



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2013 annual general meeting of shareholders of Cooks Food Group Limited (the **Company**) will be held at Parnell Jubilee Building, 545 Parnell Road Auckland on Tuesday, 1 October 2013 at 10.30am.

### Items of Business

- A. The Chairman's introduction.
- B. Addresses to Shareholders.
- C. Shareholder discussion.
- D. Resolutions.

### Resolutions

To consider and, if thought fit, to pass the following:

#### Board of Directors

- 1 **Re-election of Graeme Keith Jackson:** As an ordinary resolution, that Graeme Keith Jackson who retires by rotation in accordance with the Company's constitution and NZAX Listing Rule 3.2.6, and being eligible for re-election, be re-elected as a director of the Company.
- 2 **Auditors:** As an ordinary resolution, that the Board is authorised to fix the auditor's remuneration.

#### Cooks Global Foods Transaction

- 3 **Approval of Acquisitions and Share Issues:** As an ordinary resolution (passed pursuant to and as required by Rule 7(d) of the Takeovers Code and NZAX Listing Rules 7.3.1(a), 9.1.1(a) and 9.1.1(b) as applicable) and conditional on the passing of Resolutions 4 and 5, that the directors of the Company are authorised to:
  - (a) Undertake the proposed acquisition of the shares of Franchise Development Limited, including issuing 136,348,909 fully paid ordinary shares in the Company to DSL Management Limited at an issue price of \$0.10 per share at Completion as partial consideration for that acquisition;
  - (b) Issue 1,000,000 fully paid ordinary shares in the Company to DSL Management Limited at an issue price of \$0.10 per share for a cash subscription of \$100,000 at Completion;
  - (c) Undertake the proposed acquisition of the shares of Esquires Coffee Houses Ireland Limited, including issuing 1,020,148 fully paid ordinary shares in the Company to Anthony and Maretha McVerry as partial consideration for that acquisition at an issue price of \$0.15 per share with half of those shares issued at Completion and the balance on 31 March 2014;
  - (d) Undertake the proposed acquisition of the shares of Esquires Coffee (UK) Limited, including issuing up to 5,372,405 fully paid ordinary shares in the Company to Peter and Keiko Kirton as partial consideration for the acquisition with 1,221,001 shares issued at Completion, 1,221,001 shares issued on 31 March 2014 and a contingent issue of 2,930,403 ordinary shares in the

Company that Peter and Keiko Kirton may elect to receive in lieu of a cash payment of £240,000 on 31 March 2014 and with all such shares issued at an issue price of \$0.15 per share;

- (e) Undertake the proposed acquisition of the business and assets of Progressive Processors Limited and Agri Developments Limited including issuing 2,500,000 fully paid ordinary shares in the Company to Progressive Processors Limited as partial consideration at Completion and an additional issue of ordinary shares in the Company in August 2014 based on the performance of the acquired business for the financial year ending 31 March 2014 and with all such shares issued at an issue price of \$0.10 per share;
- (f) Issue 42,199,758 fully paid ordinary shares in the Company to ADG Investments Limited with 14,000,000 shares issued at an issue price of \$0.125 per share for a \$1.75 million cash subscription to be made to the Company between Completion and 31 March 2014, 4,000,000 shares to be issued at Completion at an issue price of \$0.125 per share to convert a \$500,000 convertible loan previously advanced to the Company and 24,199,758 shares to be issued at Completion at an issue price of \$0.083 per share to convert a \$2 million convertible loan previously advanced to the Company;
- (g) Issue 1,600,000 fully paid ordinary shares in the Company at Completion to Gerard Hall at an issue price of \$0.125 per share to convert a \$200,000 convertible loan previously advanced to the Company;
- (h) Issue 450,000 fully paid ordinary shares in the Company at Completion to Stuart Macintosh at an issue price of \$0.10 per share as consideration for services that he has provided to the Company;
- (i) Issue 500,000 fully paid ordinary shares in the Company at Completion to Bader Ali Almohamadi at an issue price of US\$0.20 per share for a cash subscription of US\$100,000;
- (j) Issue 2,222,222 fully paid ordinary shares in the Company at Completion to Nour Al Maysarah Trading, General Contracting & Franchising Co LLC at an issue price of US\$0.1125 per share for a cash subscription of US\$250,000; and
- (k) Issue 173,425 fully paid ordinary shares in the Company at Completion to Aiden Keegan at an issue price of \$0.15 per share as an incentive continuing his employment in Esquires Coffee Houses Ireland Limited following its acquisition by the Company,

and to otherwise undertake the transactions on the terms detailed in this Notice of Meeting.

- 4 **Related Party Transaction:** As an ordinary resolution and conditional on the passing of Resolutions 3 and 5 that pursuant to NZAX Listing Rules 7.3.1(a), 9.1.1(a), 9.1.1(b) and 9.2.1 the directors of the Company are authorised to issue the following shares in the Company at Completion to the following persons associated with a director of the Company, Mr. Graeme Keith Jackson:

- (a) To Mr. Graeme Keith Jackson, Mrs Patricia Frances Jackson and Mr. Philip Mack Picot as trustees of the Nikau Trust:
  - (i) 20,293,933 fully paid ordinary shares at an issue price of \$0.15 per share to capitalise outstanding debts owed by the Company;
  - (ii) 1,800,000 fully paid ordinary shares at an issue price of \$0.10 per share for services provided to the Company by Mr. Graeme Keith Jackson in connection with formulating and implementing the transactions set out in this Notice of Meeting;
  - (iii) 833,333 fully paid ordinary shares at an issue price of \$0.09 per share as remuneration for management services provided to the Company by Mr. Graeme Keith Jackson over the past three years,

(b) To Tasman Capital Limited (a company Mr. Graeme Keith Jackson is a director and shareholder of) 500,000 fully paid ordinary shares at an issue price of \$0.10 per share for services provided to the Company in connection with its listing on the NZAX market in 2008.

5 **Major Transaction:** As a special resolution and conditional on the passing of Resolutions 3 and 4, that the transactions described in Resolutions 3 and 4 are approved pursuant to section 129 of the Companies Act 1993.

6 **Directors Remuneration:** As an ordinary resolution, that in accordance with NZAX Listing Rule 3.4.1(a) the total monetary sum payable to all directors of the Company for directors' fees be increased from nil to \$140,000 per annum from 1 October 2013 and with such remuneration permitted to be paid in cash or by way of an issue of equity securities.

### Other Business

To consider any other matter that may properly be brought before the meeting.

### Proxies

Any shareholder of the Company who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him or her. A corporation which is a shareholder may appoint a representative to attend the meeting on its behalf in the same manner as it could appoint a proxy. A proxy does not need to be a shareholder of the Company. The Chairman of the meeting can be appointed as a proxy. Where the Chairman is appointed as a discretionary proxy, he intends to vote in favour of all Resolutions. The Chairman may not exercise discretionary proxies where he is prohibited from voting under the voting restrictions described below.

To appoint a proxy you should complete and sign the enclosed Proxy Form and either return it by mail, fax or email to the share registrar of the Company:

**By delivery:**

Cooks Food Group Limited  
C/- Link Market Services Limited  
Level 16, Brookfields House  
19 Victoria Street West  
Auckland 1010

**By Facsimile:** +64 9 375 5990

**Email:** [inquiries@linkmarketservices.com](mailto:inquiries@linkmarketservices.com) (please put the words "Cooks Food Group Limited Proxy Form" in the subject line for easy identification)

**By mail:**

Cooks Food Group Limited  
C/- Link Market Services Limited  
P.O. Box 91976  
Auckland 1142

Alternatively, you may lodge your proxy online. Go to [www.linkmarketservices.com](http://www.linkmarketservices.com) and click on the Cooks Food Group voting banner on the screen. Initial information including your CSN, holder name and FIN will be required to successfully validate your holding online before shareholding information and voting pages are displayed. A shareholder will be taken to have signed the Proxy Form by lodging it in accordance with the instructions on the website.

The completed Proxy Form must be received by no later than 48 hours before the meeting, being 10.30am on Sunday, 29 September 2013. Online proxy appointments must also be completed by this time. Voting entitlements of the meeting will also be determined as at this time. Registered shareholders at that time will be the only persons entitled to vote at the meeting and only the shares registered in those holders' names at that time may be voted at the meeting.

### Ordinary Resolutions

Resolutions 1, 2, 3, 4 and 6 are ordinary resolutions. An ordinary resolution is a resolution passed by a simple majority of votes of those holders of securities of the Company which carry votes, are entitled to vote and are voting on the resolutions in person or by proxy.

### Special Resolution

Resolution 5 is a special resolution. A special resolution is a resolution passed by a majority of 75% or more of the votes of those shareholders entitled to vote and voting on the resolution in person or by proxy.

If Resolution 5 is passed and any shareholder has cast all the votes attached to the shares registered in that shareholder's name and having the same beneficial owner against that Resolution, then that shareholder is entitled to require the Company to purchase those shares in accordance with section 110 of the Companies Act 1993 (**Act**). Appendix One to this Notice of Meeting sets out the applicable procedure for this.

However, shareholders should note that the Act provides for the Company to acquire such shares at a fair and reasonable price as at the close of business on the day before the date of the annual meeting. The price offered for your shares would not take account of any value that the transactions set out in this Notice of Meeting may potentially create for your shares. As is described in the 2013 Annual Report for the Company, it presently has no trading business and a deficit of equity of approximately \$3.6 million (which will be erased through the approval of Resolution 4 and the conversion of convertible preference shares to ordinary shares as is described further in this Notice of Meeting). Without the benefit of the transactions set out in this Notice of Meeting it is highly likely that a fair and reasonable price for shares would be nil or a highly nominal amount.

On this basis shareholders considering exercising this right are strongly encouraged to first seek independent professional advice from a financial adviser, legal adviser or primary market participant. In particular, if you do desire to exit your shareholding, seek advice on whether you may get better value for your shares by selling on-market instead of exercising these rights.

### **Voting Restrictions**

In relation to Resolution 3 and pursuant to Listing Rule 9.3.1 and Rule 17(2) of the Takeovers Code (as applicable):

- The recipients of all shares proposed to be issued and their 'Associated Persons' (as that term is defined in the Listing Rules) are each disqualified from voting any securities that they hold in the Company.
- Any "Associate" (as that term is defined in the Takeovers Code) of DSL Management Limited is prohibited from voting any securities that they hold in the Company.

Under the Takeovers Code, "Associates" are, in summary, where the persons are or through a third person, acting jointly or in concert, where one person acts or is accustomed to act in accordance with the wishes of the other person, where the persons are related companies or where the persons have a business relationship, personal relationship, or an ownership relationship such that they should, under the circumstances, be regarded as associates.

In relation to Resolution 4 and pursuant to Listing Rule 9.3.1, Graeme Keith Jackson and any of his 'Associated Persons' (as that term is defined in the Listing Rules) are each disqualified from voting any securities that they hold in the Company.

In relation to Resolution 6, the directors of the Company and their 'Associated Persons' (as that term is defined in the Listing Rules) are prohibited from voting any securities in the Company that they hold on Resolution 6.

The Company will disregard any votes cast on Resolution 3, 4 or 6 (as applicable) by any persons to whom the foregoing applies.

Any discretionary proxies given to persons disqualified from voting under the requirements set out above will not be valid. Proxies that give express voting instructions to such persons will however be accepted.

### **Interdependence of Resolutions 3, 4 and 5**

Resolutions 3, 4 and 5 are interdependent and must all be passed by shareholders in order for any of those resolutions to be effective.

### **Profile**

In accordance with the NZX Limited guidance note on reverse listings, a profile for the Company accompanies this Notice of Meeting (**Profile**). The Profile explains the transactions covered by Resolutions 3, 4 and 5, the forward business strategy for the Company and certain other material matters. It is recommended that shareholders read the Profile in conjunction with this Notice of Meeting.

### **Independent Adviser's Report**

Accompanying this notice of meeting is an independent report from Simmons Corporate Finance Limited (the **Independent Report**) on the Transactions as required by Rule 16(h) of the Takeovers Code and NZX Limited under its practice note on reverse listings.

### **NZX Approval**

This notice of meeting has been approved by NZX Limited.

### **Listing Rule References**

In this notice of meeting, references to the Listing Rules are references to the listing rules of the NZAX market.

## **EXPLANATORY NOTES**

### **Resolution 1: Re-election of Graeme Keith Jackson**

Keith Jackson was appointed to the Board on 18 August 2008 and is the executive Chairman of the Company. Keith retires by rotation and, being eligible, offers himself for re-election.

Keith is very experienced in business development, marketing and executive management and has some 35 years' experience in the New Zealand and International food sector. More information on Keith can be found in the Profile in the Board and Management section.

### **Resolution 2: Auditors**

DFK Carlton is automatically reappointed as auditor under section 200 of the Companies Act 1993. This resolution authorises the Board to fix the fees and expenses of the auditor.

### **Background to Resolutions 3, 4 and 5**

The Company has had no operating business for the past few years holding just a minority interest in a dairy farming venture. During this time the Company has been actively searching for an appropriate operating business to acquire in the food and beverage sector and effectively 'reverse list'. The Company has undertaken due diligence on a number of businesses over this period without finding an appropriate deal.

These investigations however led to the Company being introduced to Stuart and Lewis Deeks, the principals of Franchise Development Limited and DSL Management Limited approximately 15 months ago. From initial discussions a strategy evolved to acquire and grow a group of companies to both supply and retail food and beverage products in a number of countries around the world under the Esquires Coffee House's brand and utilising, on the retail side, a franchise business model. The Company sees significant potential in the global growth in coffee culture and believes the Transactions will place the Company in a strong position with proven people in the industry to grow the business in the future.

Resolutions 3 and 4 formally approve transactions that have been designed to implement this strategy (the **Transactions**).

#### *Development of the Transactions*

As a first step to implementing this strategy the Company worked with Franchise Development Limited to assist it in acquiring certain international intellectual property rights to Esquires Coffee Houses. It then located ADG Investments Limited as the key cash investor in the strategy. They have principally funded implementation of the strategy to date by advancing a \$2.5 million convertible loan.

The Company was then in a position to negotiate and enter a formal sale and purchase agreement to acquire Franchise Development Limited to form the foundation for the new retail side of the strategy. Initial discussions had also commenced with Progressive Processors Limited to form the foundation for the new supply side of the strategy. The consideration for these acquisitions was agreed to be predominantly satisfied in shares. An issue price of \$0.10 per share in the Company was agreed for these retail and supply foundation partners.

These steps were then followed by negotiations and formal agreements to acquire the Ireland and United Kingdom master franchises for Esquires Coffee Houses. These acquisitions added scale to the retail side of the strategy and give the Company direct franchisee control in mature jurisdictions. Shares in the Company make up a substantial part of the consideration for these acquisitions. An issue price of \$0.15 per share in the Company was agreed for these subsequent partners.

During this time and subsequently, additional investors were secured at varying issue prices agreed by negotiation and with reference to the de-risking of the strategy as the Transactions were formally secured. This includes ADG Investments Limited agreeing to commit a further \$1.75 million towards subscribing for shares by 31 March 2014 at an issue price of \$0.125 per share.

A key principle agreed between the Company and Franchise Development Limited at the outset was that neither company would have any outstanding liabilities other than those incurred in the ordinary course of business or in connection with pursuing the Transactions. The Company has relied on funding provided by Mr. Keith Jackson over the past few years. Accordingly Resolution 4 seeks approval principally to capitalise such debt.

#### *Effect of Resolutions 3, 4 and 5 Passing*

The Transactions and implementation of the future strategy for the Company is detailed in the Profile. If shareholders approve the Transactions it is expected that they will be completed within two weeks of the date of the Company's annual meeting (**Completion**).

If the Transactions are approved:

- The Company will transform from a shell company into an integrated supply and retail company in the food and beverage sector with a global retail footprint.
- Existing shareholders and convertible preference shareholders of the Company will be significantly diluted and will hold approximately 14% of the Company moving forward (excluding the new shares to be issued to Mr. Keith Jackson under Resolution 4). To help mitigate this dilution it is intended to undertake a share purchase plan offer to shareholders before the end of 2013.
- DSL Management Limited will become the majority shareholder of the Company, holding more than 50% of the Company's shares.
- The principals of DSL Management Limited, Messrs Stuart and Lewis Deeks will both become directors of the Company. In addition Mr. Andrew Kerslake and Mr. Michael Hutcheson will become directors. Biographies of these new directors are set out in the Profile. Mr. Keith Jackson will also remain on the Board with Mr. Graeme Rothwell and Ms Diana Miller retiring from the Board.
- The Transactions will result in \$2.3 million of new equity for the Company and the conversion of \$6.6 million of debt in the Company to equity.

This Notice of Meeting should be read in conjunction with the Independent Report, which assesses the fairness of the Transactions and the Profile, which gives an overview of the Company's business post-completion of the Transactions.

#### *Effect of Resolutions 3, 4 and 5 Not Passing*

Resolutions 3, 4 and 5 are interdependent and so all must be passed by shareholders in order for the Transactions to proceed.

If they do not proceed, the Company will continue to be without an operating business. In addition it will continue to be reliant on financial accommodation provided to it by Mr. Graeme Keith Jackson. There is a likelihood the Company will cease trading and be wound up as there are no other proposed acquisitions to return value to the Company.

Given the Company presently has a deficit in equity, shareholders would receive nothing for their shares if the Company were wound up.

#### Summary of Share Issues

Shareholders will note that shares under the Transactions and Resolution 4 are proposed to be issued at differing issue prices. This reflects a general approach by the Company where the share issue price has been negotiated based on the degree to which the Transactions had been implemented (and therefore de-risked for the relevant counterparty) when those issue price negotiations commenced.

In addition, this Notice of Meeting discloses a number of share issues that are proposed to take place in connection with the Transactions in more than 12 months time. These are included for disclosure purposes to shareholders as material terms of the Transactions, not for the purposes of shareholder approval. Shareholder approval is only sought for share issues that will occur over the next 12 months and are specifically described in the text of Resolution 3. Those future share issues will be undertaken in accordance with regulatory requirements at the prevailing time.

The following tables are taken from the Independent Report to summarise the share issues. This first table summarises the various share issues to be undertaken as consideration (except in the case of Aiden Keegan, where these shares are a continuing employment incentive for which the issue price is not payable but was agreed to by the Company in negotiating the Esquires Ireland acquisition) for the acquisitions over the next 12 months. Shareholder approval of these share issues is sought in Resolution 3:

<b>Acquisitions</b>					
<b>Business Acquired</b>	<b>Consideration</b>				
	<b>Shares</b>		<b>Cash \$000</b>	<b>Total \$000</b>	
	<b>No.</b>	<b>Issue Price</b>			<b>\$000</b>
FDL	136,348,909	\$0.10	13,635	300 <sup>1</sup>	13,935
Esquires UK	2,442,002	\$0.15	366	1,765 <sup>2</sup>	2,131
Esquires Ireland	1,020,148	\$0.15	153	350 <sup>3</sup>	503
Aiden Keegan (Esquires Ireland)	173,425	\$0.15	26	-	26
Progressive	2,500,000 <sup>4</sup>	\$0.10	250 <sup>4</sup>	-	250 <sup>4</sup>
<b>Total</b>	<b>142,484,484</b>	<b>\$0.101<sup>5</sup></b>	<b>14,430</b>	<b>2,415</b>	<b>16,845</b>

<sup>1</sup> \$0.1 million reinvested through the subscription by DSL for 1,000,000 ordinary shares at an issue price of \$0.10 per share  
<sup>2</sup> €0.9 million at NZ\$ = €0.51  
<sup>3</sup> €0.21 million at NZ\$ = €0.60  
<sup>4</sup> First tranche of shares only  
<sup>5</sup> Weighted average issue price

In addition to issuing the above shares, the Company is proposing to issue the following shares for cash subscriptions with the only exception being in the case of Stuart Macintosh to whom the shares below will be issued for services provided to the Company and therefore the issue price is not payable. All of these shares will be issued over the next 12 months and shareholder approval to issue these shares is sought under Resolution 3:

Share Issues Over the Next 12 Months			
Subscriber	No. of Shares	Issue Price	\$000
DSL	1,000,000	\$0.100	100
ADG	42,199,758	\$0.101 <sup>1</sup>	4,250
Gerard Hall	1,600,000	\$0.125	200
Stuart Macintosh	450,000	\$0.100	45
Bader Ali Almohamadi	500,000	\$0.253 <sup>2</sup>	127
Nour Al Maysarah	2,222,222	\$0.142 <sup>3</sup>	316
<b>Total</b>	<b>47,971,980</b>	<b>\$0.105<sup>1</sup></b>	<b>5,038</b>

<sup>1</sup> Weighted average issue price per share  
<sup>2</sup> US\$0.20 at NZ\$1 = US\$0.79  
<sup>3</sup> US\$0.1125 at NZ\$1 = US\$0.79

Finally, Resolution 4 seeks shareholder approval to issue shares to entities associated with Mr. Keith Jackson at Completion. The following table summarises the share issues proposed to be undertaken under Resolution 4:

Related Party Transaction			
	No. of Shares	Issue Price	\$000
Conversion of Jackson debt	20,293,933	\$0.150	3,044
Jackson management services	833,333	\$0.090	75
Jackson transaction services	1,800,000	\$0.100	180
Shares issued to Mr Jackson	22,927,266	\$0.144 <sup>1</sup>	3,299
Conversion of Tasman debt	500,000	\$0.100	50
<b>Total</b>	<b>23,427,266</b>	<b>\$0.144<sup>1</sup></b>	<b>3,349</b>

<sup>1</sup> Weighted average issue price per share

The above share issues are consolidated in the table below to show the overall effects to shares on issue in the Company over the next 12 months. In addition to the share issues identified above, on Completion the Company will also convert the convertible preference shares that are currently on issue in the Company to ordinary shares and this is included in the following table for completeness.

Changes in Cooks Food Shareholdings Within One Year of the Transactions							
	Current	Acquisitions	Share Issues	Related Party Transaction	Convertible Preference Shares	Post the Transactions	
Mr Jackson	13,496,453 48.94%			22,927,266	600,000	37,023,719	14.88%
Other current shareholders	14,080,170 51.06%			500,000 <sup>1</sup>	6,798,304 <sup>2</sup>	21,378,474	8.59%
DSL	-	136,348,909	1,000,000			137,348,909	55.19%
ADG	-		42,199,758			42,199,758	16.96%
Other new shareholders	-	6,135,575	4,772,222			10,907,797	4.38%
<b>Total</b>	<b>27,576,623</b>	<b>142,484,484</b>	<b>47,971,980</b>	<b>23,427,266</b>	<b>7,398,304</b>	<b>248,858,657</b>	<b>100.00%</b>

<sup>1</sup> Tasman  
<sup>2</sup> Assumes all holders of convertible preference shares also currently hold ordinary shares

As noted above the Company is also in some circumstances agreeing to commit to issue shares in the future beyond the next 12 months. These share issues relate to matters such as earn out rights as part of the



consideration for an acquisition (Franchise Development Limited, Progressive Processors Limited and Esquires Coffee Houses Ireland Limited) or where a vendor may elect to take shares in lieu of a cash payment (Esquires Coffee (UK) Limited). Shareholder approval is not being sought for these share issues.

#### *Share Escrow Arrangements*

All shares issued under Resolution 3 and Resolution 4 at Completion will be subject to escrow restrictions. In particular they cannot be sold, transferred or their ownership otherwise dealt with. The escrow may be released in limited circumstances only, such as in connection with a takeover offer for the Company or instances of personal hardship. This escrow arrangement will apply to approximately 75% of all shares on issue in the Company following Completion

The escrow applies to 90% of shares issued to each person at Completion. Half of the escrowed shares will be released from escrow one year following the date of Completion. The balance of escrowed shares will be released two years following the date of Completion.

The escrow arrangements will not apply to any share issues disclosed in this Notice of Meeting which are to occur subsequent to Completion.

#### *Contents of Following Explanatory Notes*

In relation to Resolution 3, the following explanatory notes disclose:

- The key material terms applying to each of the acquisitions forming part of the Transactions;
- The convertible loan funding arrangements entered by the Company and their proposed conversion to shares at Completion;
- The share issues being undertaken to raise new cash for the Company which will occur from Completion until 31 March 2014;
- Certain share issues as payment for services or as an incentive to two key employees of the Company at Completion;
- Disclosures in relation to the legal requirements for shareholder approval under the Listing Rules and the Takeovers Code; and
- A recommendation from the current directors of the Company in relation to Resolution 3.

Following that are explanatory notes that are specific to Resolutions 4, 5 and 6 respectively.

#### **Resolution 3: The Acquisitions**

The Company is proposing to give effect to the following acquisitions at Completion. The following describes the material terms applying to each acquisition.

##### *Acquisition of Franchise Development Limited*

The Company entered into a conditional agreement with Stuart Deeks, Lewis Deeks, the trustees of the Stuart Deeks Family Trust and the trustees of the Lewis Deeks Family Trust on 6 June 2013 (**FDL Agreement**). Under the FDL Agreement the Company will acquire all of the shares on issue in Franchise Development Limited (**FDL**).

FDL owns the international intellectual property rights to Esquires Coffee Houses. It has expertise in developing franchise systems and has been actively growing Esquires Coffee Houses in Asia and the Middle East in the past two years. Prior to that the principals of FDL developed the Esquires Coffee House chain in New Zealand from nil to 49 stores over a 7 year period and then sold the business.

Further details on the business of FDL are set out in the Profile. Stuart Deeks and Lewis Deeks will become executive directors of the Company on completion of the Transactions and substantial security holders of the Company.

#### *Consideration under FDL Agreement*

The Company will acquire FDL for a purchase price comprising of:

- **Cash:** A \$300,000 cash payment, of which \$100,000 is reinvested in shares in the Company (as is detailed further below).
- **Shares:** The issue at Completion of 136,348,909 fully paid ordinary shares in the Company at an issue price of \$0.10 per share to DSL Management Limited (**DSL Management**), a company that Stuart Deeks and Lewis Deeks are directors and shareholders of.
- **Earn out Shares:** An earn out right whereby further shares may be issued at various times over the course of the next five years. Whether this is triggered, will be principally based on the future operational performance of the businesses being acquired under the Transactions (excluding FDL) exceeding internal forecasts. This earn out reflects that the value of FDL was assessed on the basis that a holding of at least 50.1% of the Company's shares would be issued to DSL Management as consideration for the acquisition of FDL (in addition to the cash payment above). That 50.1% holding is to be calculated, not on the basis of all shares on issue in the Company at any time, but on the aggregate of the following number of shares:
  - All current shares on issue in the Company and all convertible preference shares on issue in the Company (post conversion to ordinary shares);
  - All share issues proposed under Resolutions 3 and 4;
  - All other share issues that form part of the consideration for the acquisitions (excluding FDL), in particular share issues for which shareholder approval is not being sought under Resolution 3 (due to them being determinable and occurring in more than 12 month's time). The number of shares to be issued in this respect will be principally based on the future operational performance of the businesses being acquired in the future. How the number of shares to be issued will be determined is discussed further below under the descriptions of the other acquisitions forming part of the Transactions;
  - All shares to be issued under a proposed share purchase plan by the Company; and
  - All shares that may be issued in connection with three prospective acquisitions (which may or may not occur) which includes the prospective acquisition of the Esquires Coffee Houses intellectual property rights and master franchise business in Canada (as discussed in the Profile) and two further New Zealand based supply businesses in respect of which due diligence investigations are yet to be completed.

Given the amount of shares to be issued above is variable, particularly on the basis of future operational performance, DSL Management will be issued more than 50.1% of CFG's shares at Completion (58.92%). This level has been set based on internal forecasts of the expected number of shares that will be issued in the circumstances described above. The shareholding percentage will then dilute as the above described share issues take place after Completion. However if dilution from the above exceeds the internally forecast share issues (and causes DSL Management's holding to reduce below 50.1%) the earn out is triggered. On triggering the earn out, sufficient shares in the Company are to be issued to DSL Management to ensure their holding is maintained at 50.1% of the aggregate of the above described shares.

The earn out described above reflects the central role the Deeks have played in bringing the Transactions together and their key executive roles in driving growth in the Company post-completion. For clarity it is important to note that the 50.1% shareholding level which the earn out supports is not in respect of 50.1% of all

of the Company's shares at any time – only 50.1% of all shares on issue in the Company at completion and subsequently issued in connection with the share issues that are described above.

#### *Control Implications of FDL Consideration*

DSL Management will become the majority shareholder of the Company on completion of the Transactions with a holding of 58.92% of all shares on issue.

As the majority shareholder of the Company, DSL Management Limited can control the passage of ordinary resolutions of shareholders of the Company and block special resolutions of shareholders of the Company (provided it is eligible to vote and voting on such a resolution). By being able to control the passage of ordinary resolutions DSL Management will have the ability to control the composition of the Board of Directors of the Company.

#### *Acquisition of Esquires Coffee (UK) Limited*

The Company entered a conditional agreement with Peter Kirton and Keiko Kirton (**UK Vendors**) in July 2013 (**UK Agreement**). Under the UK Agreement the Company will acquire all of the shares on issue in Esquires Coffee (UK) Limited (**Esquires UK**).

Esquires UK is the master franchise of Esquires Coffee Houses in Great Britain. It owns 5 and franchises 24 Esquires Coffee Houses stores in Great Britain. Further details on the business of Esquires UK are set out in the Profile.

#### *Consideration under UK Agreement*

The UK Agreement provides for the Company to satisfy a purchase price comprising of:

- **Cash:** Payments amounting to £900,000 over the next three years with:
  - £260,000 payable on Completion;
  - £240,000 payable on 31 March 2014;
  - £200,000 payable on 31 March 2015; and
  - £200,000 payable on 31 March 2016.

The UK Vendors may, on one month's prior notice, elect to receive shares in the Company in lieu of a cash payment. If such election is made shares will be issued at \$0.15 per share and at a fixed exchange rate of NZD1 to GBP0.546.

- **Shares:** 2,442,002 ordinary shares in the Company at an issue price of \$0.15 per share with half of those shares issued at Completion and the balance issued on 31 March 2014.
- **Incentive Shares:** An incentive payment of a further £200,000 provided that Mr. Peter Kirton is still employed by the Company under a contract for service at 31 March 2014. Such incentive payment will be satisfied by an issue of shares in the Company at an issue price determined by reference to 90% of the prevailing volume weighted average price of the Company's shares on the NZAX market and by applying the prevailing NZD to GBP foreign currency exchange rate.

#### *Voluntary Creditors Arrangement Condition*

In addition to the UK Agreement being conditional upon the Company obtaining shareholder approval, it was further conditional upon the consent of the supervisor of a voluntary creditors arrangement (to which Esquires UK is a party) being received. This consent has now been obtained.

The voluntary creditors arrangement allowed Esquires UK to, during the past year, restructure its business to ensure it is able to address the opportunities presented during and beyond the current recessionary

environment in Great Britain. Generally the coffee industry has expanded during the past few years at up to 7% p.a. while the retail sector in general has grown less than 1%. In many locations occupancy costs have fallen. The restructure under this arrangement allowed the group to address certain issues including those related to higher than desirable occupancy costs.

After due diligence investigations, the Company considers the restructuring now positions the business strongly for future growth and expansion as part of its Group.

#### *Acquisition of Esquires Coffee Houses Ireland Limited*

The Company entered into a conditional agreement with Tony and Maretha McVerry (**Ireland Vendors**) in July 2013 (**Ireland Agreement**). Under the Ireland Agreement the Company will acquire all of the shares on issue in Esquires Coffee Houses Ireland Limited (**Esquires Ireland**).

Esquires Coffee Houses Ireland Limited is the master franchise of Esquires Coffee Houses in Ireland and Northern Ireland. It franchises 5 Esquires Coffee Houses stores. Further details on the business of Esquires Coffee Houses Ireland Limited are set out in the Profile.

#### *Consideration under Ireland Agreement*

The Ireland Agreement provides for the Company to satisfy a purchase price comprising of:

- **Cash:** Payment of €210,000 at Completion.
- **Shares:** The issue of 1,020,148 ordinary shares in the Company at an issue price of \$0.15 per share with half of those shares issued at Completion and the balance issued on 31 March 2014.
- **Earn out Shares:** An earn out right whereby further shares will be issued at an issue price of \$0.15 per share based upon the EBITDA performance of Esquires Ireland following Completion and applying a multiple of four. The earn out is payable in the period commencing three years following Completion and ending five years following Completion. To retain the earn-out entitlement, Mr. Tony McVerry must remain employed (subject to limited exceptions) by the Company until the date that is three years following Completion.

#### *Acquisition of Progressive Processors Limited*

The Company entered into a conditional agreement with Progressive Processors Limited and Agri Developments Limited (the **Progressive Vendors**) in August 2013 for the purchase of the business and assets of Progressive Processors Limited and certain land leases from Agri Developments Limited (**Progressive Agreement**).

Progressive is based in Taneatua near Whakatane and is a specialised New Zealand processor and exporter of fruit and vegetable products to both national and international markets. Progressive grows and processes asparagus, kiwifruit, pumpkin, squash and various other organic products. Further details on the Progressive business are set out in the Profile.

#### *Consideration under Progressive Agreement*

The purchase price agreed under the Progressive Agreement is the higher of an amount equal to three and a half times the audited net profit after tax of the Progressive business:

- for the year ended 31 March 2016; or
- averaged over the years ending 31 March 2014, 31 March 2015 and 31 March 2016.

The purchase price will be satisfied in full through issues of ordinary shares in the Company at an issue price of \$0.10 in four tranches as follows:

- 2,500,000 shares at Completion.

- an issue of shares equating to 20% of Progressive's net profit after tax for the year ending 31 March 2014 multiplied by 3.5 and to be issued following the Company's audited financial statements being completed for that year.
- an issue of shares equating to 20% of Progressive's net profit after tax for the year ending 31 March 2015 multiplied by 3.5 and to be issued following the Company's audited financial statements being completed for that year.
- an issue of sufficient shares to satisfy the purchase price as finally determined following the year ending 31 March 2016 and to be issued following the Company's audited financial statements being completed for that year.

### **Resolution 3: Conversion of Convertible Loans**

The Company has secured and received some funding already in order to pursue the Transactions. This funding has been obtained through convertible loan arrangements with two investors – ADG Investments Limited (**ADG**) and Gerard Hall. ADG has advanced \$2,500,000 to the Company and Mr. Hall, \$200,000. Resolution 3 seeks approval to convert these loans to shares at Completion.

The convertible loan agreements with these two investors are on similar terms. The loans carry no interest and subject to shareholder approval convert to ordinary shares of the Company. The loan advanced by Mr Hall converts to shares at an issue price of \$0.125 per share. The loan advanced by ADG converts to shares at an issue price of \$0.083 per share with respect to \$2,000,000 and at an issue price of \$0.125 per share in respect of \$500,000.

If shareholders pass Resolution 3 this will result in ADG being issued 28,199,758 ordinary shares in full satisfaction of its loan and Mr. Hall 1.6 million ordinary shares in full satisfaction of his loan.

The loans have been used as working capital to pursue the Transactions (including the acquisition of the Esquires Coffee Houses international intellectual property rights), to meet costs associated with the Transactions and to meet operating expenses of the Company incurred from 1 April this year. If shareholders do not approve the conversion of these loans to shares, the Company must repay the principal of the loans plus an amount equal to 25% of the loan amount advanced.

ADG has also entered a subscription agreement to subscribe for further shares in the Company as is described further below. Once all allotments are made to ADG it will become the Company's second largest shareholder and a substantial security holder of the Company. Mr. Andrew Kerslake, a director and shareholder of ADG will be invited to join the Board of the Company as a director on Completion. A biography of Mr. Kerslake is included in the Profile.

### **Resolution 3: Additional Share Issues**

In aggregate Resolution 3 seeks approval for the issue of at least approximately 213 million shares in the Company. In addition to the shares to be issued for the acquisitions and under the convertible loan arrangements described above, Resolution 3 also seeks approval certain other share issues to take place as are described below.

#### *Cash Subscriptions for Shares*

Shareholder approval is sought to issue shares in the Company for cash subscriptions as described in the table below. All cash raised by these share issues will be applied to cover the costs and payments associated with the Transactions and as working capital for investing in the future growth of the Company, including pursuing the prospective acquisitions described in the Profile.

Subscriber Name	No.of Shares	Issue Price	Value	Reason for Share Issue
DSL Management Limited	1,000,000	\$ 0.10	\$ 100,000.00	As part of the consideration for the acquisition of Franchise Development Limited the Company is to pay \$300,000 in cash to DSL Management Limited in addition to the share issue that is described above. DSL Management Limited has agreed to re-invest \$100,000 of this payment and subscribe for shares in the Company at completion of the Transactions.
ADG Investments Limited	14,000,000	\$ 0.125	\$ 1,750,000.00	ADG has entered a subscription agreement to subscribe for 14 million further shares in addition to the shares issued on conversion of its convertible loan as described above. The subscription agreement provides that ADG and the Company may complete subscription and allotment of these shares at times mutually agreed but all shares are to be subscribed for and allotted by 31 March 2014.
Bader Ali Almohamadi	500,000	\$ 0.253	\$ 126,500.00	Mr. Almohamadi has entered into a subscription agreement to subscribe for shares in the Company at an issue price of USD0.20 per share. This investment will occur at completion of the Transactions. The issue price stated in this table is an NZD estimate only based on a USD1:NZD0.79 exchange rate. The final issue price will be determined at the time of subscription based on the prevailing USD:NZD exchange rate.
Nour Al Maysarah Trading, General Contracting & Franchising Co LLC	2,222,222	\$ 0.142	\$ 315,555.52	Nour Al Maysarah has entered a subscription agreement to subscribe for shares in the Company at an issue price of USD0.1125 per share. This investment will occur at completion of the Transactions. The issue price stated in this table is an NZD estimate only based on a USD1:NZD0.79 exchange rate. The final issue price will be determined at the time of subscription based on the prevailing USD:NZD exchange rate.
<b>Total:</b>	<b>17,722,222</b>		<b>\$ 2,292,055.52</b>	

### Employee Share Issues

In addition, the Company is proposing to undertake the following share issues to two persons who will be key employees of the Company from Completion:

Subscriber Name	No.of Shares	Issue Price	Value	Reason for Share Issue
Aiden Keegan	173,425	\$ 0.15	\$ 26,013.75	Mr. Keegan is a key employee of Esquires Coffee Houses Ireland Limited. As an incentive for for signing up to a new employment agreement with the Company to take effect from completion of the Transactions Mr. Keegan will be issued these shares with the issue price not payable.
Stuart Macintosh	450,000	\$ 0.10	\$ 45,000.00	Stuart Macintosh has been engaged by the Company to assist with the Transactions. Stuart has provided significant assistance in the Transactions, particularly in relation to the acquisition of Progressive Processors Limited. Stuart has also assisted the Company with due diligence on earlier potential transactions for the Company. He has not been remunerated for providing these services and this share issue is for the purpose of remunerating him. From completion of the Transactions, Stuart will be employed as the General Manager of Supply for the Company.

No amount will be payable by either subscriber. Mr. Macintosh's allotment is remuneration for services provided. Mr. Keegan's allotment is as an incentive for is continued employment in Esquires Ireland. Both allotments will be made at Completion.

### Requirements for Shareholder Approval

Shareholder approval for Resolution 3 is required under a number of applicable Listing Rules and the Takeovers Code. How the Transactions trigger these requirements and relevant disclosures against these requirements are set out below.

#### Listing Rule 7.3.1(a) – Issues of New Equity Securities

Resolution 3 authorises the Company to issue at least approximately 213 million new ordinary shares over the next 12 months. It is not possible state a specific number as:

- The number of shares to be issued to Progressive Processors will be determined at a future point in time by reference to the net profit after tax of the business acquired for the year ending 31 March 2016.
- Mr Peter Kirton may receive an issue of shares on 31 March 2014 as an incentive payment provided he is still employed by the Company. The aggregate value of shares to be issued in such circumstances will be equal to £200,000 but the issue price per share will be based on the prevailing volume weighted average price of the Company's shares on the NZAX market and converted from NZD to GBP based on the prevailing exchange rate.

- The number of shares issued to Mr Almohamadi and Nour Al Maysarah Trading, General Contracting and Franchising Co LLC will be dependent upon the prevailing USD:NZD exchange rate at Completion.

Approval of these share issues under the Transactions is sought pursuant to Listing Rule 7.3.1(a). This Listing Rule provides that shareholders must approve the precise terms and conditions of the share issue and that the share issue must be completed within 12 months of the date of the authorising resolution being passed.

*Listing Rule 9.1.1(a) – Change in Essential Nature of Business*

The Company presently has no operating business. The Transactions will transform the Company into being the parent of a group of companies to both supply, market and retail food and beverage products in a number of countries around the world under the Esquires Coffee Houses Brand.

Listing Rule 9.1.1(a) requires approval by shareholders of any transaction or series of linked transactions to acquire assets which would change the essential nature of the business of the Company.

*Listing Rule 9.1.1(b) – Major Transaction*

The Company has a market capitalisation as at 30 August of approximately \$4.1 million. The gross value of the assets being acquired under the Transactions will exceed \$15 million.

Listing Rule 9.1.1(b) requires approval by shareholders of any transaction or series of linked transactions to acquire assets where the gross value of those assets exceeds 50% of the Company's average market capitalisation.

*Takeovers Code*

The Company is a "Code Company" under the Takeovers Code, meaning that there are restrictions on persons being allotted voting rights (or control of voting rights) above a 20% threshold. One permitted procedure under the Takeovers Code is that the Company's non-associated shareholders may approve an allotment above this threshold. Resolution 3 seeks such an approval.

The table below sets out the specific disclosures required by rule 16 of the Takeovers Code in respect of the proposed allotment of shares under the Transactions:

	<b>Rule 16, Takeovers Code</b>	<b>Compliance Information</b>
(a)	the identity of the allottee and, if different from the allottee, the identity of any person who will become a controller of an increased percentage of voting securities in the code company as a result of the allotment.	DSL Management Limited
(b)	particulars of the voting securities to be allotted, including:	137,348,909 ordinary shares
	(i) the number being allotted;	
	(ii) the percentage of the aggregate of all existing voting securities and all voting securities being allotted that that number represents;	58.92%
	(iii) the percentage of all voting securities that will be held or controlled by the person to whom the voting securities are being allotted after completion of the allotment; and	58.92%

	Rule 16, Takeovers Code	Compliance Information
	(iv) the aggregate of the percentages of all voting securities that will be held or controlled by the person to whom the voting securities are being allotted and by that person's associates after completion of the allotment.	58.92%
(c)	if the voting securities being allotted are voting securities of a body corporate other than the code company: (i) the number of voting securities in the code company that are held or controlled by that body corporate; and (ii) the percentage of the total voting securities of the code company that that number represents; and	N/A
(d)	the issue price for the voting securities to be allotted and when it is payable.	\$0.10 per share. Payment of the issue price will be satisfied at Completion by: <ul style="list-style-type: none"> <li>the transfer to the Company of all shares on issue in Franchise Development Limited; and</li> <li>the payment of \$100,000.</li> </ul>
(e)	the reasons for the allotment.	As consideration to acquire all of the shares on issue in Franchise Development Limited and to provide funding for working capital.
(f)	a statement to the effect that the allotment, if approved, will be permitted under rule 7(d) of the Takeovers Code as an exception to rule 6 of the Takeovers Code.	The allotment of ordinary shares to DSL Management Limited as specified in Resolution 3, if approved, will be permitted under rule 7(d) of the Takeovers Code as an exception to rule 6 of the Takeovers Code.
(g)	a statement by the allottee setting out particulars of any agreement or arrangement (whether legally enforceable or not) that has been, or is intended to be, entered into between the allottee and any other person (other than between the allottee and the code company in respect of the matters referred to in paragraphs (a) to (e) relating to the allotment, holding, or control of the voting securities to be allotted, or to the exercise of voting rights in the code company.	DSL Management Limited, has not, nor intends to, enter into any arrangement or agreement with any other person, apart from the Company relating to the allotment, holding or control of the voting securities to be allotted, or the exercise of the voting rights in the Company.
(h)	the report from an independent adviser that complies with rule 18.	The Independent Report from Simmons Corporate Finance Limited accompanies this notice of meeting.
(i)	the statement by the directors of the Code company referred to in rule 19.	The directors of the Company unanimously recommend approval of the Resolutions for the reasons set out in the section entitled "Directors Recommendation" below.

*Directors Recommendation – Rule 19 of the Takeovers Code*

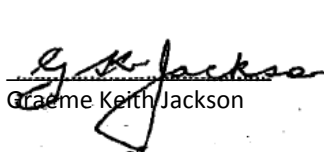
The Board of the Company unanimously recommends that shareholders vote in favour of the Transactions.

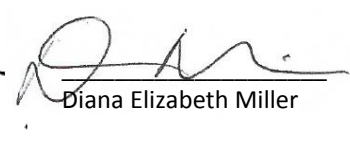
The reasons for this recommendation are:

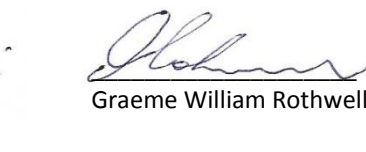
1. If the Transactions are not approved by shareholders the Company will continue as a non-trading listed company with minimal assets. It presently has a deficit in equity of approximately \$3.6 million and is reliant on funding support from its current majority shareholder. At present there is a limited market for the Company's shares and they are of negligible value. It is desirable for these circumstances to change.



2. The Transactions change these circumstances. All existing liabilities of the Company will be capitalised. The Company will raise approximately \$5 million in new capital and undertake the acquisitions comprising the Transactions and have an operating business. The Independent Report assesses the value of the Company's shares following Completion at \$0.11 to \$0.21 per share.
3. The directors believe that the operating business gained through the Transactions has exciting prospects. It will directly or indirectly operate Esquires Coffee Houses at a number of locations around the world. It also has a number of both organic and acquisition growth initiatives it intends to pursue following Completion.
4. While DSL Management will become the majority shareholder of the Company and ultimately hold over 50% of the Company's shares, the Board considers that this level of shareholding is commensurate with the value of FDL, the expertise that the principals of DSL Management will bring to the Company and their role in formulating and implementing the Transactions for the benefit of all shareholders.

  
Graeme Keith Jackson

  
Diana Elizabeth Miller

  
Graeme William Rothwell

#### **Resolution 4: Related Party Transaction**

Listing Rule 9.2.1 provides that except with the prior approval of an ordinary resolution the Company may not enter a material transaction with a related party. Resolution 4 seeks such an approval.

Graeme Keith Jackson is a related party of the Company because he is a director of the Company and presently a substantial security holder of the Company. Resolution 4 proposes to issue to Mr. Jackson, Mrs Patricia Frances Jackson and Mr. Philip Mack Picot as trustees of the Nikau Trust (**Nikau Trust**) 22,927,267 fully paid ordinary shares. It also proposes to issue 500,000 fully paid ordinary shares to Tasman Capital Limited (**Tasman**) of whom Mr. Jackson is a director and shareholder (together, the **Related Party Transaction**). All shares are proposed to be issued at Completion.

The Related Party Transaction is a material transaction under the Listing Rules because it comprises an issue of securities that has an aggregate value of \$3,349,090.00 which is in excess of 10% of the average market capitalisation of the Company. The Company as at 30 August 2013 has a market capitalisation of approximately \$4.1 million.

Resolution 4 also seeks shareholder approval pursuant to Listing Rule 7.3.1(a). This Listing Rule provides that shareholders must approve the precise terms and conditions of the share issue and that the share issue must be completed within 12 months of the date of the authorising resolution being passed.

#### *Reasons for the Related Party Transaction*

A fundamental aspect of the agreement reached with the shareholders of FDL was that at Completion neither party would have any liabilities other than ordinary course of business liabilities or costs incurred in pursuing the Transactions. As disclosed in the Company's annual reports over the last few years, the Company has been reliant on funding from Mr. Jackson (and entities associated with him) in order to meet debts as they fall due and pursue initiatives, such as the Transactions, to return value to the shares of the Company.

The amount of this funding support is \$3,044,090.00. Earlier this year Mr. Jackson agreed to the writing off of all capitalised interest on this amount owing. This write off amounted to \$1.5 million. It was then agreed that, subject to shareholder approval and Completion, that the outstanding balance of \$3,044,090.00 would be converted to shares at an issue price of \$0.15 per share.

Mr. Jackson has also managed the Company since it listed on the NZAX market without remuneration. It was agreed that a one-off payment of \$75,000 should be made to Mr. Jackson in recognition of these services. Subject to shareholder approval it was agreed that this amount could be paid through an issue of ordinary shares in the Company at \$0.09 per share.

Mr. Jackson has also spent a considerable amount of time over the past 12-18 months formulating, negotiating and implementing the Transactions. As an incentive payment for bringing the Transactions together for the Company, it was agreed to recognise these services by issuing Mr. Jackson 1.8 million shares at an issue price of \$0.10 per share on Completion.

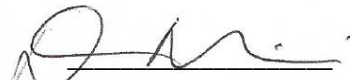
In addition the Company has had a liability to Tasman on its balance sheet of \$50,000 for services it provided to the Company to assist with its listing on the NZAX market in 2008. Tasman has agreed to capitalise this amount owing into shares at an issue price of \$0.10 per share. Tasman is a related party of the Company in light of Mr. Jackson being a director of both entities. Mr. Jackson also has a shareholding interest in Tasman.

Resolution 4 seeks shareholder approval to allot all of these shares to the Nikau Trust in satisfaction of all of these amounts owing to Mr. Jackson or entities associated with him and in satisfaction of all amounts owing to Tasman. Mr. Jackson, through the Nikau Trust will remain a substantial security holder of the Company if Resolutions 3 to 5 are approved.

*Directors Certificate – Listing Rule 9.2.5(b)*

We, the undersigned directors of the Company certify that in our opinion the terms of the Transactions are fair and reasonable and in the best interests of the Company for the following reasons:

1. Mr Jackson has worked extensively for the Company over the past few years without remuneration, including his work in pursuing the Transactions. He must be remunerated by the Company and if not in shares then in cash. The level of remuneration proposed is commensurate with the nature of services provided by Mr. Jackson.
2. The Company would have ceased trading without the financial support provided by Mr. Jackson. In addition he has, to the significant benefit of all shareholders, written off the capitalised interest on his financial support creating a \$1.5 million gain for the Company.
3. The Company does not have the cash resources to repay the amounts outstanding to Mr. Jackson. In any event it is considered desirable for the Company to maintain its cash resources to pursue growth initiatives and therefore issuing shares is considered advantageous for the prospects of the Company.
4. The tiered issue price applying is fair as:
  - 4.1 The \$0.09 issue price reflects services provided to the Company prior to working on the Transactions and therefore when the shares of the Company had only nominal value.
  - 4.2 The \$0.10 issue price is consistent to the issue price per share for the shares issued to acquire FDL, the largest acquisition in the Transactions and is applied for services provided in connection with the Transactions.
  - 4.3 The \$0.15 issue price is highly advantageous to the Company as the vast majority of shares proposed to be issued to Mr. Jackson are issued at this price and this is the price applying to the Ireland and United Kingdom acquisitions in the Transactions on the basis that the Transactions had been significantly de-risked through the earlier agreement to acquire the international intellectual property rights to Esquires Coffee Houses (by acquiring Franchise Development Limited). Mr Jackson funded the Company throughout a period when it was not de-risked yet is agreeable to capitalising his loans at this higher issue price.



Diana Elizabeth Miller



Graeme William Rothwell

#### **Resolution 5: Major Transaction**

Under section 129 of the Companies Act 1993 the Transactions constitute a 'major transaction'.

In particular, the acquisitions and the issues of new shares under Resolution 3 (as a related series of transactions) represent an obligation of the Company the value of which is more than half the value of the Company's assets before the Transactions.

In addition, the obligation to issue shares under the Related Party Transaction represents, on its own, an obligation of the Company the value of which is more than half the value of the Company's assets before the Transactions.

Resolution 5 therefore has the same effect as approving both Resolution 3 and 4 as ordinary resolutions for the purposes of the Takeovers Code and Listing Rules but approves them for the purposes of the Companies Act 1993 and as a special resolution of the Company.

#### **Resolution 6: Directors remuneration**

The Company is seeking approval from its shareholders to increase the authorised monetary sum payable per annum for directors' fees (in aggregate) to \$140,000. Previously, no directors' fees have been payable. If approved, the pool will be applied from 1 October 2013.

The pool may be divided by the directors as they see fit. However it is presently intended that:

- No executive directors will receive directors fees.
- Non-executive directors will receive directors fees of \$40,000 per annum.
- Upon a new independent chairperson being appointed, that person will receive directors fees of \$60,000 per annum.

Accordingly until a new independent chairperson is appointed, only \$80,000 in directors fees will be paid in aggregate per annum. The Board considers that an increase in the directors' fee pool is appropriate for the following reasons:

- No directors' fees were previously payable and the scale of the Company's operations will significantly increase on approval of the Transactions. The substantial increase in operations means that the directors will need to devote significantly more time to the Company. Accordingly, it is appropriate for directors to receive a level of remuneration commensurate with their contribution to the Company.
- The Transactions have required new directors to be appointed to the Board of the Company. These directors have experience, qualifications and technical knowledge that is highly relevant to the new business of the Company and requires proper remuneration. The proposed new Board of the Company is set out in the Profile.
- The Company intends, in the short term, to appoint a new independent chairperson. To attract directors with strong qualifications and relevant technical expertise that contribute to the development and expansion of the Company, the Company needs to pay directors' fees at market rates.

The resolution also provides flexibility in the manner in which directors' fees may be paid. If the resolution is passed, directors' fees may be paid in full or in part, by the Company issuing the directors equity securities rather than cash. The Listing Rules require that where equity securities are issued:

- The equity securities must be of a class already on issue;
- The issue of equity securities must be made after the end of the period or half period to which the remuneration relates; and
- The issue price must be equal to the volume weighted average market price of equity securities of that class over the 20 business days before the issue occurs.

The Board considers that adding this flexibility for the payment of directors' fees may be advantageous to the Company.

Shareholder approval is required as, under NZAX Listing Rule 3.4.1, no remuneration may be paid to a director of a listed company for services as a director unless the remuneration has been authorised by an ordinary resolution of shareholders.

## **APPENDIX ONE: Minority Buyout Rights Procedure**

If the shareholders of the Company pass a special resolution approving Resolution 5 set out in this Notice of Meeting, a shareholder who casts all the votes attached to the shares registered in that shareholder's name (and having the same beneficial owner) against that special resolution is entitled to require the Company to purchase those shares in accordance with section 110 of the Companies Act 1993 (the **Act**).

To exercise that right, that shareholder must give notice requiring the Company to repurchase those shares within 10 working days of the passing of the special resolution. The Board of the Company must, within 20 working days of receiving the notice:

- (a) agree to purchase the shares; or
- (b) arrange for some other person to agree to purchase the shares; or
- (c) apply to the Court for an order exempting it from purchasing the shares under section 114 or section 115 of the Act; or
- (d) arrange, before the resolution becomes effective, for the resolution to be rescinded by special resolution in accordance with section 106 of the Act or decide in the appropriate manner not to take the action concerned (as the case may be); and
- (e) give written notice of the Board's decision to the relevant shareholder.

Where the Board agrees to the purchase of the shares by the Company, it must within 5 working days of giving notice under (e) above, give written notice of the price to the shareholder that it offers for those shares. The price must be a fair and reasonable price (as at the close of business on the day before the date that the resolution was passed) and calculated as follows:

- (a) first, the fair and reasonable value of the total shares in each class to which the shares belong must be calculated (the **Class Value**);
- (b) secondly, each Class Value must be adjusted to exclude any fluctuation (whether positive or negative) in the Class Value that has occurred (whether before or after the resolution was passed) that was due to, or in expectation of, the event proposed or authorised by the resolution;
- (c) thirdly, a portion of each adjusted Class Value must be allocated to the shareholder in proportion to the number of shares they hold in the relevant class.

However, a different methodology from that set out above may be used to calculate the fair and reasonable price for the shares if using the methodology set out above would be clearly unfair to the shareholder or the Company. The written notice to the shareholder must state how (a) to (c) above was calculated or why using this methodology was clearly unfair to the Company or the shareholder.

A shareholder may object to the price offered for the shares by giving notice of their objection to the Company within 10 working days of receiving notice of the price offered. If the shareholder does not object or accepts the offer, the Company must purchase the shares at the nominated price no later than 10 working days after the date that the offer is accepted or the date that is 10 working days after the date that notice of the price offered was given to the shareholder. These time periods may be adjusted by agreement between the Company and the shareholder.

If a notice of objection to the price has been received by the Company, the following issues must be submitted to arbitration:

- (a) the fair and reasonable price for the shares, on the basis set out in section 112(2) and (3) of the Act; and
- (b) the remedies available to the shareholder or the Company in respect of any price for the shares that differs from that determined by the Board of the Company under section 112 of the Act.

The Company must, within 5 working days of receiving the objection, pay to the shareholder a provisional price in respect of each share equal to the price offered by the Board. If the price determined for the shares by the arbitrator:

- (a) exceeds the provisional price paid, the arbitrator must order the Company to pay the balance owing to the shareholder; or
- (b) is less than the provisional price paid, the arbitrator must order the shareholder to pay the excess to the Company.

Except in exceptional circumstances, the arbitrator must award interest on any balance owing or excess to be paid. If a balance is owing to the shareholder, the arbitrator may award to the shareholder, in addition to or instead of an award of interest, damages for loss attributable to the shortfall in the initial payment. Any sum that must be paid in accordance with the arbitrator's decision must be paid no later than 10 days after the date of the arbitrator's determination, unless the arbitrator specifically orders otherwise.

Where the Company agrees to arrange a third party to purchase the shares, the provisions set out above apply (subject to such modifications as may be necessary) to that purchase of the shares. Every shareholder whose shares are purchased through a third party pursuant to such an arrangement is indemnified by the Company in respect of loss suffered by reason of the failure by the third party who has agreed to purchase the shares to purchase them at the price nominated or fixed by arbitration, as the case may be.