business (which occurred in the year ended 30 June 2006 for tax purposes, but in the year ending 30 June 2007 for accounting purposes). The tax position of Burns Philp is discussed in more detail in Section 3.5 of this report.

3.5 Taxation Position

Under the Australian tax consolidation system, Burns Philp and its wholly owned Australian resident entities have elected to be taxed as a single entity from 12 June 2003. All of the Australian wholly owned subsidiaries have entered into a tax sharing agreement and a tax funding agreement with Burns Philp, the head entity in the tax consolidated group.

At 30 June 2006, after making the pro forma adjustments, Burns Philp had available:

- income tax losses of approximately $426 million, approximately $244 million of which was recognised in the statement of financial position. Approximately $197 million of these losses were recognised offsetting the deferred tax liability on the deferred profit on Burns Philp's investment in Goodman Fielder; and

- capital losses of approximately $75 million which were recognised in the statement of financial position.

After allowing for the payment of the final dividend on the converting preference shares for the period from 1 July 2006 to 14 August 2006, Burns Philp has $16.6 million in accumulated franking credits.

3.6 Capital Structure and Ownership

As at 21 August 2006, Burns Philp had 2,829,134,695 ordinary shares on issue.

At 21 August 2006 there were over 31,000 registered shareholders in Burns Philp. The top 10 registered shareholders accounted for approximately 80% of the ordinary shares on issue:

Burns Philp - Major Shareholders as at 21 August 2006

	Number of Shares	Percentage
Kintron Developments Limited[9]	1,485,113,075	52.5%
J P Morgan Nominees Australia Limited	180,005,774	6.4%
Westpac Custodian Nominees Limited	170,805,565	6.0%
Millstreet Investments Limited[9]	144,202,237	5.1%
ANZ Nominees Limited	102,434,091	3.6%
National Nominees Limited	93,198,724	3.3%
Citicorp Nominees Pty Limited	46,910,324	1.7%
Citicorp Nominees Pty Limited <CFSIL Cwlth Boff Super Account>	17,931,544	0.6%
Cogent Nominees Limited	15,255,950	0.5%
UBS Wealth Management Australia Nominees Pty Ltd	13,145,552	0.5%
Subtotal - Top 10 shareholders	**2,269,002,836**	**80.2%**
Other shareholders	560,131,859	19.8%
Total	**2,829,134,695**	**100.0%**

Source: Burns Philp

[9] Kintron Developments Limited and Millstreet Investments Limited are companies associated with Rank Group.

Apart from interests associated with Rank Group, the top 10 shareholders in Burns Philp are principally institutional nominee companies (i.e. the beneficial owners of the Burns Philp shares are not officially registered). Burns Philp has received substantial shareholder notices from two shareholders, Rank Group, which has a relevant interest in 57.6% of Burns Philp's issued shares and Lazard Asset Management Pacific Co ("Lazard"), which has a relevant interest in 8.0% of Burns Philp's issued shares. Lazard holds Burns Philp shares in its capacity as an investment manager.

3.7 Share Price History

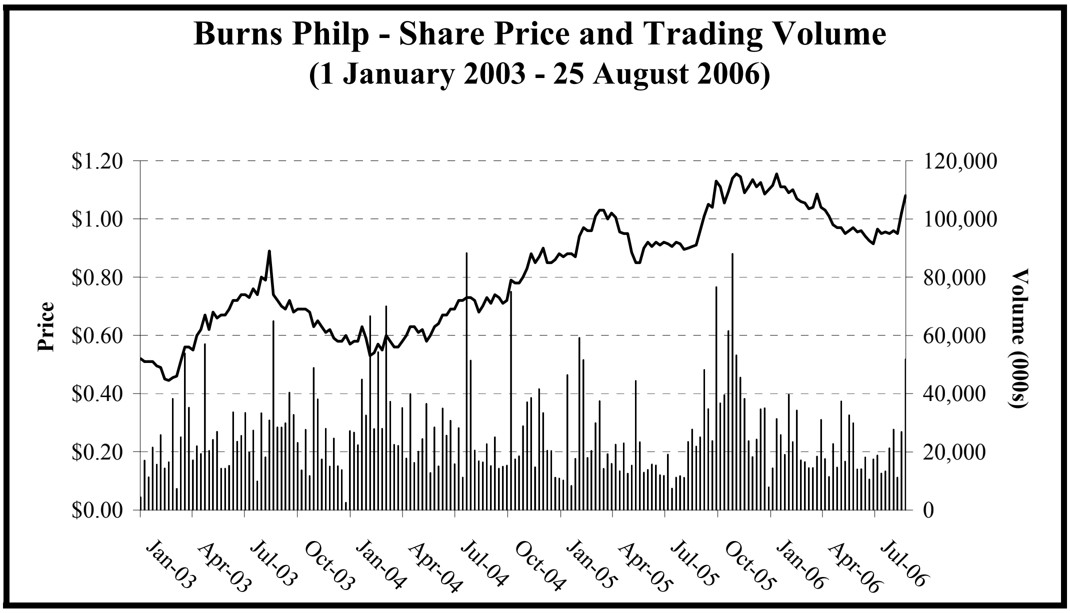
A summary of the price and trading history of Burns Philp since 1 January 2003 is set out below:

Burns Philp - Share Price History

	Share Price ($)			Average Weekly Volume (000's)	Average Weekly Transactions
	High	Low	Close		
Year ended 31 December					
2003	0.92	0.43	0.57	24,930	959
2004	0.90	0.51	0.88	19,919	1,021
Quarter ended					
31 March 2005	1.04	0.85	1.02	27,089	1,162
30 June 2005	1.03	0.83	0.91	18,076	1,007
30 September 2005	1.15	0.87	1.13	26,131	1,285
31 December 2005	1.18	1.05	1.10	38,971	1,440
Month ended					
31 January 2006	1.17	1.07	1.11	23,618	1,126
28 February	1.12	1.04	1.05	26,804	1,430
31 March	1.09	1.02	1.04	19,300	1,198
30 April	1.06	0.95	0.97	16,610	1,064
31 May	1.02	0.92	0.96	26,640	1,477
30 June	0.97	0.90	0.92	15,545	1,300
31 July	0.97	0.92	0.95	16,668	1,425
31 August (to 25 August)	1.10	0.94	1.08	35,527	1,730

Source: IRESS

The following graph illustrates the movement in the Burns Philp share price and trading volumes since 1 January 2003:



Source: IRESS

Following the announcement of the takeover offer for Goodman Fielder in mid December 2002 and the initial uncertainty as to whether Burns Philp's takeover offer would be successful, its share price fell, reaching a low of $0.43 in mid February 2003. However, the share price then increased steadily up to $0.92, reflecting the gaining of control of Goodman Fielder in March 2003 and moving to compulsory acquisition in May 2003.

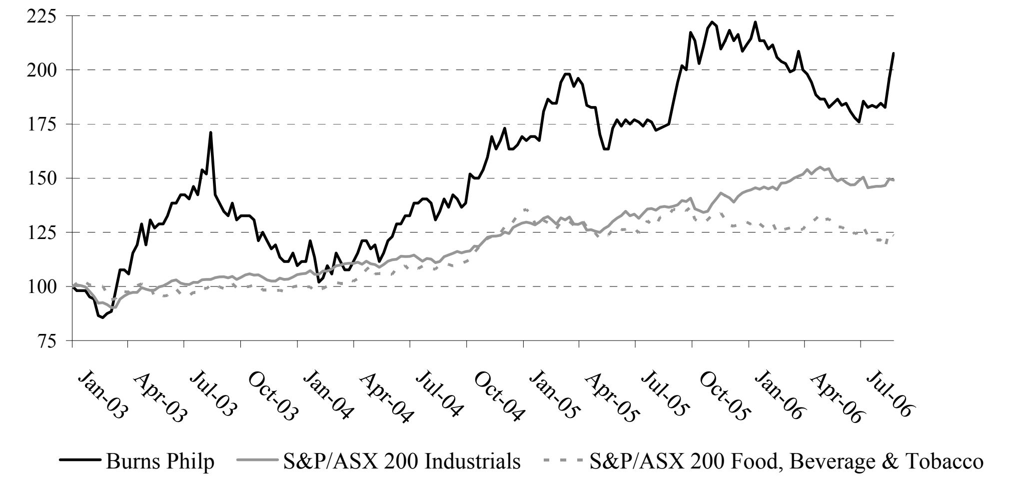
The subsequent fall in Burns Philp's share price may be explained by the dilutionary impact of the exercise of a significant proportion of the options in August 2003 (when the options expired). These options had an exercise price of 20 cents and were significantly "in-the-money". The share price continued to fall, reaching a low of $0.51 in February 2004. Following the announcement of the half year results in February 2004 the share price again increased steadily on the back of the March 2004 announcement of the intention to sell the North American herbs and spices business and the September 2004 announcement of the sale of this business and the yeast and bakery ingredients business which resulted in a substantial reduction in the level of borrowings.

The share price reached $1.04 in March 2005 but then fell to $0.83 following the announcement of third quarter results in May 2005. The share price subsequently increased to $1.05 and continued to increase with the announcement of the relisting of Goodman Fielder in September 2005. The share price peaked at $1.18 in October 2005 after the release of the draft pro forma financial information in relation to the float of Goodman Fielder.

Since the float of Goodman Fielder shares in December 2005, the share price has trended downwards, possibly reflecting the uncertainty concerning the reinvestment of Burns Philp's substantial cash balance. Since announcement of the Rank Group Offer, Burns Philp shares have traded at slightly below the offer price of $1.10 per share.

The following graph illustrates the performance of Burns Philp shares since 1 January 2003 relative to the S&P/ASX 200 Industrials index and the S&P/ASX 200 Food, Beverage & Tobacco index:

Burns Philp vs S&P/ASX 200 Industrials Index and the S&P/ASX 200 Food, Beverage & Tobacco Index (1 January 2003 - 25 August 2006)



Source: IRESS

Since January 2003, Burns Philp has generally outperformed both the S&P/ASX 200 Industrials index and the S&P/ASX Food, Beverage & Tobacco index, reflecting the strength of its performance and the success of its asset sales over this period.

4 Valuation of Burns Philp

4.1 Valuation Summary

Burns Philp has been valued in the range $3,067-3,126 million which corresponds to a value of $1.084-1.105 per share. The valuation represents the estimated full underlying value of Burns Philp assuming 100% of the company was available to be acquired. The valuation is summarised below:

Burns Philp - Valuation Summary ($ millions)			
	Section Reference	Valuation Range	
		Low	High
Net value of operating businesses	4.2	203.5	233.7
Pro forma net cash at 30 June 2006	4.3	2,496.4	2,496.4
20% interest in Goodman Fielder	4.4	530.0	556.5
Corporate costs	4.5	(33.0)	(30.0)
Other assets/(liabilities)	4.6	(130.3)	(130.3)
Value of equity		**3,066.6**	**3,126.3**
Fully diluted shares on issue (millions)		2,829.1	2,829.1
Value per share		**$1.084**	**$1.105**

Grant Samuel's valuation of Burns Philp has been estimated by aggregating the estimated market value of its operating businesses together with the realisable value of non-trading assets (including investments and cash) and deducting external borrowings and non-trading liabilities as at 30 June 2006 (adjusted for certain significant events that have occurred subsequent to 30 June 2006). The value of the operating businesses has been estimated on the basis of fair market value as a going concern, defined as the maximum price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

The valuation of Burns Philp differs from the valuation of most companies where the majority of value is attributable to the company's operating businesses. The vast majority of the value of Burns Philp is attributable to its net cash reserves of $2.5 billion and its 20% interest in Goodman Fielder (which has been valued on the basis of current market prices). These assets alone represent approximately $1.07-1.08 of the value attributed to Burns Philp's shares. As a result, Burns Philp's underlying value is not dissimilar to the value of its net assets.

While the value is in excess of the level at which, under current market conditions, shares in Burns Philp could be expected to trade on the sharemarket in the absence of a takeover offer, the premium is less than that usually observed in the shares of listed companies with substantial operating businesses (which normally trade at a discount of 15-25% to the underlying value of the company as a whole). Burns Philp shares have generally traded at a smaller discount to net assets.

4.2 Operating Businesses

4.2.1 Methodology

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies that are commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;

- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved.

In determining a value for Burns Philp's operating businesses, Grant Samuel has placed particular reliance on the EBITDA and EBIT multiples implied by the valuation range compared to the EBITDA and EBIT multiples derived from an analysis of comparable listed companies and transactions involving comparable businesses.

Detailed cash flow forecasts have not been provided for Burns Philp's operating businesses for the period beyond 30 June 2007 and therefore the discounting of cash flows methodology has not been utilised for the purposes of valuing the operating businesses. Grant Samuel is not aware of any industry rules of thumb that would be appropriate to value the operating businesses of Burns Philp. Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns and such an approach is not an appropriate methodology in this case.

Capitalisation of earnings or cash flows is the most commonly used method for valuation of industrial businesses. This methodology is most appropriate for industrial businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual capital expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the sharemarket. EBITDA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between EBITDA and EBIT is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult.

Selection of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.

A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used by valuers is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a “premium for control” to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (e.g. economic growth, inflation, interest rates) and market structures and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

4.2.2 Assessment of Implied Multiples

Grant Samuel has attributed a value of $203.5-233.7 million to Burns Philp's operating businesses, Bluebird Foods and the 50% interest in the Fresh Start Bakeries Australia joint venture.

The values attributed to each of these businesses have been determined separately by Grant Samuel on the following basis:

- the value attributed to Bluebird Foods represents the ungeared value of the business. Bluebird Foods has been valued in NZ$ and the value has been translated to A$ at current A$/NZ$ exchange rates; and

- the value attributed to the equity in Fresh Start Bakeries Australia has been determined by valuing 100% of the Fresh Start Bakeries Australia business on an ungeared basis and subtracting the net borrowings of the joint venture at 30 June 2006 to arrive at a value for 100% of the equity in the joint venture. Burns Philp's interest in the Fresh Start Bakeries Australia joint venture has been calculated as 50% of the total value of the equity.

The aggregate ungeared value range implies the following overall multiples:

Burns Philp's Operating Businesses – Implied Valuation Parameters		
	Low	**High**
Multiple of EBITDA		
Year ended 30 June 2006 (adjusted)	7.6	8.6
Year ending 30 June 2007	6.2	7.0
Multiple of EBIT		
Year ended 30 June 2006 (adjusted)	13.1	14.9
Year ending 30 June 2007	9.6	11.0
Multiple of NTA (at 30 June 2006)		
Ungeared	2.4	2.7

The multiples shown in the above table are average overall multiples based on the aggregate ungeared value range. They represent a combination of higher implied multiples for Bluebird Foods and lower implied multiples for Fresh Start Bakeries Australia (although as Bluebird Foods is a significantly larger business, the average overall multiples are more indicative of its multiples).

The values are shown in aggregate in this report at the request of Burns Philp on the grounds of commercial sensitivity.

Bluebird Foods

The value attributed to Bluebird Foods takes into account expressions of interest for the business that have been received as part of the sale process that is currently underway and reflects the following positive features of the business:

- Bluebird Foods' strong market position and established brands; and

- the growth potential of the business, particularly in the salty snacks segment of the market where Bluebird Foods has been successful in extending its products into new markets (especially potato chip products aimed at the premium end of the market) and introducing new products (such as the October 2005 entry into the packaged nuts market). Leveraging its salty snacks distribution network as a new distribution channel for wrapped snacks is also a potential growth opportunity.

On the other hand, there are also factors that constrain the value of the business:

- the retail grocery market in New Zealand accounts for approximately 80% of Bluebird Foods' sales and is dominated by two participants, Foodstuffs and Progressive, which have considerable pricing power. Following Woolworths Limited's acquisition of Progressive in late 2005, pressure on pricing has increased. This trend is expected to continue;

- in recent years, growth in the snack foods market generally has been at lower levels than in the past as a result of the trend towards "healthy living" and health foods. While Bluebird Foods has addressed this trend through the launch of new "healthier" products, there has been a noticeable impact on overall market growth; and

- with the sale of the Uncle Tobys business to Nestlé, Bluebird Foods will lose the use of the "Uncle Tobys" brand from July 2007.

The multiples implied by the value attributed to Bluebird Foods are slightly below those implied by recent comparable transactions. The most comparable transactions are Pacific Equity Partners Pty Ltd's ("PEP") acquisition of Griffins Foods Limited ("Griffins") and Nestlé's acquisition of the Uncle Tobys business. Griffins owns the ETA brand and is the second largest participant in the New Zealand snack foods market. It is also the market leading biscuit brand in New Zealand. The historical EBITDA multiples implied by these transactions of 10.8-11.3 times are slightly higher than those implied by the value of Bluebird Foods but this is justified given Griffins' significant biscuit operations and the much larger size of the Uncle Tobys business.

The value of Bluebird Foods implies relatively modest multiples of forecast EBITDA for the year ending 30 June 2007 (in the order of 7 times) compared to many of the comparable transactions. These lower multiples are warranted given the substantial increase (by more than 30%) in EBITDA forecast for the year ending 30 June 2007. This increase is largely revenue driven and the ability to achieve it is uncertain.

50% Interest in Fresh Start Bakeries Australia

The value attributed to Fresh Start Bakeries Australia reflects market evidence of transactions involving other bakery businesses. The most relevant transactions are Burns Philp's acquisition of Goodman Fielder in 2003 and Goodman Fielder's acquisition of Bunge Defiance in 1998. The acquisition of Goodman Fielder implied multiples of around 7 times historical EBITDA and the price paid for Bunge Defiance implied an historical EBIT multiple of 9.6 times. The historical EBITDA multiples implied by the value attributed to Fresh Start Bakeries Australia are below 7 times, although the implied historical EBIT multiples are above 9.6 times. In this context, Goodman Fielder was a much larger and diverse business than Fresh Start Bakeries Australia (although performance had been poor). There are also a number of features specific to Fresh Start Bakeries Australia that need to be taken into account:

- the risk associated with concentration of the vast majority of revenue and earnings in one customer (i.e. McDonald's). There is no guarantee that the exclusive supply arrangement that exists between Fresh Start Bakeries Australia and McDonald's will continue and this is especially the case as there is no written agreement between the parties. Loss of McDonald's as a customer would destroy the revenue and earnings of the business. Having said this, Burns Philp's joint venture party, Fresh Start Bakeries, Inc in the United States, has had a relationship with McDonald's for over 40 years and is one of the three largest suppliers of buns and muffins to McDonald's restaurants in the United States; and

- Fresh Start Bakeries Australia has a very high depreciation charge (compared to ongoing capital expenditure) as a result of the construction of the new manufacturing facility in Lyndhurst in Victoria which was completed in May 2005. As a result, more emphasis should be placed on the implied EBITDA multiples.

Taking all of these factors into account, the implied multiples of less than 7 times historical EBITDA are considered reasonable.

Burns Philp owns a 50% interest in Fresh Start Bakeries Australia. The joint venture agreement confers no special rights on Burns Philp in relation to the management of the business. In addition, its 50% interest is subject to a pre-emptive right in the event that one party wishes to sell its interest. A 50% interest does not typically warrant the same value, on a pro rata basis, as 100% ownership of a company because of the lack of absolute control and the transferability issues. However, given the asset is not material in the context of the overall valuation, no additional allowance has been made to reflect this position.

4.3 Net Cash

At 30 June 2006, Burns Philp had net cash of $1,595.6 million. The following adjustments have been made to reported net cash to arrive at pro forma net cash at 30 June 2006:

Burns Philp – Pro Forma Net Cash ($ millions)	
	As at 30 June 2006
Cash (including short term deposits)	2,405.9
Term loan facility (US$475 million)	(640.4)
New Zealand subordinated capital notes (NZ$212.5 million)	(169.9)
Net cash at 30 June 2006	**1,595.6**
Proceeds from sale of Uncle Tobys snacks business	903.0
Payment of final dividend on converting preference shares	(2.2)
Pro forma net cash at 30 June 2006	**2,496.4**

The pro forma net cash of $2,496.4 million has been used for the purposes of this report. Since 30 June 2006, certain provisions provided for at 30 June 2006 have been paid in cash. These amounts have not been adjusted for as they are reflected in other liabilities.

Since 30 June 2006, several of the debtors, creditors and provisions (such as net interest receivable, transaction costs and one-off retention payments/bonuses) have been received or paid in cash. The overall impact has been a reduction in the cash balance (but with no overall impact on value as the debtors, creditors and provisions have declined by an equivalent amount). There has been no adjustment to pro forma net cash to reflect net operating and financing cash flows subsequent to 1 July 2006. In any event, other than the adjustments made, the net cash flows from 1 July 2006 to the date of this report are not material in the context of this valuation.

4.4 Investment in Goodman Fielder

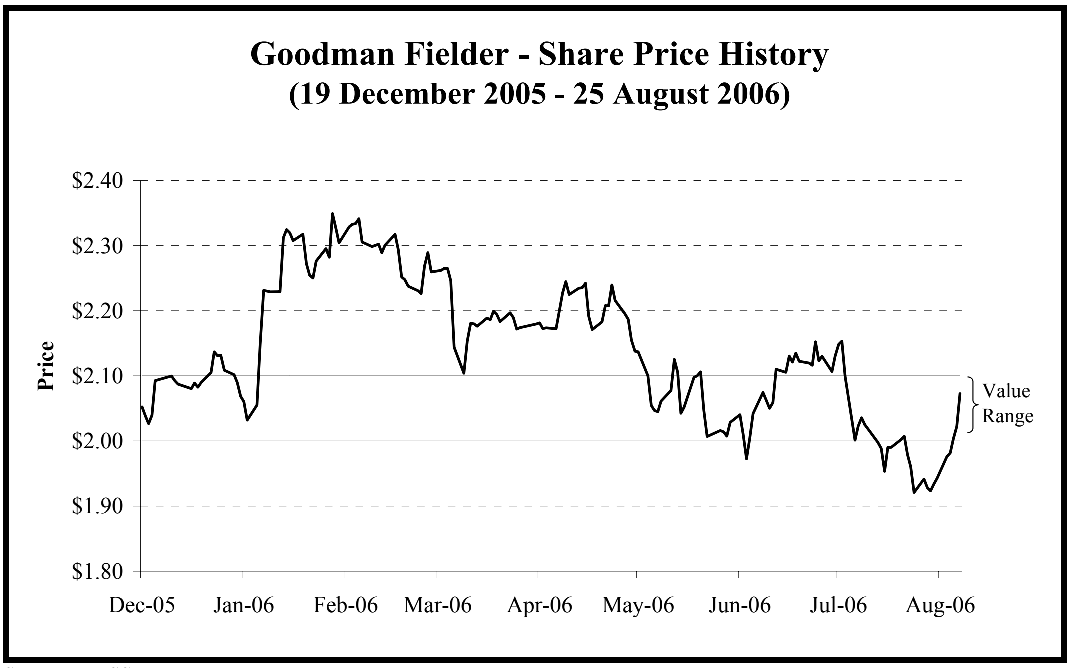
Burns Philp holds 265,009,700 shares in Goodman Fielder, which represent a 20% interest. While this 20% interest gives Burns Philp a level of influence over Goodman Fielder (Burns Philp has two representatives out of a total of six directors on the board of Goodman Fielder), it is more in the nature of a passive shareholding than a strategic stake:

- given that it has recently spun off the Goodman Fielder business into a separately listed company, Burns Philp is unlikely to use its 20% interest to launch a takeover offer;
- Burns Philp is required to hold its 20% interest in Goodman Fielder until at least the release of Goodman Fielder's preliminary final results for the year ending 30 June 2007 (unless a takeover offer is made or a scheme of arrangement is proposed through which a third party would acquire the full economic benefit of Goodman Fielder); and

- even if Burns Philp was able to sell its 20% interest, the sale of such a large parcel of shares (if sold through the market) would probably need to be priced at a discount to prevailing market prices.

In addition, Goodman Fielder was floated less than 12 months ago (in December 2005). Just prior to the float, it was reported that that Burns Philp had received an offer for the business from a consortium of private equity firms. Press reports at the time indicated that this trade sale would not have realised a materially higher price for Goodman Fielder than the price received in the float.

In this situation, the market price is the best estimate of value. The closing price of Goodman Fielder shares on 25 August 2006 was $2.07. The shares have been valued in the range $530-557 million, based on the recent trading range of Goodman Fielder shares of $2.00-2.10:



Source: IRESS

4.5 Corporate Costs

Burns Philp has forecast corporate costs for the year ending 30 June 2007 relating to the management of its businesses of approximately $20 million. These costs include executive management costs, legal costs, insurance costs, finance and administration costs, directors' fees, public listed company costs, consultants' costs and head office rent.

Given the nature of Burns Philp's assets (i.e. primarily cash and a passive investment in a listed company), any acquirer of Burns Philp should be able to eliminate the Burns Philp head office and the corporate costs associated with it. On this basis, Grant Samuel has not made any allowance for ongoing corporate costs in its valuation of Burns Philp. An amount of $30-33 million has been included in the valuation to allow for:

- corporate closure costs (e.g. breaking building leases and redundancy payments for staff and executives), which Burns Philp has estimated at $10-12 million;

- corporate net liabilities at 30 June 2006 (primarily accrued employee entitlements, creditors and a provision for tax payable); and

- a small amount of ongoing costs associated with administering the workers' compensation claims and legal claims.

4.6 Other Assets and Liabilities

Burns Philp's other assets and liabilities have been valued as follows:

Burns Philp – Other Assets and Liabilities ($ millions)	
	Value
Provision for legal claims	(27.2)
Provision for workers' compensation claims	(32.0)
Derivative financial instruments	(55.8)
Other	(15.3)
Total other assets/(liabilities)	**(130.3)**

These values represent estimates of the net realisable value of each asset and liability.

Provision for Legal Claims

The majority of the legal claims are liabilities in relation to sales of Goodman Fielder assets and businesses prior to its acquisition by Burns Philp in 2003.

The provision for legal claims has been valued at book value. The amount of $27.2 million includes estimated legal and other fees associated with settling the legal claims. Burns Philp has advised Grant Samuel that it does not believe that it is engaged in any other material legal proceedings for which provision has not been made.

Burns Philp has also provided certain warranties and indemnities in relation to:

- the agreements for the sale of the herbs and spices business and the yeast and bakery ingredients business to Associated British Foods plc in July 2004;
- the agreement to transfer its baking, spreads and oils business to Goodman Fielder in December 2005; and
- the agreement for the sale of its Uncle Tobys business to Nestlé in July 2006.

Some limited warranty and indemnity periods are also still running in relation to earlier asset sales.

The warranties and indemnities are subject to various terms and conditions in relation to duration, threshold and maximum liability. At the date of this report, Burns Philp is not aware of any material claims under these agreements other than those brought to account and discussed above.

Contingent liabilities in relation to warranty claims are difficult to assess with any reliability. Grant Samuel has made no allowance for potential warranty liabilities in its valuation of Burns Philp. It should be recognised that there is a risk that such liabilities may arise in future years, but at this point in time, there is no basis for determining a value for any potential warranty liabilities.

Provision for Workers' Compensation Claims

Burns Philp was a licenced self-insurer under the Victorian Accident Compensation Act until 19 August 2006 and was a licenced self-insurer under the New South Wales Workers' Compensation Act from April 2001 to April 2004. The provision for workers' compensation claims of $32.0 million represents an allowance in respect of all employees in Victoria and New South Wales for all assessed workers' compensation liabilities incurred and both reported and not reported, for the relevant periods of self-insurance.

The provision is based on an independent actuarial assessment as at 30 June 2006 plus a prudential margin assessed by management of Burns Philp. The actuarial assessment is based on a number of assumptions including those related to the long term nature of certain claims, the frequency and value of claims and a discount rate that is based on Australian Commonwealth Government bond yields.

Derivative Financial Instruments

Burns Philp enters into derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, investing and financing activities.

The derivative financial instruments liability of $55.8 million is the estimated amount that Burns Philp would pay to terminate the instruments on 17 August 2006, and has been calculated as follows:

Burns Philp – Derivative Financial Instruments ($ millions)		
	As at 30 June 2006	**As at 17 August 2006**
Foreign currency options (included in debtors)	9.8	(11.1)
Cross currency swaps	(43.0)	(44.7)
Net derivative financial instruments	**(33.2)**	**(55.8)**

Other Assets and Liabilities

Other assets and liabilities include net interest receivable, transaction costs, one-off retention payments/bonuses and surplus properties.

Defined Benefit Superannuation Plans

Burns Philp sponsors a defined benefit superannuation plan that services the retirement benefits for a group of retired employees of the company. The plan has been closed to new members since 1999 and no contributions have been made to the fund (because it has been on a contribution holiday) since 1989. At 30 June 2006, the accrued and vested benefits of the fund were $5.5 million and the net market value of the plan assets was $9.8 million, resulting in the fund being overfunded by $4.3 million. No allowance has been made in the valuation for this asset on the basis that it is immaterial.

4.7 Tax Losses

At 30 June 2006, Burns Philp had available income tax losses of approximately $426 million and capital losses of approximately $75 million. Approximately $319 million of these losses were brought to account as an asset in Burns Philp's statement of financial position at 30 June 2006 in relation to forecast taxable events (including losses to offset the future capital gains tax payable on the future sale of the investment in Goodman Fielder).

In order to utilise carry forward tax losses, a company is required to meet either the "same business" test or the "continuity of ownership" test. As a result of the substantial change in Burns Philp's business operations over recent years, Burns Philp does not meet the "same business" test in relation to these tax losses. Therefore, an acquirer of Burns Philp (other than Rank Group) would not be able to utilise these tax losses.

Having said this, Grant Samuel has recognised the value of tax losses indirectly in the valuation of Burns Philp in so far as capital gains tax would be payable on the sale of the shares in Goodman Fielder (which is a realistic possibility at least after the announcement of Goodman Fielder's results for the year ending 30 June 2007). If sold at today's market value, the shares in Goodman Fielder would give rise to a capital gain of approximately $380-400 million. Burns Philp has losses available that would offset this gain albeit this would utilise the majority (if not all) of its remaining tax losses. Therefore, the value of the tax losses has been implicitly recognised in the value that Grant Samuel has attributed to the Goodman Fielder shares.

5 Evaluation of the Rank Group Offer

5.1 The Rank Group Offer is Fair and Reasonable

In Grant Samuel's opinion, the Rank Group Offer is fair and reasonable to Burns Philp shareholders. The reasons for Grant Samuel's opinion are summarised below:

- **The price at which Rank Group will acquire the outstanding shares in Burns Philp is fair.**

  Grant Samuel has valued Burns Philp in the range $1.084-1.105 per share. This value was assessed by aggregating the estimated market value of Burns Philp's operating businesses together with the realisable value of non-trading assets (including investments and cash) and deducting external borrowings and non-trading liabilities as at 30 June 2006 (after allowing for the pro forma adjustments). It represents the full underlying value of Burns Philp assuming that 100% of the company was available to be acquired.

  The Rank Group Offer is $1.10 for each Burns Philp share. The offer is within the range that Grant Samuel has assessed as the underlying value of Burns Philp and, accordingly, the Rank Group offer is fair. As the Rank Group Offer is fair, it is also reasonable.

  The value attributed to Burns Philp does not include an amount for any potential claims under any of the warranties and indemnities that Burns Philp has agreed to provide in relation to sales of, in particular, its herbs and spices business, yeast and bakery ingredients business and the Uncle Tobys business. The risks in relation to potential warranty and indemnity claims are on the downside. Shares in Burns Philp could be worth less than $1.084-1.105. If the shares were worth less than $1.084-1.105, the Rank Group Offer would be even more fair.

- **The premium over the share price appears low but reflects the nature of Burns Philp's assets and expectations about its future strategy.**

  The Burns Philp share price prior to the announcement of the Rank Group Offer was around $0.95 per share (although it increased to $1.02 per share immediately prior to the announcement of the Rank Group Offer). In the previous six months, Burns Philp shares had generally traded in the range $0.90-1.07 per share. Accordingly, the Rank Group Offer provides a relatively low premium compared to most successful takeovers which typically provide premiums of 20-35% and sometimes higher. However:

  - the low premium perhaps reflects the nature of Burns Philp's assets, i.e. primarily cash and a passive investment in Goodman Fielder; and
  - more importantly, the share price has arguably been influenced by expectations that Burns Philp would be Rank Group's investment vehicle for expansion. Since the float of Goodman Fielder, there has been an expectation that Burns Philp would seek new investments.

  While the share price has traded above $1.10 as recently as early February 2006, this was arguably under more buoyant general market conditions and it was immediately after the float of Goodman Fielder when there was a very high expectation of reinvestment. Apart from the period from September 2005 to February 2006, the share price has not traded above $1.10 since mid 1997.

- **No more attractive alternative is available, or is likely to become available, to Burns Philp shareholders.**

  Rank Group holds 57.6% of the issued shares in Burns Philp. The only other substantial shareholder, Lazard, holds 8.0% of the issued shares and holds these shares in its capacity as an investment manager. An alternative acquisition proposal by any other bidder could not succeed without the agreement of Rank Group. Grant Samuel is not aware of any alternative acquisition proposals or that Rank Group would have any interest in disposing of its controlling shareholding. In any event, the price to be paid under the Rank Group Offer represents a full price for 100% of Burns Philp and it is improbable that alternative bidders would be prepared to offer a price equal to or higher than $1.10 per share given the nature of Burns Philp's asset base.

Shareholders could hold out for a higher offer from Rank Group but Rank Group has stated that it will not increase its offer.

A possible alternative is liquidation of the company. However, liquidation would be unlikely to realise a value in excess of $1.10 per share and given the existence of contingent liabilities, would take a number of years to complete. In any event, the cash that is ultimately returned to shareholders could be substantially less than $1.10. In a liquidation, the maximum capital return to shareholders would be $0.39 per share, with the balance being treated as a dividend. It is likely that any dividend will be largely unfranked because Burns Philp has limited franking credits.

Furthermore, Rank Group may be entitled to move to compulsory acquisition of the outstanding Burns Philp shares if it obtains an interest in more than 90% of Burns Philp's issued shares. In this situation, Rank Group would be able to move to compulsory acquisition of the outstanding Burns Philp shares at the offer price of $1.10 regardless of whether shareholders wish to accept the offer.

- **It is probable that Burns Philp's shares will trade at prices lower than the offer price if the Rank Group Offer is not successful.**

  Rank Group already controls Burns Philp. The Rank Group Offer will be unsuccessful if Rank Group fails to obtain a relevant interest in at least 90% of Burns Philp's issued shares, allowing Rank Group to move to compulsory acquisition.

  Shares in Burns Philp are likely to trade at well below $1.10 if the Rank Group offer is unsuccessful. Most "cash boxes" trade at a discount to net tangible assets and the Burns Philp share price has in the past been influenced by expectations that Burns Philp would be used as an investment vehicle. As it now appears unlikely that future investments will be made through Burns Philp, it is possible that the share price discount to net tangible asset backing could be significantly larger than it has been in the past as many investors may decide to sell their Burns Philp shares.

  In any event, Rank Group has stated that if the takeover offer is unsuccessful, it proposes to discuss with the directors of Burns Philp that they consider returning cash directly to all shareholders early in 2007 in the form of dividends and capital returns. However, this will face the same issues in terms of the returns to shareholders as a liquidation.

  The Rank Group Offer provides an opportunity for all Burns Philp shareholders to realise a price for their shares that is above the price that those shares are likely to trade at in the foreseeable future in the absence of the Rank Group Offer or an alternative acquisition proposal.

5.2 Shareholder Decision

The decision of each shareholder as to whether to accept the Rank Group Offer is a matter for individual shareholders based on each shareholder's views as to value and future market conditions, risk profile, liquidity preference, investment strategy, portfolio structure and tax position. In particular, taxation consequences may vary from shareholder to shareholder. Shareholders who are in doubt as to what action they should take in relation to the Rank Group Offer should consult their own professional adviser.

6 Qualifications, Declarations and Consents

6.1 Qualifications

The Grant Samuel group of companies provide corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally), property advisory services and manages specialist funds. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 350 public independent expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Jaye Gardner BCom LLB (Hons) CA F Fin and Ross Grant BSc (Hons) MCom MBA. Each has a significant number of years of experience in relevant corporate advisory matters and is an authorised representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

6.2 Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to whether the Rank Group Offer is fair and reasonable to shareholders. Grant Samuel expressly disclaims any liability to any Burns Philp shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target's Statement issued by Burns Philp and has not verified or approved any of the contents of the Target's Statement. Grant Samuel does not accept any responsibility for the contents of the Target's Statement (except for this report).

6.3 Independence

Grant Samuel and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with Burns Philp or Rank Group that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Rank Group Offer. Grant Samuel advises that in the previous five years the following roles have been undertaken:

- Grant Samuel has prepared for Burns Philp:
  - an independent expert's report dated 14 November 2005 on whether the proposed acquisition of New Zealand Dairy Foods Holdings Limited ("NZDF") from Rank Group was on arm's length terms and fair and reasonable having regard to the interests of Burns Philp shareholders other than Rank Group; and
  - a non-public expert's report dated 26 November 2001 on the calculation of the adjustment to the conversion price of Burns Philp's euroconvertible notes as a result of a rights issue of converting preference shares;

- Grant Samuel Corporate Finance Pty Limited, a related company of Grant Samuel, was engaged by Burns Philp:
  - to advise Burns Philp in connection with the acquisition of a New Zealand business known as "Nature's Oven" owned by the daughter of Graeme Hart and her husband in August 2004; and
  - to advise Burns Philp in connection with the possible acquisition of NZDF from Rank Group in May 2003. This transaction did not proceed; and
- Grant Samuel & Associates Limited, an associated company of Grant Samuel incorporated in New Zealand, has prepared for Carter Holt Harvey Limited ("Carter Holt Harvey"):
  - an independent adviser's report dated 15 September 2005 in relation to the takeover offer by Rank Group Investments Limited, a subsidiary of Rank Group, for all of the ordinary shares in Carter Holt Harvey; and
  - an independent adviser's report dated 17 February 2006 in relation to the new takeover offer by Rank Group Investments Limited for all of the ordinary shares in Carter Holt Harvey that it did not already own.

Grant Samuel commenced a review of factual material, in preparation for the possibility of this report being required, in August 2006 prior to the announcement of the Rank Group Offer. This work did not involve Grant Samuel participating in the setting the terms of, or any negotiations leading to, the Rank Group Offer. Grant Samuel's only role has been the preparation of this report.

Grant Samuel will receive a fixed fee of $225,000 for the preparation of this report. This fee is not contingent on the outcome of the Rank Group Offer. Grant Samuel's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Samuel will receive no other benefit for the preparation of this report.

Grant Samuel considers itself to be independent in terms of Practice Note 42 issued by the ASIC (previously known as Australian Securities Commission) on 8 December 1993.

6.4 Declarations

Burns Philp has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report. This indemnity will not apply in respect of the proportion of any liability found by a court to be primarily caused by any conduct involving gross negligence, wilful misconduct or bad faith by Grant Samuel. Burns Philp has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent, engaged in wilful misconduct or acted in bad faith, Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Burns Philp are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to Burns Philp and its advisers. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

6.5 Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target's Statement to be sent to shareholders of Burns Philp. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.

6.6 Other

The accompanying letter dated 31 August 2006 and the Appendix form part of this report.

Grant Samuel has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is set out at the beginning of this report.

GRANT SAMUEL & ASSOCIATES PTY LIMITED
31 August 2006

Grant Samuel & Associates

Appendix 1

Market Evidence

1 Sharemarket Ratings

Market evidence from listed companies with activities in the snacks or baking sectors is limited. There are no other listed companies in Australia or New Zealand with activities that are truly comparable to the Bluebird Foods or Fresh Start Bakeries businesses. Grant Samuel has reviewed evidence from Australian listed companies with activities in the snacks and/or baking sectors. There are no comparable companies listed in New Zealand. The available share market data provides some framework to assess the value attributed to Bluebird Foods and Fresh Start Bakeries, although the most meaningful comparison (Goodman Fielder Limited ("Goodman Fielder")) is also substantially larger than Bluebird Foods and Fresh Start Bakeries:

Sharemarket Ratings of Selected Australian Listed Companies

	Market Capitalisation (millions)	EBITDA Multiple[1] (times)		EBIT Multiple[2] (times)		Ungeared NTA Multiple[3] (times)
		2005/06 actual	2006/07 forecast	2005/06 actual	2006/07 forecast	
Goodman Fielder Limited	2,742.8	8.7	8.0	9.9	9.0	5.7
Greens Foods Limited	80.5	11.7	na[4]	31.5	na	1.9
FFI Holdings Limited	20.1	9.0	na	10.7	na	1.8
KH Foods Limited	7.1	19.3	na	nc	na	1.0

Source: Grant Samuel analysis[5]

In analysing the table above, the following factors should be taken into account:

- the multiples are based on sharemarket prices as at 25 August 2006 and do not reflect a premium for control;
- the companies have 30 June year ends except for KH Foods Limited ("KH Foods"), which has a 31 July year end. However, at the date of this report, none of these companies (apart from Goodman Fielder) had reported actual results for the year ended 30 June 2006. As a result, the 2005/06 actual multiples for all of the companies other than Goodman Fielder are actual multiples for the year ended 30 June 2005;
- Goodman Fielder is Australia's leading listed food company, manufacturing a range of products including bread, milk, margarine, dressings, mayonnaise and flour. It is also the largest supplier of edible fats and oils to Australian and New Zealand food manufacturers and the largest supplier of flour to New Zealand commercial customers. Goodman Fielder also owns New Zealand Dairy Foods Limited, one of the leading suppliers of consumer dairy products in New Zealand. Bakery products represent approximately 28% of sales and 22% of EBITDA;
- Green's Foods Limited ("Green's Foods") is involved in the manufacture, packaging, import and export and distribution of food products. It operates in the blended foods, cereals and snacks and pet

1 Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA. EBITDA is earnings before depreciation, amortisation, net interest, tax and significant items.

2 Represents gross capitalisation divided by EBIT. EBIT is earnings before net interest, tax and significant items. It is also before amortisation of goodwill in years where accounts have been prepared on the basis of AGAAP.

3 Represents gross capitalisation divided by ungeared NTA. NTA is net tangible assets (i.e. net assets less intangibles).

4 na = not available.

5 Grant Samuel analysis based on data obtained from IRESS, company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

food segments of the market. The majority of revenue of the food division is generated through the retail grocery trade. Products manufactured include cake, pancake and muffin mixes, peanut butter, popcorn, gravy, breakfast cereals, sugar and flour. In addition to "Green's Foods" branded products, Green's Foods also manufactures and distributes a range of private label products. The results for the year ended 30 June 2005 were disappointing, although there does appear to have been a turnaround in performance in the current year;

- FFI Holdings Limited ("FFI") is a Western Australian based food processing company whose operations include the manufacture of bakery products and chocolate/confectionary products, the production of smallgoods and the processing and packaging of net and fruit products for the snack foods market; and

- KH Foods owns Balfours Australia Pty Limited, the largest fresh bakery business in Australia with manufacturing facilities in South Australia, New South Wales and Victoria producing a range of savoury and cake products. KH Foods' performance has also been poor, reporting operating losses in the year ended 30 June 2005 and in the half year to 31 December 2005 with a return to profitability not expected until the year ending 30 June 2008.

2 Transaction Evidence

During the last five years there have been a number of transactions involving Australian and New Zealand food businesses, including businesses in the snacks and baking sectors. A review of these transactions provides some guidance as to differences in valuation parameters applied by purchasers to other food businesses:

Recent Australian and New Zealand Transaction Evidence

Date	Target	Transaction	Consideration[6] (millions)	EBITDA Multiple[7] (times) historical	EBITDA Multiple[7] (times) forecast	Ungeared NTA Multiple[8] (times)
Jul 2006	Uncle Tobys business	Acquisition by Nestlé Australia Pty Ltd	A$890.0	11.3	na	na
Apr 2006	Griffins Foods Limited	Acquisition by Pacific Equity Partners Pty Ltd	NZ$385.0	10.8	9.7	11.7
Nov 2004	SPC Ardmona Limited	Acquisition by Coca-Cola Amatil Limited	A$480.7	12.6	11.4	1.6
Aug 2004	Berri Limited	Acquisition of 50% by San Miguel Corporation	A$291.3	7.0	na	2.6
May 2004	Henry Jones IXL business	Acquisition by SPC Ardmona Limited	A$51.0	8.4	na	na
Jun 2003	Neverfail Springwater Limited	Successful takeover offer for 100% by Coca-Cola Amatil Limited	A$233.2	10.4	9.0	5.0
Mar 2003	Goodman Fielder Limited	Successful takeover offer for 100% by Burns, Philp & Company Limited	A$1,966.8	7.0	7.2	3.6
Aug 2002	Snack Foods Limited	Successful takeover offer for 100% by Arnotts Biscuits Holdings Pty Ltd	A$260.1	10.1	9.5	4.1
Jul 2002	George Weston Foods Limited	Acquisition of 18.75% by Associated British Foods plc	A$636.7	8.0	7.6	0.9
Oct 2001	Frucor Beverages Group Limited	Successful takeover offer for 100% by Group Danone	NZ$293.8	12.0	9.8	5.9

6 Represents the consideration paid for equity.

7 Represents the gross consideration divided by EBITDA. Gross consideration is equity consideration plus debt acquired.

8 Represents gross consideration divided by the ungeared NTA acquired.

Recent Australian and New Zealand Transaction Evidence						
Date	Target	Transaction	Consid-eration[6] (millions)	EBITDA Multiple[7] (times) historical	EBITDA Multiple[7] (times) forecast	Ungeared NTA Multiple[8] (times)
Oct 1999	Juice Division of National Foods Limited	Berri Limited	A$75.0	7.2	na	1.7
Aug 1999	Ernest Adams Limited	Successful takeover offer for 100% by Goodman Fielder Limited	NZ$38.8	16.3	6.9	1.6
Mar 1999	Food Solutions Limited	Acquisition of 100% by Mainland Products Limited	NZ$67.0	5.6	5.2	na
Apr 1999	Fresca Foods Ltd	Acquisition of 100% by The Pillsbury Company	>NZ$7.0	na	na	na
Nov 1998	Bunge Defiance (Australian Milling and Baking business)	Acquisition of 100% by Goodman Fielder Limited	A$414.4	na	na	2.5
Sep 1997	Arnotts Limited	Successful takeover offer for 30.1% by Campbell Soup Company	A$1,392.2	12.4	10.1	3.3
Jan 1996/ Aug 1995	Pacific Brands Food Group (division of Pacific Dunlop Limited)	Acquisition of various businesses by JR Simplot Company, Nestlé Australia Limited and The Pillsbury Company	A$1,168.8	10.1	9.3	1.6

Source: Grant Samuel analysis[9]

In analysing the table above, the following factors should be taken into account:

- the multiples for SPC Ardmona Limited are calculated by reference to the 100% cash alternative under the takeover offer. The 100% scrip alternative valued SPC Ardmona at $550 million implying higher EBITDA multiples than under the cash alternative. However, the scrip alternative was capped to a fixed number of Coca-Cola Amatil Limited shares and therefore the actual value implied by the scrip alternative was less than $550 million;

- the acquisition of 50% of Berri Limited by San Miguel Corporation did not involve a change of control (ICM Australia Limited retained a 50% interest) and therefore the multiples implied by the transaction exclude a premium for control;

- George Weston Foods Limited was 81.25% owned by Associated British Foods plc prior to the buyout of the minority shareholders. The transaction was implemented by a selective capital reduction which valued the equity at $4.95 per share. In addition, all shareholders received a special dividend of $1.65 per share;

- Fresca Foods Limited was the leader in chilled pasta and sauces in New Zealand. The terms of the transaction were not disclosed, however, the price is estimated to have been in excess of NZ$7 million implying multiples in excess of 8.8 times historical EBIT; and

- only limited financial information was available for the Bunge Defiance milling and bakery business and EBITDA multiples are not able to be calculated. However, the price paid implied a historical EBIT multiple of 9.6 times.

9 Grant Samuel analysis based on data obtained from IRESS, company announcements, transaction documentation and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each transaction depends on analyst coverage, availability and corporate activity.

Annexure B

The following announcements have been made to the ASX concerning Burns Philp since the release of its 2006 Annual Report on 25 August 2006.

ASX Announcements

Announcement	Date
Burns Philp Finance New Zealand Limited – 2006 Annual Report	29 August 2006
Response to Rank Group Offer	28 August 2006
Change in substantial holding from Rank Australia	28 August 2006
Rank Australia Bidder's Statement	28 August 2006
Burns Philp Finance New Zealand Ltd – Preliminary Final Report	28 August 2006
Burns Philp's Response to ASX Query	28 August 2006