

# **Cooks Food Group Limited**

## **Independent Adviser's Report**

### **In Respect of the Proposed Placement of Shares to DSL Management Limited**

## **Independent Report**

### **In Respect of the Proposed Backdoor Listing of Various Businesses**

*September 2013*

#### **Statement of Independence**

Simmons Corporate Finance Limited confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report
- has no direct or indirect pecuniary or other interest in the proposed transactions considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Simmons Corporate Finance Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this Independent Adviser's Report.

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## 1. Introduction

### 1.1 Background

Cooks Food Group Limited (**Cooks Food** or the **Company**) was incorporated in February 2008 and listed its shares on the alternative market (**NZAX**) operated by NZX Limited (**NZX**) in October 2008.

The Company divested all of its businesses in 2009. It currently has no operating businesses and has been actively seeking opportunities to build a food business in New Zealand.

Cooks Food's market capitalisation was \$3.9 million as at 11 September 2013 and its audited total equity was negative \$3.7 million as at 31 March 2013.

A profile of the Company is set out in section 4.

### 1.2 Proposed Transactions

#### *Overview*

Cooks Food announced on 7 June 2013 that it had entered into a conditional sale and purchase agreement to acquire Franchise Development Limited (**FDL**). FDL is a group of companies owning the intellectual property and master franchise rights to *Esquires Coffee Houses* worldwide, other than in Canada, New Zealand and Australia.

Cooks Food subsequently announced on 8 July 2013 that it had entered into 2 conditional sale and purchase agreements to acquire the Great Britain master franchise and Ireland master franchise of *Esquires Coffee Houses* (held respectively by Esquires Coffee (UK) Limited (**Esquires UK**) and Esquires Coffee Houses Ireland Limited (**Esquires Ireland**)).

On 12 August 2013, Cooks Food announced that it had entered into a conditional sale and purchase agreement to acquire the business and assets of Progressive Processors Limited (**Progressive**) and certain land leases from Agri Developments Limited (**Agri**).

We refer to the acquisitions of the shares in FDL, Esquires UK and Esquires Ireland and the assets and business of Progressive collectively as the **Acquisitions**.

#### *Backdoor Listing*

Cooks Food is presently a listed shell company. The Acquisitions represent a backdoor listing of FDL, Esquires UK, Esquires Ireland and Progressive into the Company.

A comprehensive description and profile of FDL, Esquires UK, Esquires Ireland and Progressive is set out in the Profile that accompanies the notice of annual meeting sent to the Company's shareholders and is not replicated in this report so as to avoid unnecessary duplication.

## Acquisitions

### Franchise Development Limited

Cooks Food entered into a conditional sale and purchase agreement with Stuart Deeks, Lewis Deeks and the trustees of their respective family trusts dated 6 June 2013 to acquire 100% of the shares in FDL (the **FDL SPA**).

FDL is a company incorporated in New Zealand. FDL and its subsidiaries hold the master franchise rights for *Esquires Coffee Houses* to many parts of the world including Asia, the Pacific Islands, the Middle East and North Africa.

FDL is owned by Stuart Deeks, Lewis Deeks and their respective family trusts. Stuart Deeks and Lewis Deeks are New Zealand coffee entrepreneurs who developed and sold the *Esquires Coffee Houses* master franchise business in New Zealand and Australia to Retail Food Group Limited (**Retail Food**) in February 2011.

In connection with the transaction with Cooks Food, FDL (through its subsidiary Franchise Holdings NZ Limited) has acquired the Canadian company Esquires Coffee International, Inc. (**ECI**). ECI is the owner of the global intellectual property rights and brand rights to *Esquires Coffee Houses* (excluding New Zealand, Australia and Canada). FDL's acquisition of ECI was funded through a \$1.2 million secured advance from Cooks Food.

Following the ECI acquisition, FDL owns the global intellectual property rights and brand rights to *Esquires Coffee Houses* (excluding New Zealand, Australia and Canada) and the *Esquires Coffee Houses* global master franchise (excluding New Zealand, Australia and Canada). The *Esquires Coffee Houses* intellectual property rights and master franchise for New Zealand and Australia is owned by Retail Food and the *Esquires Coffee Houses* intellectual property rights and master franchise for Canada is owned by Esquires Coffee Houses, Inc. Cooks Food is currently in negotiations with Esquires Coffee Houses, Inc to acquire the intellectual property rights and master franchise for Canada, which includes 13 stores.

The consideration for the purchase of 100% of the shares in FDL will be satisfied by:

- the issue of 136,348,909 fully paid ordinary shares in Cooks Food at an issue price of \$0.10 per share to DSL Management Limited (**DSL**), a company that Stuart Deeks and Lewis Deeks are directors and shareholders of (the **DSL Allotment**)
- the payment of \$0.3 million in cash
- an earn out right whereby further shares may be issued at various times over the course of the next 5 years and whether triggered, will be largely based on the operational performance of the Acquisitions (the **FDL Earn Out**).

90% of the shares issued under the DSL Allotment will be subject to escrow restrictions. The escrow shares cannot be sold, transferred or their ownership otherwise dealt with. Half of the shares will be released from escrow and become freely tradable one year after the completion of the FDL acquisition. The other half of the shares will be released from escrow and become freely tradable 2 years after the completion of the FDL acquisition. The escrow may be released in limited circumstances such as in connection with a takeover offer for the Company or instances of personal hardship.

\$0.1 million of the cash consideration will be reinvested into Cooks Food through DSL subscribing for 1,000,000 fully paid ordinary shares in the Company at an issue price of \$0.10 per share.

In negotiating the FDL SPA, the parties agreed that the value of FDL would equate to a holding of at least 50.1% of all of the Company's shares following the completion of the Acquisitions and the related share transactions discussed below. Given that the number of shares to be issued in the future may vary under the Acquisitions (as some share issues are dependent on future financial performance), DSL will be issued more than 50.1% of the Company's shares at the completion of the Acquisitions. This holding will then dilute as the future share issues take place. However if the dilution causes DSL's shareholding to reduce to below 50.1% (but only as a consequence of a specified transaction), the FDL Earn Out will be triggered and sufficient shares will be issued to DSL to maintain its shareholding at 50.1%. We note that the 50.1% shareholding level which the FDL Earn Out supports is not in respect of 50.1% of the Company's shares at any time – only 50.1% of the Company's shares on issue at the completion of the Acquisitions and subsequently issued in connection with the Acquisitions.

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

Cooks Food entered into a conditional sale and purchase agreement with Peter Kirton and Keiko Kirton dated 5 July 2013 to acquire 100% of the shares in Esquires UK (the **EUK SPA**).

Esquires UK is the master franchise of *Esquire Coffee Houses* in Great Britain. It owns 5 and franchises 24 *Esquires Coffee Houses* stores across Great Britain. To ensure continuity of operations, Peter Kirton (the current managing director) will continue to be employed by the Company post completion in the role of general manager, Esquires UK.

The consideration for the purchase of 100% of the shares in Esquires UK will be satisfied by:

- the issue of 2,442,002 fully paid ordinary shares in Cooks Food at an issue price of \$0.15 per share:
  - half of the shares will be issued on completion of the Esquires UK acquisition
  - the other half will be issued on 31 March 2014
  - 90% of the first tranche of shares will be subject to escrow restrictions similar to those under the DSL Allotment. 10% of the first tranche of shares and all of the second tranche of shares will not be subject to any escrow restrictions
- the payment of £0.9 million in cash over the next 3 years:
  - £0.26 million will be payable on completion of the acquisition
  - £0.24 million will be payable on 31 March 2014
  - £0.2 million will be payable on 31 March 2015
  - £0.2 million will be payable on 31 March 2016
- the Esquires UK vendors may elect to receive Cooks Food shares in lieu of a cash payment, in which case the shares will be issued at \$0.15 per share and a fixed exchange rate of NZ\$ = £0.546

- an incentive payment of a further £0.24 million, provided that Peter Kirton is still employed by the Company as at 31 March 2014. The incentive payment will be satisfied by the issue of shares at an issue price based on 90% of the Company's prevailing volume weighted average share price (**VWAP**) and the prevailing NZ\$ : £ exchange rate.

#### *Esquires Coffee Houses Ireland Limited*

The Company entered into a conditional sale and purchase agreement with Tony McVerry and Maretha McVerry dated 2 July 2013 to acquire 100% of the shares in Esquires Ireland (the **EI SPA**).

Esquires Ireland is the master franchise of *Esquires Coffee Houses* in Ireland and Northern Ireland. It franchises 5 *Esquires Coffee Houses* outlets across Ireland with a further 2 stores presently under negotiation. To ensure continuity of operations, Tony McVerry (the current managing director) will remain employed by the Company post completion in the role of general manager, Esquires Ireland.

The consideration for the purchase of 100% of the shares in Esquires Ireland will be satisfied by:

- the issue of 1,020,148 fully paid ordinary shares in Cooks Food at an issue price of \$0.15 per share:
  - half of the shares will be issued on completion of the Esquires Ireland acquisition
  - the other half will be issued on 31 March 2014
  - 90% of the first tranche of shares will be subject to escrow restrictions similar to those that apply under the DSL Allotment. 10% of the first tranche of shares and all of the second tranche of shares will not be subject to any escrow restrictions
- the payment of €0.21 million in cash
- an earn out right whereby further shares will be issued at an issue price of \$0.15 per share based on the earnings before interest, tax depreciation and amortisation (**EBITDA**) performance of Esquires Ireland following the acquisition and applying an EBITDA multiple of 4.0x. The earn out is payable in the period commencing 3 years following completion of the acquisition and ending 5 years following completion. To retain the earn out entitlement, Tony McVerry must remain employed by the Company until the date that is 3 years following the completion of the acquisition.

As part of the Esquires Ireland acquisition, the Company proposes to issue 173,425 fully paid ordinary shares at \$0.15 per share to Aiden Keegan. Mr Keegan is viewed as a key employee of Esquires Ireland. The issue price of the shares will not be payable but instead be deemed to be an incentive for signing up to a new employment agreement.

#### *Progressive Processors Limited and Agri Developments Limited*

The Company entered into a conditional sale and purchase agreement dated 9 August 2013 with Progressive and Agri for the purchase of the business and assets of Progressive and certain land leases from Agri (the **PPL SPA**).

Progressive grows, supplies and processes a number of fresh fruits and vegetables, including asparagus, kiwifruit, pumpkin, squash and various other organic products. It supplies product domestically and also to export markets, particularly Japan.

It is intended that Neil Butler, the current principal of the Progressive business, will continue to manage the business after the completion of the acquisition.

The purchase price under the PPL SPA is the higher of an amount equal to 3.5x the audited net profit after tax (**NPAT**) of the Progressive business:

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

The purchase price will be satisfied through issues of fully paid ordinary shares in the Company at an issue price of \$0.10 per share in 4 tranches:

- 2,500,000 shares on completion of the acquisition
- an issue of shares equal to 20% of Progressive's NPAT for the year ended 31 March 2014 multiplied by 3.5
- an issue of shares equal to 20% of Progressive's NPAT for the year ended 31 March 2015 multiplied by 3.5
- an issue of sufficient shares to satisfy the purchase price as finally determined following the year ended 31 March 2016.

90% of the first tranche of 2,500,000 shares will be subject to escrow restrictions similar to those that apply under the DSL Allotment. 10% of the first tranche of shares and the subsequent 3 tranches of shares will not be subject to any escrow restrictions.

### Summary of Acquisitions

Set out below is a summary of the Acquisitions. The number of shares set out in the table represents only the share issues for which shareholder approval is being sought. Further shares may be issued as earn out payments.

Acquisitions					
Business Acquired	Consideration			Cash \$000	Total \$000
	No.	Shares Issue Price	\$000		
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



## Share Issues

In conjunction with the Acquisitions, the Company proposes to issue 47,971,980 shares to a number of subscribers over the next 12 months (the **Share Issues**):

- 1,000,000 fully paid ordinary shares are to be issued to DSL at \$0.10 per share
- 42,199,758 fully paid ordinary shares are to be issued to ADG Investments Limited (**ADG**) at a weighted average issue price of \$0.101 per share:
  - 18,000,000 shares at an issue price of \$0.125 per share
  - 24,199,758 shares at an issue price of \$0.083 per share

28,199,758 of the shares are in respect of the conversion of \$2.5 million of interest free convertible loans provided by ADG to the Company between March 2013 and September 2013 to enable Cooks Food to pursue the Acquisitions. Under the terms of the convertible loans, \$2.0 million converts at an issue price of \$0.083 per share and \$0.5 million converts at an issue price of \$0.125 per share. ADG will also subscribe for a further 14,000,000 shares at \$0.125 per share

- 1,600,000 fully paid ordinary shares are to be issued to Gerard Hall at an issue price of \$0.125 per share in respect of the conversion of \$0.2 million of interest free convertible loans that he provided to the Company in May 2013
- 450,000 fully paid ordinary shares are to be issued to Stuart Macintosh at an issue price of \$0.10 per share as consideration for advisory services that he has provided to the Company in respect of the Acquisitions
- 500,000 fully paid ordinary shares are to be issued to Bader Ali Almohamadi at an issue price of US\$0.20 per share (which is approximately NZ\$0.253 per share based on the current exchange rate of NZ\$1 = US\$0.79). The cash subscription of US\$0.1 million will be applied for working capital purposes
- 2,222,222 fully paid ordinary shares are to be issued to Nour Al Maysarah Trading, General Contracting & Franchising Co LLC (**Nour Al Maysarah**) at an issue price of US\$0.1125 per share (which is approximately NZ\$0.142 per share based on the current exchange rate of NZ\$1 = US\$0.79). The cash subscription of US\$0.25 million will be applied for working capital purposes.

The Company intends to make further issues for cash following completion of the Acquisitions, including a share purchase plan (**SPP**) for all shareholders.

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
Total	<u>47,971,980</u>	<u>\$0.105<sup>1</sup></u>	<u>5,038</u>

<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



### Related Party Transaction

Keith Jackson is the executive chair of the Company and currently has a beneficial interest in 48.94% of the Company's ordinary shares. Cooks Food proposes to issue to Mr Jackson (or entities associated with him) 22,927,267 fully paid ordinary shares and 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**).

A fundamental aspect of the agreement reached with the shareholders of FDL was that at the completion of the Company acquiring FDL, neither party would have any liabilities other than ordinary course of business liabilities. Over the last few years, the Company has been reliant on funding from Mr Jackson in order to meet its debts as they fall due and pursue initiatives such as the Acquisitions. The amount of this funding support is \$3.0 million. In the 2013 financial 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 of the Acquisitions and the Share Issues, the outstanding balance of \$3.0 million would be converted into 20,293,933 ordinary shares at an issue price of \$0.15 per share.

Mr Jackson has also managed the Company since it listed on the NZAX. He has not received remuneration from the Company for the past 3 years. The Board 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 833,333 ordinary shares in the Company at \$0.09 per share.

Mr Jackson has also spent a considerable amount of time over the past year and a half formulating, negotiating and implementing the Acquisitions and the Share Issues. As an incentive payment for managing the Acquisitions and the Share Issues through to completion on behalf of the Company, the Board agreed to recognise these services by issuing Mr Jackson 1,800,000 ordinary shares at an issue price of \$0.10 per share on completion of the Acquisitions and the Share Issues.

The shares that Mr Jackson will receive will be subject to escrow restrictions similar to those that apply under the DSL Allotment.

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 in 2008. Tasman has agreed to capitalise this amount owing into 500,000 ordinary shares at an issue price of \$0.10 per share.

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

### Conversion of Convertible Preference Shares

The Company currently has 6,154,427 convertible preference shares on issue held by 17 shareholders. The shares are not quoted on the NZAX.

The convertible preference shareholders have agreed to convert all of their convertible preference shares to ordinary shares following the completion of the Acquisitions. This will result in 7,398,304 ordinary shares being issued in exchange for the 6,154,427 convertible preference shares.

Mr Jackson holds 480,000 convertible preference shares and will receive 600,000 ordinary shares in exchange for these.

### 1.3 Shareholdings Post Completion of the Transactions

We refer to the Acquisitions, the Share Issues and the Related Party Transaction collectively as the **Transactions**.

If the Transactions are approved, Cooks Food will issue at least 221,282,034 fully paid ordinary shares within one year of the completion of the Transactions, increasing the number of ordinary shares on issue to at least 248,858,657.

However, it is not possible to state exactly how many ordinary shares will be on issue within one year of the completion of the Transactions as:

- the number of shares to be issued to Progressive under the PPL SPA will be determined at a future point in time by reference to the Progressive business' NPAT for the year ended 31 March 2014
- Peter Kirton may receive an issue of shares on 31 March 2014 as an incentive payment under the EUK SPA but the number of shares cannot be calculated at this point in time.

Assuming there are 248,858,657 ordinary shares on issue within one year of the completion of the Transactions:

- the current Cooks Food ordinary shareholders (other than Mr Jackson) will hold 8.59% of the shares on issue
- DSL will be the Company's largest shareholder holding 55.19% of the shares
- ADG will be the second largest shareholder holding 16.96% of the shares
- Mr Jackson will be the third largest shareholder holding 14.88% of the shares.

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

Immediately following the completion of the Transactions, the Company will have 233,127,582 ordinary shares on issue as the following share issues will take place up to one year after the completion of the Transactions:

- the issue of 1,221,001 ordinary shares on 31 March 2014 in respect of the acquisition of Esquires UK
- the issue of 510,074 ordinary shares on 31 March 2014 in respect of the acquisition of Esquires Ireland
- the subscription for 14,000,000 ordinary shares by ADG.

The 137,348,909 ordinary shares held by DSL immediately following the completion of the Transactions will represent 58.92% of the shares on issue at that point in time. This represents the maximum level of voting rights that DSL may hold in Cooks Food. The FDL Earn Out ensures that the minimum level of voting rights that DSL will hold in the Company as a result of the Transactions is 50.1%.

#### 1.4 Annual Meeting

Cooks Food is holding its annual meeting of shareholders on 1 October 2013, where the Company will seek shareholder approval of 6 resolutions which cover:

- the re-election of Keith Jackson as a director (resolution 1)
- the remuneration of the Company's auditors (resolution 2)
- the Acquisitions and Share Issues (resolution 3)
- the Related Party Transaction (resolution 4)
- the Acquisitions, Share Issues and Related Party Transaction as a major transaction (resolution 5)
- the overall level of directors' remuneration (resolution 6).

All the resolutions are ordinary resolutions (which are passed by a simple majority of the votes cast) other than resolution 5 which is a special resolution (which is passed by a majority of not less than 75% of the votes cast).

Resolutions 3 to 5 are interdependent and require sequential approval. This means that resolution 4 can only be voted on if resolution 3 is approved and resolution 5 can only be voted on if resolution 4 is approved. All 3 resolutions in respect of the Transactions must be approved in order for the backdoor listing to proceed. If any one of resolutions 3 to 5 is not approved, then the Transactions cannot proceed.

Should the Transactions be approved by Cooks Food's shareholders, Cooks Food will change its name to Cooks Global Foods Limited (**Cooks Global**). Any references to Cooks Global hereafter are to the Company after the completion of the Transactions.

## 1.5 Regulatory Requirements

### *Takeovers Code*

Rule 6 of the Code prohibits:

- a person who holds or controls less than 20% of the voting rights in a code company from increasing its holding or control of voting rights beyond 20%
- a person holding or controlling 20% or more of the voting rights in a code company from increasing its holding or control of voting rights

unless the person and that person's associates comply with exceptions to this fundamental rule.

One of the exceptions, set out in Rule 7(d) of the Code, enables a person and its associates to increase their holding or control of voting rights by an allotment of shares if the allotment is approved by an ordinary resolution of the code company.

The DSL Allotment will result in DSL holding or controlling between 50.1% and 58.92% of the voting rights in Cooks Food.

Accordingly, the Company's shareholders will vote at the Company's annual meeting on an ordinary resolution in respect of the DSL Allotment in accordance with the Code.

Rule 18 of the Code requires the directors of a code company to obtain an Independent Adviser's Report on the merits of an allotment under Rule 7(d).

This Independent Adviser's Report is to be included in, or accompany, the notice of meeting pursuant to Rule 16(h).

### *NZAX Listing Rules*

An Independent Report on the Transactions is required under the NZX Guidance Note *Backdoor and Reverse Listing Transactions* dated August 2008 (the **NZX Guidance Note**).

The NZX Guidance Note requires that the Independent Report complies with the requirements of an Appraisal Report under NZSX Listing Rule 1.7.

In addition NZAX Listing Rule 7.3.1 requires that the allotment of new shares required to raise additional capital be approved by an ordinary resolution of Cooks Food's existing shareholders.

## 1.6 Purpose of the Report

The Company's board of directors (the **Board**) has engaged Simmons Corporate Finance Limited (**Simmons Corporate Finance**) to prepare an Independent Adviser's Report on the merits of the allotment of shares under the DSL Allotment in accordance with Rule 18 of the Code.

Simmons Corporate Finance was approved by the Takeovers Panel on 10 June 2013 to prepare the Independent Adviser's Report.

The Board has engaged Simmons Corporate Finance to prepare an Independent Report on the fairness of the Transactions in accordance with the NZX Guidance Note.

Simmons Corporate Finance was approved by NZX Regulation on 12 June 2013 to prepare the Independent Report.

Simmons Corporate Finance issues this Independent Adviser's Report and Independent Report to the Board for the benefit of the Company's shareholders to assist them in forming their own opinion on whether to vote for or against the resolutions in respect of the Transactions (including the DSL Allotment).

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of the DSL Allotment or the fairness of the Transactions in relation to each shareholder. This report on the merits of the DSL Allotment and the fairness of the Transactions is therefore necessarily general in nature.

The Independent Adviser's Report and Independent Report is not to be used for any other purpose without our prior written consent.

Any references to \$ are references to New Zealand dollars. References to foreign currencies are appropriately denoted.

## 2. Evaluation of the Merits of the Transactions (Including the DSL Allotment)

### 2.1 Basis of Evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of shares to DSL under the DSL Allotment having regard to the interests of the Company's shareholders.

There is no legal definition of the term *merits* in New Zealand in either the Code or in any statute dealing with securities or commercial law.

In the absence of an explicit definition of *merits*, guidance can be taken from:

- the Takeovers Panel *Guidance Note on Independent Advisers and the Takeovers Code* dated August 2013
- definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transaction
- overseas precedents
- the ordinary meaning of the term *merits*.

Given that the DSL Allotment is an integral component of the Transactions, we are of the view that an assessment of the merits of the DSL Allotment cannot be undertaken in isolation and needs to be considered in conjunction with the merits of the Transactions. Accordingly, we are of the view that an assessment of the merits of the allotment of shares to DSL under the DSL Allotment should focus on:

- the rationale for the Transactions
- the value impact of the Transactions
- the fairness of the consideration paid for the Acquisitions, which includes an evaluation of the fairness of the issue price of the DSL Allotment
- the likelihood of alternative transactions
- the likely impact of the Transactions on the control of Cooks Food
- the likely impact of the Transactions on Cooks Food's share price
- other benefits and disadvantages to Cooks Food's shareholders of the Transactions
- the benefits and disadvantages to DSL of the Transactions
- the implications if the resolutions in respect of the Transactions are not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

## 2.2 Summary of the Evaluation of the Merits of the Transactions (Including the DSL Allotment)

Shareholders are being asked to vote on 3 resolutions in respect of the Transactions which encompass a number of business acquisitions and share issues. All resolutions must be passed in order for the Transactions to proceed. Accordingly, the Company's shareholders have 2 alternatives with regard to their voting:

- vote in favour of resolutions 3, 4 and 5, in which case the Transactions will proceed and the Company will become Cooks Global Food Limited, a group of companies that supply and retail food and beverage products in a number of countries around the world under the *Esquires Coffee Houses* brand, or
- vote against any of resolutions 3, 4 or 5. In the event that one or more of the resolutions is not passed, then the Transactions will not proceed and the Company will either remain a listed shell company continuing to seek suitable new investments (with the need for additional capital) or be wound up.

In our opinion, after having regard to all relevant factors, the positive aspects of the Transactions significantly outweigh the negative aspects from the perspective of the Company's shareholders. The DSL Allotment is an integral component of the Transactions.

The Transactions will have significant benefits to Cooks Food's shareholders:

- it will achieve Cooks Food's objective to backdoor list one or more businesses into the Company in the expectation that it will create incremental value for Cooks Food's shareholders
- it will transform Cooks Food from a listed shell company with negative total equity of \$3.7 million into an adequately funded group of companies that supply and retail food and beverage products in a number of countries around the world under the *Esquires Coffee Houses* brand
- we are of the view that in the absence of the Transactions, Cooks Food's shares have negligible value at this point in time
- we assess the indicative value of the Cooks Global shares (ie after the Transactions) to be in the range of \$0.11 to \$0.21
- the consideration for the Acquisitions is predominantly in the form of the issue of new ordinary shares. We consider the issue prices of between \$0.10 to \$0.15 per share are fair to the Company's shareholders
- the Share Issues and the Related Party Transaction will raise \$2.3 million of new equity and convert \$6.6 million of debt to equity, thereby ensuring that Cooks Global will be adequately financed
- the Company's shares are likely to be re-rated by the market which may improve the liquidity of the shares.

The main negative implications for the Company's shareholders of the Transactions will be that their proportionate interests in the Company will be significantly diluted by approximately 89%.



The risk profile of Cooks Food will change from an investment in a listed shell company with negligible income producing assets and substantial negative equity to an investment in an appropriately funded integrated food and beverage product supplier and retailer operating in a number of countries around the world.

Shareholders should carefully consider that in the event that the Transactions do not proceed, Cooks Food will remain as a listed shell company. It may continue to seek suitable new investments and in doing so it will continue to incur operating costs associated with remaining listed on the NZAX. There is no certainty regarding if or when one or more new suitable alternative investments will arise. However, the Company would be obliged to repay the \$2.7 million of convertible loans provided by ADG and Mr Hall plus 25% of the principal amounts advanced. In the absence of continued funding from Mr Jackson, the Company would need to undertake a capital raising or be wound up. If the Company was wound up, it is unlikely that shareholders would receive any return as the Company currently has \$3.7 million of negative equity.

### 2.3 Rationale for the Transactions

The Company was formed in 2008 by Tasman and consolidated the Murdoch Foods Limited (**Murdoch Foods**), Sahara Foods Limited (**Sahara Foods**) and Cotterill & Rouse Limited (**Cotterill & Rouse**) businesses into a single food manufacturing company.

The Company sold all of its businesses in 2009 and since then, Cooks Food has had no operating businesses under its control.

The Company has been actively seeking natural functional food science based business opportunities that might join together and use the Cooks Food listed entity as a vehicle to become NZX listed.

The Company acquired a 42.46% shareholding in Dairyland Products Limited (**Dairyland**) in 2010. It announced in April 2012 that it had entered into a conditional agreement to acquire the business and assets of the NZ Natural Juice Company but the acquisition was terminated following due diligence.

We are advised that the Board has evaluated a number of other investment opportunities since 2009 but none of them have adequately met the Board's key investment criteria of scalability, a sound track record and the capacity to immediately generate cash post acquisition.

The Transactions will transform Cooks Food from a listed shell company into a group of companies that supply and retail food and beverage products in a number of countries around the world under the *Esquires Coffee Houses* brand.

The Transactions meet the Board's investment criteria:

- the Company is projecting significant growth in the number of franchised and directly owned *Esquires Coffee Houses* stores around the world
- FDL's management team has a strong track record of growing the *Esquires Coffee Houses* business in New Zealand and Australia prior to its sale to Retail Food in 2011
- the Company projects that the Acquisitions will immediately be cash flow positive.

## 2.4 Process Undertaken by Cooks Food

We are advised by the Board that it initially entered into discussions with FDL and DSL in 2012. The Company undertook research on the global retail coffee market opportunity and evaluated the FDL management team. Comparisons were undertaken of FDL with Australasian food and beverage franchise companies (such as Retail Food and Burger Fuel Worldwide Limited (**BurgerFuel**)) and global coffee companies (such as Starbucks and Costa Coffee).

The Board concluded that the franchise model was a sound business model and would enable the business to grow rapidly in a way that was scalable and could operate from New Zealand.

The Company entered into negotiations with Stuart Deeks and Lewis Deeks regarding the acquisition of FDL. Once agreement in principle was reached, the parties worked together to secure the international intellectual property rights to *Esquires Coffee Houses* (excluding New Zealand, Australia and Canada) through the acquisition of ECI as a pre-condition to advancing to a formal contract. Subsequent to this, the acquisitions of Esquires UK and Esquires Ireland were negotiated followed by the Progressive / Agri acquisition.

## 2.5 Value of the Company Pre and Post the Transactions

Cooks Food's total equity amounted to negative \$3.7 million as at 31 March 2013, equating to net assets per share of negative \$0.13. The Company has been totally reliant on the funding provided by Mr Jackson over a number of years in the form of secured debentures and unsecured advances. Even after allowing for the value of the Company's NZAX listing, we are of view that the value of Cooks Food's shares prior to the Transactions, and in the absence of any alternative transaction, is negligible.

The Transactions represent the backdoor listing of 4 companies into Cooks Food which will significantly transform Cooks Food. The Acquisitions will largely be funded by the issue of new ordinary shares, resulting in the current shareholders' interests in the Company being significantly diluted by approximately 89%.

In such circumstances, we are of the view that valuations of the individual companies being acquired are less meaningful to Cooks Food's shareholders than the potential value of the Company post the Transactions (ie the value of Cooks Global). Accordingly, we have assessed the indicative value of Cooks Global based on the strategy and forecasts prepared by the Company and FDL. Our assessment is set out in section 6. We assess the indicative value of the shares in Cooks Global to be in the range of \$0.11 to \$0.21.

We note that the valuation assessment is indicative only as it is based on a strategy and forecasts that are still in the process of being fine tuned and it is not possible at this point in time to specify the exact number of shares that will be issued under the Transactions.

## 2.6 Value of Consideration

The consideration for the Acquisitions will be predominantly in the form of the issue of ordinary shares and will result in a significant dilution of the current shareholders' interests in the Company. The Acquisitions are being funded primarily through the issue of new ordinary shares in Cooks Food at either \$0.10 per share (in respect of the FDL and Progressive acquisitions) or \$0.15 per share (in respect of the Esquires UK and Esquires Ireland acquisitions).

The varying issue prices for the consideration for the Acquisitions (and the Share Issues and Related Party Transaction) reflects the approach taken by the Board where the issue price for each particular transaction was negotiated based on the degree to which the Transactions had been implemented when those issue price negotiations commenced.

We consider the issue prices to be fair to Cooks Food's shareholders:

- they equal or exceed the VWAP of \$0.10 over the past year (albeit on very thin volumes)
- they exceed the issue price of \$0.09 per share for the most recent share placement made by the Company of 5,487,748 shares in August 2012
- they significantly exceed the asset backing of the shares, even after adjusting for the debt to equity conversion that forms part of the Share Issues and the Related Party Transaction. As set out in section 5.4, the asset backing as at 31 March 2013 was negative \$0.13 per share. The adjusted asset backing after the proposed debt to equity conversion is \$0.04 per share.

Further comfort on the reasonableness of the issue prices under the Acquisitions can be taken from the fact that ADG is prepared to invest a further \$1.75 million of cash into the Company to subscribe for an additional 14,000,000 shares after the completion of the Acquisitions at \$0.125 per share.

A significant portion of the shares issued as consideration for the Acquisitions as well as those issued to ADG under the Share Issues and to Mr Jackson under the Related Party Transaction are subject to escrow restrictions which remain in place for up to 2 years.

## 2.7 Limited Likelihood of Alternative Transactions

We are advised by the Board that since the Company sold its businesses in 2009, it has evaluated numerous businesses to backdoor list into Cooks Food. The Board is of the view that none of the proposals they have evaluated are as compelling as the Transactions.

The Board has confirmed to us that it is not evaluating any other acquisitions other than businesses that would be complementary to the strategy of supplying and retailing food and beverage products under the *Esquires Coffee Houses* brand. It is not evaluating any acquisitions that would be undertaken instead of the Transactions.

## 2.8 Impact on Control

### *Share Capital and Shareholders*

Cooks Food currently has 27,576,623 fully paid ordinary shares on issue. The names, number of shares and percentage holding of the Company's 10 largest shareholders as at 2 September 2013 are set out in section 4.4.

Cooks Food currently has 4 substantial security holders:

- Keith Jackson (the Company's chair) and associates – 48.94%
- Emma Waite and associates – 19.90%
- Diana Christian (a Company director) and Sonya Vujnovich – 7.25%
- Michael Guthrie – 6.88%.

The 4 shareholders collectively hold 82.97% of the fully paid ordinary shares in the Company at present.

### Shareholding Levels Post the Transactions

If the Transactions are approved, Cooks Food will issue at least 221,282,034 fully paid ordinary shares within one year of the completion of the Transactions, increasing the number of ordinary shares on issue to at least 248,858,657.

However, it is not possible to state exactly how many ordinary shares will be on issue within one year of the completion of the Transactions as:

- the number of shares to be issued to Progressive under the PPL SPA will be determined at a future point in time by reference to the Progressive business' NPAT for the year ended 31 March 2014
- Peter Kirton may receive an issue of shares on 31 March 2014 as an incentive payment under the EUK SPA but the number of shares cannot be calculated at this point in time.

Assuming there are 248,858,657 ordinary shares on issue within one year of the completion of the Transactions:

- the current Cooks Food ordinary shareholders (other than Mr Jackson) will hold 8.59% of the shares on issue
- DSL will be the Company's largest shareholder holding 55.19% of the shares
- ADG will be the second largest shareholder holding 16.96% of the shares
- Mr Jackson will be the third largest shareholder holding 14.88% of the shares.

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

### Shareholding Voting

The Transactions (including the DSL Allotment) will result in DSL holding significant shareholder voting control.

DSL's shareholding of between 50.1% and 58.92% will enable it to singlehandedly control the outcome of ordinary resolutions (which require the approval of more than 50% of the votes cast by shareholders) and block any special resolutions (which require the approval of 75% of the votes cast by shareholders), subject always to applicable voting restrictions under the NZAX Listing Rules. DSL will not however be able to singlehandedly pass a special resolution.

Under the Companies Act 1993 (the **Act**), a special resolution is required to:

- adopt, alter or revoke a company's constitution
- approve a major transaction
- approve an amalgamation of a company
- place a company in liquidation.

DSL will not be able to increase its shareholding in Cooks Food beyond the level set out above in the table unless it complies with the provisions of the Code. It will only be able to acquire more shares in Cooks Food if:

- it makes a full or partial takeover offer or
- the acquisition is approved by way of an ordinary resolution of Cooks Food shareholders or
- the Company makes an allotment of shares which is approved by way of an ordinary resolution of Cooks Food shareholders.

As long as DSL's shareholding level remains above 50%, DSL will be permitted to increase its shareholding in Cooks Food through the *creep* provisions of the Code by buying up to a further 5% of the Company's shares per annum commencing 12 months after the DSL Allotment is completed.

### **Board of Directors**

If the Transactions are approved, 2 of the 3 current Cooks Food directors (Diana Christian and Graeme Rothwell) will resign from the Board. Keith Jackson will remain on the Board. The Board will increase to 5 directors with the election of 4 new directors:

- Andrew Kerslake – associated with ADG
- Mike Hutcheson
- Stuart Deeks – associated with DSL
- Lewis Deeks – associated with DSL.

While there is no requirement for an NZAX listed company to have a minimum number of independent directors, we understand that Mr Hutcheson will meet the criteria to be classed as an independent director. Subsequent to the completion of the Transactions, the Company intends to appoint another independent director who will chair the Board.

### **Operations**

The FDL operations are currently managed by Stuart Deeks and Lewis Deeks. Following the Transactions, Stuart Deeks will be Cooks Global's director of business development and Lewis Deeks will be Cooks Global's director of operations. Accordingly, DSL (through Stuart Deeks and Lewis Deeks) will have significant control over the operations of the Company.

### ***Protection for Minority Shareholders***

While DSL will have a high degree of control over Cooks Food, it cannot act in an oppressive manner against minority shareholders. The Act provides a level of protection to minority shareholders. Any transactions between Cooks Food and DSL will be required to satisfy the requirements of the NZAX Listing Rules with respect to transactions with related parties.

## **2.9 Impact on Share Price and Liquidity**

A summary of Cooks Food's daily closing share price and daily volume of shares traded from 5 January 2011 is set out in section 4.8.

### ***Liquidity of Cooks Food Shares Likely to Increase***

Trading in the Company's shares is extremely thin, reflecting that Keith Jackson holds a beneficial interest in 48.94% of the fully paid ordinary shares and the top 10 shareholders collectively hold 92.11% of the shares.

Cooks Food shareholders currently have very limited opportunities to sell their shares. Prior to the announcement of the Transactions, only 0.04% of the Company's shares traded in the preceding year.

While the size of the pool of shares held by the Company's current shareholders other than Mr Jackson will not materially change under the Transactions, the Company's market capitalisation will significantly increase and this may potentially attract new investors. This is likely to increase the level of demand for the Company's shares and enhance the ability for existing Cooks Food shareholders to sell their shares.

### ***Re-rating of Cooks Food Shares***

Cooks Food is currently a listed shell company with negligible income earning assets. While in theory no growth expectations would be factored into the Company's share price, it is likely that the current share price reflects some speculative element that assumes the Transactions will proceed.

The Transactions will potentially lead to a re-rating of the Company's shares as Cooks Global will be a much larger company with the following characteristics:

- it will operate in the food and beverage industry in both the supply and retail sectors of the value chain
- its operations will be domiciled in a number of countries around the world spanning the Pacific, Europe, Asia, the Middle East and North Africa
- its growth potential will be significantly enhanced, it will potentially generate profits and may pay dividends (although the Board has stated in the Profile that no dividends will be payable in the immediate foreseeable future as profits will be reinvested into the development and growth of the Company)
- it will have DSL as its cornerstone shareholder who will be instrumental in the strategic and operational management of the Company.

The combination of these factors may lead to greater demand for the Company's shares which in turn may lead to higher prices for the shares. However, shareholders should also bear in mind that any re-rating of the Company's shares may increase the variability in the share prices and this may result in the Company's share price either increasing or decreasing.



## 2.10 Other Advantages to the Cooks Food Shareholders of the Transactions

The Transactions will accomplish what Cooks Food has stated that it is seeking to achieve since selling its business in 2009 – to enable the backdoor listing of one or more food businesses through the Company. Following the Transactions, Cooks Food's current shareholders (excluding Mr Jackson) will hold approximately 8.59% of the shares in the Company, which is projected to be a profitable food and beverage product supplier and retailer operating under the *Esquires Coffee Houses* brand in a number of countries and with significant growth opportunities.

## 2.11 Other Disadvantages to the Cooks Food Shareholders of the Transactions

The key disadvantage to the Cooks Food shareholders of the Transactions is that the various issues of shares under the Transactions will significantly dilute their interests in the Company. Following the Transactions, their collective shareholding (excluding Mr Jackson's shareholding) will reduce from 51.06% to 8.59%.

The Board has stated that it intends to offer a SPP to all shareholders after the completion of the Transactions. Participation in the SPP will reduce the level of dilution faced by shareholders to some extent.

In our view, the positive aspects of the transformation of the Company into a significantly larger entity operating in the food and beverage industry in a number of countries with strong growth prospects far outweigh the dilutionary impact of the Transactions.

## 2.12 Advantages to DSL of the Transactions

Cooks Food offers DSL an effective and efficient means to achieve a listing of FDL on a recognised stock exchange.

Backdoor listing FDL on the NZAX will provide a number of benefits to FDL and DSL:

- an enhancement of the *Esquires Coffee Houses* profile in the market place
- the ability to raise equity capital more easily
- the ability to use scrip for acquisitions
- liquidity for FDL's shareholders (subject to the escrow restrictions over some of the shares issued under the DSL Allotment).

## 2.13 Change in Business Risk

As a listed shell company with negligible income operating assets, the business risks associated with the current Cooks Food business are limited. However, shareholders face considerable investment risk as the Company has negative total equity of \$3.7 million and is totally reliant on the funding that has been provided by Mr Jackson over a long period of time. If this funding support was removed, the Company would need to be wound up and any returns to shareholders would be negligible.



Following the completion of the Transactions, the Company's shareholders will face a significant change in business risk. The risks associated with businesses in the food and beverage industry generally, and Cooks Global specifically, are significant and include:

- the retail food and beverage industry is highly competitive. The actions of new and existing competitors may adversely affect the Company's financial performance
- adverse food and beverage health and safety issues may impact on the Company's financial performance and / or give rise to product liability concerns
- the Company may not be able to enforce trade mark protection to protect its rights to the *Esquires Coffee Houses* brand
- the Company may not be able to retain its key personnel
- the Company's operating systems, personnel or distribution networks may not be able to keep pace with the Company's growth initiatives
- the Company may not be able to identify, attract and retain suitably qualified and motivated franchisees and master franchisees
- the Company may not be able to identify suitable sites or negotiate suitable leasing terms for new stores or renegotiate acceptable lease terms for existing stores when leases are due to expire
- any deterioration in the relationship or terms of trade with key suppliers may have an adverse material impact on the Company's operations and its financial performance
- the inability to adequately finance the Company's operations may stall the development and growth of its business
- foreign currency fluctuations may adversely affect earnings
- country risks arising from possible changes in the political, regulatory and economic environments in the various countries that the Company will operate in including China, Bahrain, Kuwait, United Arab Emirates, Saudi Arabia, United Kingdom and Ireland
- supply chain risks arising from reliance on third party suppliers
- customer concentration risks given that initially over half of the *Esquires Coffee Houses* stores will be located in Great Britain.

A detailed analysis of the risks associated with an investment in Cooks Global is set out in the section entitled *Risk Factors for Cooks Global Foods* in the Profile. The analysis highlights the significant level of risk associated with an investment in Cooks Global and shareholders need to be cognisant of the major change in the risk profile of their investment in the Company.

## **2.14 Implications if the Resolutions are not Approved**

As the resolutions are interdependent and require sequential approval, if any one of resolutions 3, 4 or 5 is not approved, then the Transactions will not proceed.

If the Transactions do not proceed, Cooks Food may attempt to continue as a shell company listed on the NZAX with negligible income producing assets. The Board would need to continue to seek opportunities to acquire one or more businesses that could be backdoor listed into Cooks Food. There is no certainty as to if, or when, such a transaction could be completed.

In the meantime, Cooks Food would continue to incur operating costs associated with remaining listed on the NZAX (including listing fees, audit fees and directors fees) and evaluating potential acquisitions / backdoor listing candidates.

The Company currently has negative total equity of \$3.7 million and is reliant on the funding that has been provided by Mr Jackson over a long period of time and more recently funding provided by ADG and Mr Hall. The Company would be obliged to repay the \$2.7 million of convertible loans provided by ADG and Mr Hall plus an amount equal to 25% of the loan amounts advanced. It cannot be taken for granted that Mr Jackson would continue to fund the Company and therefore the Board would either need to raise additional capital or evaluate the option of winding up the Company. If the Company was wound up, it is unlikely that shareholders would receive any return given the Company's current financial position.

## **2.15 Options for Shareholders who do not Wish to Retain Their Investment in Cooks Food**

### ***Sell On-market***

If shareholders do not wish to remain shareholders in the Company after the Transactions are completed, they could possibly sell their shares on-market now at the current market prices. Since the acquisition of FDL was announced on 7 June 2013, a total of 632,330 shares have traded on the NZAX at a VWAP of \$0.15. However, the ability to sell on-market may not be an option for large parcels of shares due to the lack of liquidity in the market.

### ***Minority Buy-out Rights Under the Act***

If the special resolution approving the Transactions (resolution 5) is passed, those shareholders who voted against the special resolution will be entitled to require the Company to buy their shares in accordance with the provisions of the Act.

A shareholder entitled to require the Company to purchase its shares by virtue of section 110 of the Act may, within 10 working days of the passing of the special resolution, give written notice to the Company requiring it to purchase the shares.

The Board is then required to give notice to the shareholder of a fair and reasonable price for the shares. We note that the Board has indicated on page 3 of the notice of annual meeting that in its view, in the absence of the Transactions, "it is highly likely that a fair and reasonable price for shares would be nil or a highly nominal amount".

Shareholders who do not agree with the nominated price can object to the price, in which case the price will be determined by arbitration.

## **2.16 Voting For or Against the Resolutions**

Voting for or against resolutions 3, 4 and 5 in respect of the Transactions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

### 3. Evaluation of the Fairness of the Transactions

#### 3.1 Basis of Evaluation

The NZX Guidance Note requires the Independent Report to comply with the requirements for an Appraisal Report.

The NZX Guidance Note also requires the Independent Report to include:

- a statement of whether there are any possible alternative courses for Cooks Food other than the proposed transaction
- a statement whether or not, in our opinion, the terms of the transaction are fair and reasonable to shareholders and in the best interests of Cooks Food.

NZSX Listing Rule 1.7.2 requires an Appraisal Report to consider whether the consideration and the terms and conditions of the Transactions are *fair* to the Company's shareholders.

There is no legal definition of the term *fair* in New Zealand in either the Listing Rules or in any statute dealing with securities or commercial law.

In our opinion, the Transactions will be fair to the Company's shareholders if:

- the value of the Acquisitions is equal to or greater than the value of the consideration paid for the Acquisitions
- the shares issued as consideration for the Acquisitions are issued at or above a fair value
- the terms and conditions of the Transactions are fair.

We have evaluated the fairness of the Transactions by reference to:

- the rationale for the Transactions
- the value impact of the Transactions
- the fairness of the consideration paid for the Acquisitions
- the likelihood of alternative transactions
- the impact on the control of Cooks Food
- the impact on Cooks Food's share price
- other benefits and disadvantages to Cooks Food's shareholders
- the implications if the resolutions in respect of the Transactions are not approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analyses together could create a misleading view of the process underlying the opinion.

### 3.2 Evaluation of the Fairness of the Transactions

In our opinion, after having regard to all relevant factors, the terms of the Transactions are fair and reasonable to the Company's shareholders and are in the best interests of Cooks Food given the options reasonably available to the Company at the current time.

The basis for our opinion is set out in detail in sections 2.3 to 2.15. In summary, the key factors leading to our opinion are:

- the rationale for the Transactions is sound:
  - it will achieve Cooks Food's objective to backdoor list one or more businesses into the Company
  - it will transform Cooks Food from a listed shell company with negative total equity into an adequately funded group of companies that supply and retail food and beverage products in a number of countries around the world under the *Esquires Coffee Houses* brand
- we are of the view that in the absence of the Transactions, Cooks Food's shares have negligible value at this point in time
- we assess the indicative value of the Cooks Global shares (ie after the Transactions) to be in the range of \$0.11 to \$0.21
- the consideration for the Acquisitions is predominantly in the form of the issue of new ordinary shares. We consider the issue prices of between \$0.10 to \$0.15 per share are fair to the Company's shareholders
- the Share Issues and the Related Party Transaction will raise \$2.3 million of new equity and convert \$6.6 million of debt to equity, thereby ensuring that Cooks Global will be adequately financed
- the Company's shares are likely to be re-rated by the market which may improve the liquidity of the shares
- offsetting these positive aspects, the shareholders' proportionate interests in the Company will be significantly diluted by approximately 89% and the risk profile of Cooks Food will change significantly.

### 3.3 Alternative Courses for Cooks Food

As stated in section 2.7, the likelihood of an alternative transaction in the near term is limited. The Board is not evaluating any other potential transactions. The costs incurred in evaluating the Transactions and seeking shareholder approval will deplete the Company's cash reserves.

### 3.4 Implications of the Resolutions not being Approved

In the event that any one of resolutions 3, 4 or 5 in respect of the Transactions is not approved, the backdoor listing will not proceed. The implications of this are set out in section 2.14.

### 3.5 Voting For or Against the Resolutions

Voting for or against resolutions 3, 4 and 5 in respect of the Transactions is a matter for individual shareholders based on their own views as to value and future market conditions, risk profile and other factors. Shareholders will need to consider these consequences and consult their own professional adviser if appropriate.

## 4. Profile of Cooks Food

### 4.1 Background

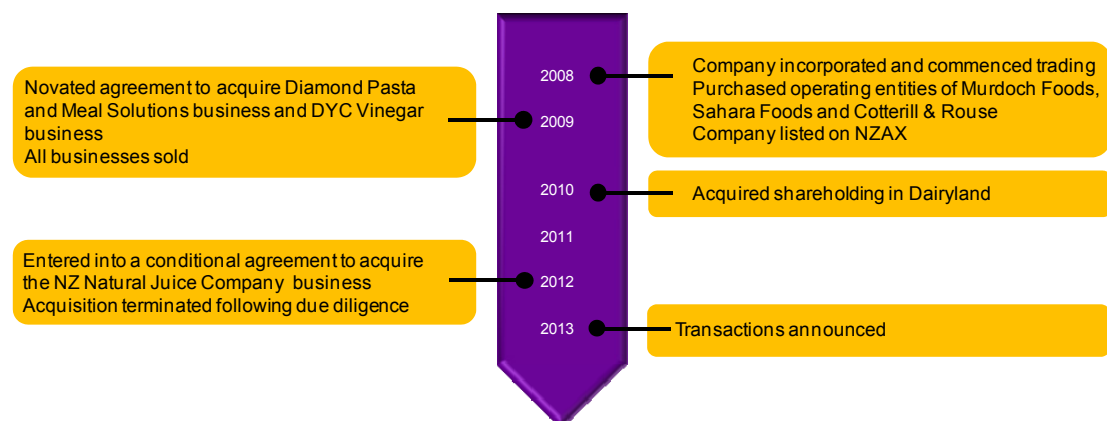
The Company was incorporated on 4 February 2008 as Tasman Food Corporation Limited and was wholly owned by Tasman. It changed its name to Tasman Food Group Limited on 26 May 2008, to Tasman Food Corporation Limited on 27 May 2008 and to Cooks Food Group Limited on 18 August 2008.

The Company was formed after a memorandum of understanding was signed in January 2008 between Tasman, Murdoch Foods, Sahara Foods and Cotterill & Rouse, with the aim of consolidating the Murdoch Foods, Sahara Foods and Cotterill & Rouse businesses into a single food manufacturing company.

The Company listed its 22,000,000 shares on the NZAX on 20 October 2008.

The Company sold its *Olive Grove* and *Sahara* brands to LHF Limited on 30 April 2009. It sold its ambient brands (*Cotterill & Rouse*, *Murdoch* and *Sungold*) along with a novation agreement relating to the Diamond Pasta and Meal Solutions business and *DYC Vinegar* to Wilson Consumer Foods Limited on 22 May 2009.

The Company's key events are set out below.



### 4.2 Nature of Operations

Since the divestment of the Murdoch Foods, Sahara Foods, Cotterill & Rouse, Diamond Pasta and Meal Solutions and DYC Vinegar businesses in 2009, Cooks Food has no operating businesses under its control.

The Company holds 8,491,667 shares (42.46%) in Dairyland, a company formed to undertake investments in the dairy sector. Dairyland has recently purchased a 13 hectare site in Tokoroa and holds building and resource consents to establish a whole milk powder factory. The acquisition will be completed in November 2013. Dairyland is currently fundraising to build the export milk processing facility.

Cooks Food has been actively seeking natural functional food science based business opportunities that might join together and use the Cooks Food listed entity as a vehicle to become NZX listed.

### 4.3 Directors and Senior Management

The directors of Cooks Food are:

- Keith Jackson – executive chair
- Diana Christian
- Graeme Rothwell.

### 4.4 Capital Structure and Shareholders

#### Ordinary Shares

Cooks Food currently has 27,576,623 fully paid ordinary shares on issue held by 448 shareholders.

The names, number of shares and percentage holding of the 10 largest ordinary shareholders as at 2 September 2013 are set out below.

Cooks Food's 10 Largest Ordinary Shareholders		
Shareholder	No. of Shares	%
Keith Jackson, Patricia Jackson and Phillip Picot	7,788,953	28.24%
Keith Jackson	5,537,500	20.08%
Emma Waite	2,743,874	9.95%
Real Action Group Limited (RAGL)	2,743,874	9.95%
Diana Christian and Sonya Vujnovich	1,999,990	7.25%
Michael Guthrie	1,897,152	6.88%
Tasman	1,041,000	3.77%
Graeme Rothwell, Eve Rothwell and Hibiscus Independent Trustees 2009 Limited	763,200	2.77%
Donald Hattaway and Brian Everett	538,500	1.95%
Lynda Smyth	347,409	1.26%
Subtotal	25,401,452	92.11%
Others (438 shareholders)	2,175,171	7.89%
Total	27,576,623	100.00%

Source: NZX Data

The Company's chair, Keith Jackson, has a beneficial interest in 13,496,453 ordinary shares (48.94%).

Emma Waite has a beneficial interest in 5,487,748 ordinary shares (19.90%).

#### Convertible Preference Shares

Cooks Food currently has 6,154,427 convertible preference shares on issue held by 17 shareholders. The shares are not quoted on the NZAX.

The convertible preference shares do not all have the same class of rights:

- 4,975,508 shares were redeemable on 31 December 2010 and were reclassified from equity to current liabilities in the 2012 financial year. They receive interest at 12.5% per annum (the **Original CPS**). Mr Jackson holds 480,000 Original CPS
- 1,178,919 shares were issued to Emma Waite and RAGL on 3 August 2012 at \$0.09 per share (the **New CPS**). The New CPS do not receive interest.

The convertible preference shareholders have agreed to convert all of their convertible preference shares to ordinary shares following the completion of the Transactions at the following rates:

- 1.25 ordinary shares for each Original CPS
- 1 ordinary share for each New CPS.

This will result in 7,398,304 ordinary shares being issued in exchange for the 6,154,427 convertible preference shares.

#### 4.5 Financial Performance

A summary of Cooks Food's recent financial performance is set out below.

Summary of Cooks Food Financial Performance				
	Year to 31 Mar 10 (Audited) \$000	Year to 31 Mar 11 (Audited) \$000	Year to 31 Mar 12 (Audited) \$000	Year to 31 Mar 13 (Audited) \$000
Continuing Operations				
Income	6	214	122	1,501
Operating profit / (loss)	(176)	94	83	1,240
Profit / (loss) for the year	(630)	(493)	(608)	1,162
Discontinued Operations				
Income	696	-	-	-
Operating profit / (loss)	(1,012)	-	16	-
Profit / (loss) for the year	(1,108)	-	16	-
Total comprehensive income / (loss) after tax	(1,738)	(493)	(592)	1,162

*Source: Cooks Food audited financial statements*

Cooks Food sold its operating businesses in the 2010 financial year. The operating expenses of the discontinued businesses included \$0.4 million of impairment costs and \$0.5 million of other operating costs. Finance costs for the year totalled \$0.5 million.

Revenue in the 2011 financial year included a \$0.2 million gain on the sale of 1,300,000 shares in Dairyland. Finance costs for the year totalled \$0.6 million.

Revenue in the 2012 financial year included a \$0.1 million gain on the sale of 208,333 shares in Dairyland. Finance costs for the year totalled \$0.7 million.

Revenue in the 2013 financial year consisted of \$1.5 million of write-offs of interest on related party advances that had been charged and capitalised in previous financial years.



## 4.6 Financial Position

A summary of Cooks Food's recent financial position is set out below.

Summary of Cooks Food Financial Position				
	As at 31 Mar 10 (Audited) \$000	As at 31 Mar 11 (Audited) \$000	As at 31 Mar 12 (Audited) \$000	As at 31 Mar 13 (Audited) \$000
Cash and cash equivalents	83	4	3	259
Receivables, prepayment and other assets	26	21	120	1,569
Current assets	<u>109</u>	<u>25</u>	<u>123</u>	<u>1,828</u>
Property, plant and equipment	1	-	-	-
Total assets	<u>110</u>	<u>25</u>	<u>123</u>	<u>1,828</u>
Payables and other liabilities	(691)	(189)	(183)	(286)
Loans and borrowings	(2,979)	(4,561)	(5,257)	(5,203)
Current liabilities	<u>(3,670)</u>	<u>(4,750)</u>	<u>(5,440)</u>	<u>(5,489)</u>
Total equity	<u>(3,560)</u>	<u>(4,725)</u>	<u>(5,317)</u>	<u>(3,661)</u>

*Source: Cooks Food audited financial statements*

Cooks Food's main current assets as at 31 March 2013 comprised cash on hand of \$0.3 million, a secured advance to FDL of \$1.2 million (to facilitate the acquisition of ECI) and a \$0.2 million advance to Dairyland. The investment in Dairyland shares is recorded at \$87.

Cooks Food's disposed of substantially all of its fixed assets in April and May 2009 when it disposed of its trading activities.

Loans and borrowings as at 31 March 2013 consisted of:

- secured debentures - \$1.1 million
- unsecured advances - \$1.8 million
- unsecured convertible loans - \$1.5 million
- convertible preference shares - \$0.8 million.

The secured debentures and unsecured advances are from entities associated with Keith Jackson, the Company's executive chair.

The debentures are secured by general security agreements over the Company's assets and undertakings.

During the 2013 financial year, all interest charged on the loans and subsequently capitalised was written off. The loans previously bore interest rates between 12% and 15% per annum.

Under the Related Party Transaction, the remaining advances of \$2.9 million plus \$0.1 million owing to Mr Jackson in respect of expenses and various specific costs incurred over the past 3 years are to be converted to 20,293,933 ordinary shares at an issue price of \$0.15 per share.

An unsecured convertible loan of \$1.5 million was provided by ADG in March 2013 to finance the acquisition of the ECI by FDL. Subsequent to 31 March 2013, ADG has provided a further \$1.0 million of loans and Mr Hall has provided \$0.2 million of loans to the Company. Subject to shareholder approval, the \$2.5 million of loans provided by ADG will be converted to 28,199,758 ordinary shares at a weighted average issue price of \$0.089 per share and the \$0.2 million of loans provided by Mr Hall will be converted to 1,600,000 ordinary shares at an issue price of \$0.125 per share.

As discussed in section 4.4, the convertible preference shares were redeemable on 31 December 2010 and were reclassified from equity to current liabilities in the 2012 financial year. They will be converted to 7,398,304 ordinary shares following the Transactions.

The Company currently has negative equity and has been totally dependent upon the financial support provided in the form of debentures and advances by entities associated with Mr Jackson.

#### 4.7 Cash Flows

A summary of Cooks Food's recent cash flows is set out below.

Summary of Cooks Food Cash Flows				
	Year to 31 Mar 10 (Audited) \$000	Year to 31 Mar 11 (Audited) \$000	Year to 31 Mar 12 (Audited) \$000	Year to 31 Mar 13 (Audited) \$000
Net cash outflow from operating activities	(1,761)	(719)	(117)	(241)
Net cash used in investing activities	3,378	200	-	(1,242)
Net cash from financing activities	<u>(1,575)</u>	<u>440</u>	<u>116</u>	<u>1,739</u>
Net increase / (decrease) in cash held	42	(79)	(1)	256
Opening cash balance	<u>41</u>	<u>83</u>	<u>4</u>	<u>3</u>
Closing cash balance	<u><u>83</u></u>	<u><u>4</u></u>	<u><u>3</u></u>	<u><u>259</u></u>

Source: Cooks Food audited financial statements

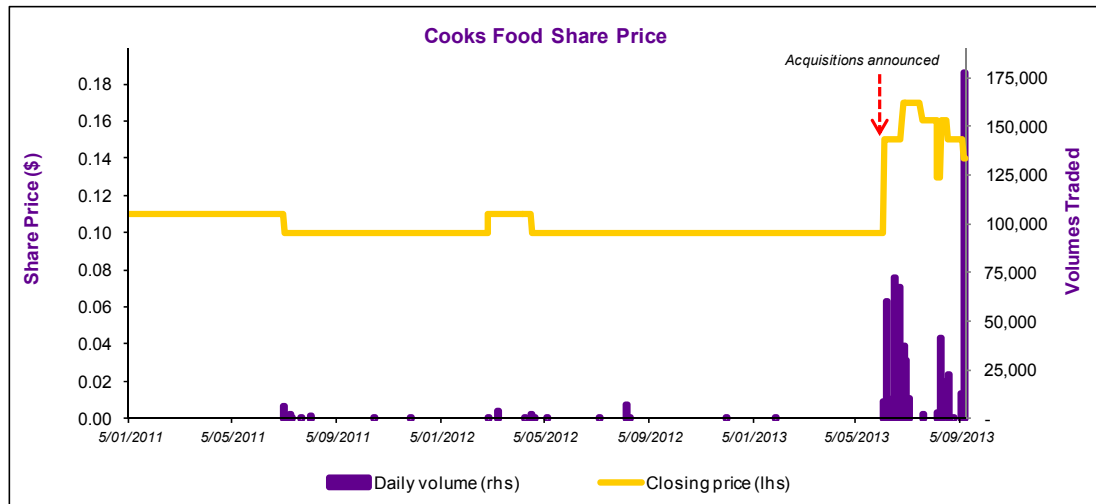
Cash outflows from operating activities reflect the losses made by the Company each year.

Cash inflows from investing activities in the 2010 and 2011 financial years were generated from the sale of the Company's business assets. The cash outflows from investing activities in the 2013 financial year were mainly in respect of the \$1.2 million secured advance provided to FDL.

Cash flows from financing activities in the 2010, 2011 and 2012 financial years related mainly to the net repayment or receipt of borrowings. The Company repaid \$0.4 million of borrowings in the 2013 financial year. It raised \$0.5 million from the issue of 5,487,748 ordinary shares at \$0.09 per share on 3 August 2012 to Emma Waite and RAGL and \$1.6 million from new loans.

## 4.8 Share Price History

Set out below is a summary of Cooks Food’s daily closing share price and daily volumes of shares traded from 5 January 2011 to 11 September 2013.



Source: NZX Data

During the period, Cooks Food’s shares have traded between \$0.10 and \$0.17 at a VWAP of \$0.15.

Trading in the Company’s shares is extremely thin, reflecting that 48.94% of the shares are currently held by entities associated with Keith Jackson and the top 10 shareholders hold 92.11% of the shares.

An analysis of VWAP, traded volumes and liquidity (measured as traded volumes as a percentage of shares outstanding) up to 6 June 2013 (the day before the Esquires Transactions were announced) is set out below.

Share Trading up to 6 June 2013					
Period	Low (\$)	High (\$)	VWAP (\$)	Volume Traded (000)	Liquidity
1 month	n/a	n/a	n/a	-	0.00%
3 months	n/a	n/a	n/a	-	0.00%
6 months	0.10	0.10	0.10	1	0.00%
12 months	0.10	0.10	0.10	11	0.04%

*n/a: not applicable as the shares did not trade*  
Source: NZX Data

The shares only traded on 5 days in the year to 6 June 2013.

Since 6 June 2013, 632,330 shares have traded on 20 days at a VWAP of \$0.15.

## 5. Valuation of Cooks Food (Pre the Transactions)

### 5.1 Introduction

The consideration for the Acquisitions will be predominantly in the form of the issue of ordinary shares and will result in a significant dilution of the current shareholders' interests in the Company.

Summary of Acquisitions					
Business Acquired	Consideration			Cash \$000	Total \$000
	Shares		\$000		
	No.	Issue Price			
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

The shares are being issued at either \$0.10 per share (in respect of the FDL and Progressive acquisitions) or \$0.15 per share (in respect of the Esquires UK and Esquires Ireland acquisitions).

We have assessed the reasonableness of the issue prices by reference to:

- the prices at which the shares have recently traded on the NZAX
- the prices at which the Company has recently issued shares
- the asset backing of the shares.

### 5.2 Share Price History

As set out in section 4.8, trading in the Company's shares has been extremely thin. Only 11,000 shares (0.04% of the shares on issue) have traded in the year up to the announcement of the FDL acquisition on 6 June 2003 at a VWAP of \$0.10.

In our view, little reliance can be placed on the observed share prices as an indication of the fair value of the Cooks Food shares given the very thin trading. It is likely that the Company's share price includes a speculative element in respect of one or more potential transactions that may enhance the underlying value of the Company.

### 5.3 Share Issues

The most recent share issue undertaken by the Company was the issue of 5,487,748 ordinary shares to Emma Waite and RAGL at \$0.09 per share on 3 August 2012.

## 5.4 Net Assets per Share

Cooks Food's total equity amounted to negative \$3.7 million as at 31 March 2013, equating to net assets of negative \$0.13 per share.

The nature of the Company's assets (predominantly cash and advances) is such that their carrying values represent reasonable proxies of their market values. We have assumed that at this point in time, the market value of the investment in Dairyland would not be materially different from its carrying value.

As a listed shell company, Cooks Food's only material intangible asset is likely to be its NZAX listing. In general terms, the value ascribed to the NZAX listing is a function of the costs saved by a company undertaking a backdoor listing or reverse listing rather than undergoing an initial public offering (IPO). IPO costs can be significant and include share registry expenses, legal fees, accounting fees, advertising costs, printing costs and postage costs associated with preparing an investment statement and prospectus. Recent backdoor listings and reverse listings on the NZX Main Board / NZAX ascribed values in the range of \$0.25 million to \$1.2 million to the NZX Main Board / NZAX listings. However, the relatively low costs incurred to set up specific reverse listing vehicles on the NZAX (such as RLV No. 3 Limited in October 2007), combined with the higher compliance costs that are now associated with backdoor listings and reverse listings due to the requirements of the NZX Guidance Note suggest that the value ascribed to a NZX Main Board / NZAX listing will now be lower than that observed in the past.

We consider a reasonable value for Cooks Food's NZAX listing to be in the range of \$0.2 million to \$0.25 million.

Based on the above, we are of view that the value of Cooks Food shares prior to the Transactions, and in the absence of any alternative transaction, is negligible.

Value of Cooks Food Shares Prior to the Transactions				
	Total		Per Share	
	Low \$000	High \$000	Low \$	High \$
Net assets as at 31 March 2013	(3,661)	(3,661)	(0.133)	(0.133)
Value of NZAX listing	200	250	0.007	0.009
Value of Cooks Food shares	<u>(3,461)</u>	<u>(3,411)</u>	<u>(0.126)</u>	<u>(0.124)</u>

One of the conditions of the FDL SPA is that there is to be no debt in either Cooks Food or FDL (other than that arising in the normal course of business or as relating to the implementation of the Transactions) at the completion of the Transactions. Accordingly:

- the Share Issues include the conversion of \$2.5 million of interest free convertible loans provided by ADG and \$0.2 million provided by Mr Hall into ordinary shares
- the Related Party Transaction included the conversion of \$3.0 million of debt owing to Mr Jackson into ordinary shares
- all of the convertible preference shares will be converted into ordinary shares.

Following the conversion of \$6.6 million of debt to equity, the Company will have adjusted net assets of \$3.1 million and 85,568,618 ordinary shares on issue. This would indicate a value in the vicinity of \$0.04 per share immediately following the debt to equity conversion.

<b>Value of Cooks Food Shares After the Debt to Equity Conversion</b>				
	<b>Total</b>		<b>Per Share</b>	
	<b>Low \$000</b>	<b>High \$000</b>	<b>Low \$</b>	<b>High \$</b>
Net assets as at 31 March 2013	(3,661)	(3,661)	(0.133)	(0.133)
Value of NZAX listing	200	250		
Conversion of ADG loans	2,500	2,500		
Conversion of Mr Hall loan	200	200		
Conversion of Mr Jackson / Tasman debts	3,094	3,094		
Convertible preference shares	778	778		
Adjusted net assets / value of shares	<u>3,111</u>	<u>3,161</u>	<u>0.036</u>	<u>0.037</u>

## 5.5 Conclusion

The Acquisitions are being funded primarily through the issue of new ordinary shares in Cooks Food at either \$0.10 per share (in respect of the FDL and Progressive acquisitions) or \$0.15 per share (in respect of the Esquires UK and Esquires Ireland acquisitions).

We consider the issue prices to be reasonable:

- they equal or exceed the VWAP over the past year (albeit on very thin volumes)
- they exceed the issue price of the most recent share placement made by the Company
- they significantly exceed the asset backing of the shares, even after adjusting for the proposed debt to equity conversion.

Further comfort on the reasonableness of the issue prices can be taken from the fact that ADG is prepared to invest a further \$1.75 million of cash into the Company to subscribe for an additional 14,000,000 shares after the completion of the Acquisitions at \$0.125 per share.

## 6. Indicative Valuation of Cooks Global (Post the Transactions)

### 6.1 Introduction

The Transactions represent the backdoor listing of 4 companies into Cooks Food which will significantly transform Cooks Food from being a listed shell company with negative \$3.7 million of total equity and negligible income producing assets to an adequately funded integrated supplier and retailer of food and beverage products operating in a number of countries around the world under the *Esquires Coffee Houses* brand.

The Acquisitions will largely be funded by the issue of new ordinary shares, resulting in the current shareholders' interests in the Company being significantly diluted by approximately 89%.

In such circumstances, we are of the view that valuations of the individual companies being acquired are less meaningful to Cooks Food's shareholders than the potential value of the Company post the Transactions (ie Cooks Global). Accordingly, we have assessed the indicative value of Cooks Global based on the strategy and forecast prepared by the Company and FDL.

We note that the valuation assessment is indicative only as it is based on strategies and forecasts that are still in the process of being fine tuned and that it is not possible at this point in time to specify the exact number of shares that will be issued under the Transactions.

### 6.2 Basis of Valuation

In general terms it is recognised that the value of a share represents the present value of the net cash flows expected therefrom. Cash flows can be in the form of either dividends and share sale proceeds or a residual sum derived from the liquidation of the business.

There are a number of methodologies used in valuing shares and businesses. The most commonly applied methodologies include:

- discounted cash flow (**DCF**)
- capitalisation of earnings
- net assets or estimated proceeds from an orderly realisation of assets.

Each of these valuation methodologies is applicable in different circumstances. The appropriate methodology is determined by a number of factors including the future prospects of the business, the stage of development of the business and the valuation practice or benchmark usually adopted by purchasers of the type of business involved.

The DCF method is the fundamental valuation approach used to assess the present value of future free cash flows (**FCF**), recognising the time value of money and risk. The value of an investment is equal to the value of FCF arising from the investment, discounted at the investor's required rate of return.

The capitalisation of earnings method is an adaptation of the DCF method. It requires an assessment of the maintainable earnings of the business and a selection of a capitalisation rate (or earnings multiple) appropriate to that particular business for the purpose of capitalising the earnings figure.



An assets based methodology is often used in circumstances where the assets of a company have a market value independent of the profitability of the company that owns them. A valuation based on an orderly realisation of assets is normally restricted to instances where the investor holds sufficient control to effect a sale of the assets and/or there is some indication that an orderly realisation is contemplated.

### **6.3 Valuation Approach**

We have assessed the indicative value of Cooks Global using the capitalisation of earnings method and have assessed the reasonableness of the valuation outcome by cross-checking it against the DCF method.

### **6.4 Profile of the Acquisitions**

A comprehensive description and profile of FDL, Esquires UK, Esquires Ireland and Progressive is set out in the Profile that accompanies the notice of annual meeting sent to the Company's shareholders and is not replicated in this report to avoid unnecessary duplication.

We recommend that shareholders read the Profile in conjunction with this report so as to enable a greater understanding of the factors that impact on the assessment of the value of the Company post the Transactions.

We note that the Profile does not contain financial forecasts for Cooks Global. There is no regulatory requirement to provide financial forecasts in the Profile and the Board has chosen not to do so as the forecasts it has prepared to date are still subject to further evaluation and are considered to be commercially sensitive at this point in time.

### **6.5 Capitalisation of Earnings Valuation**

#### ***Overview***

We have assessed Cooks Global's future maintainable earnings and have reviewed the market valuation and operational performance of comparable companies to derive a range of earnings multiples to apply to our assessed level of maintainable earnings.

#### ***Future Maintainable Earnings***

The evaluation of maintainable earnings involves an assessment of the level of profitability which (on average) the business can expect to generate in the future, notwithstanding the vagaries of the economic cycle.

The assessment of maintainable earnings is made after considering such factors as the risk profile of the business, the characteristics of the markets in which it will operate, its historical and forecast performance, non-recurring items of income and expenditure and known factors likely to impact on future operating performance.

We have used EBITDA as the measure of earnings. The use of EBITDA and EBITDA multiples is common in valuing businesses for acquisition purposes as it eliminates the effect of financial leverage which is ultimately in the control of the acquirer and also eliminates any distortions from the tax position of the business and differing accounting policies in respect of depreciation and the amortisation of intangible assets.

It is difficult to assess a level of maintainable EBITDA for the Company at this point in time as the Cooks Global business (as opposed to Cooks Food) does not have any observable historic earnings and it is forecasting to increase the size of its operations significantly over the next 6 years.

For the purposes of our indicative valuation assessment, we have based our assessment of Cooks Global's maintainable EBITDA on its forecast EBITDA for the 2016 and 2017 financial years of \$4.5 million and \$7.8 million respectively.

We have used the 2016 financial year on the basis that it represents the second full year of operations of Cooks Global. The forecast for the 2014 financial year represents only 6 months trading and includes the costs associated with the Transactions. The 2015 financial year is effectively the first full year of trading and Cooks Global projects that it will be in a major growth phase and hence its 2015 earnings will not necessarily be reflective of its maintainable earnings.

We have used the 2017 financial year to indicate the potential upside in value should Cooks Global successfully execute its strategy.

Cooks Global's forecast EBITDA of \$4.5 million for the 2016 financial year is based on the following key assumptions:

- the Company will be operating 184 stores by 31 March 2016
- average sales per store will be \$0.4 million, resulting in total store sales of \$74 million
- revenue for Cooks Global will be \$19 million, representing 25% of store sales
- EBITDA margin will be 24% on Company revenue.

Cooks Global's forecast EBITDA of \$7.8 million for the 2017 financial year is based on the following key assumptions:

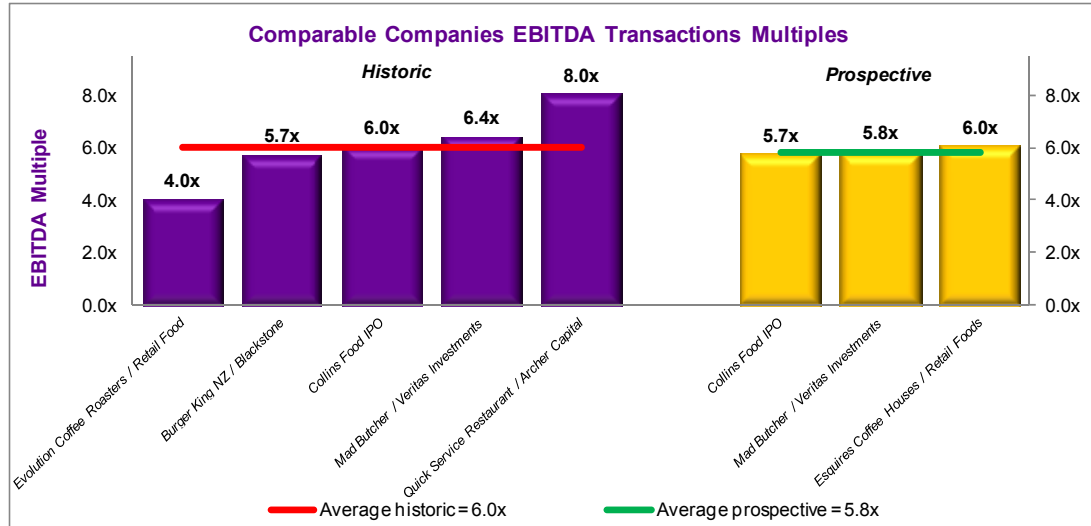
- the Company will be operating 263 stores by 31 March 2017
- average sales per store will be \$0.4 million, resulting in total store sales of \$103 million
- revenue for Cooks Global will be \$26 million, representing 25% of store sales
- EBITDA margin will be 30% on Company revenue.

### ***Earnings Multiple***

Actual sales of comparable businesses can provide reliable support for the selection of an appropriate earnings multiple. In addition, we can infer multiples from other evidence such as minority shareholding trades for listed companies in New Zealand and overseas with similar characteristics to FDL, Esquires UK and Esquires Ireland or transactions involving businesses in the same industry.

### Transaction Multiples

Set out at Appendix I is an analysis of 9 transactions in New Zealand and Australia since February 2011 involving food businesses.



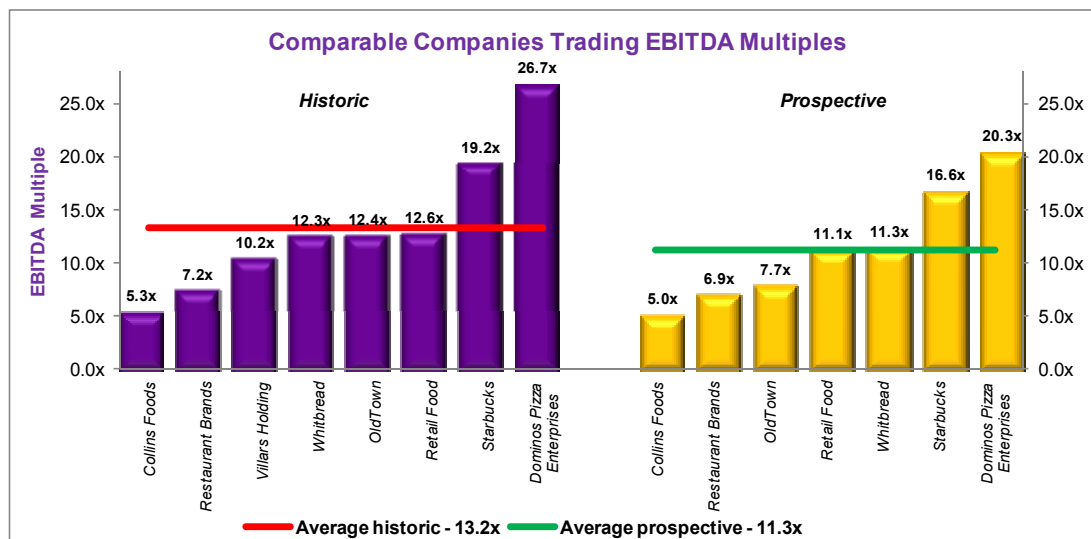
Source: Capital IQ, brokers reports, independent expert's reports, media releases

The transactions have been in a historic EBITDA multiple range of 4.0x to 8.0x at an average of 6.0x and a prospective EBITDA multiple range of 5.7x to 6.0x at an average of 5.8x.

### Trading Multiples

Set out at Appendix II is an analysis of historic and prospective EBITDA multiples for food companies with franchise operations which are listed on the NZX Main Board, the NZAX and the Australian Securities Exchange (ASX) and overseas listed companies with significant operations involving the supply and retail of coffee products.

The comparable companies' multiples are based on minority trades and as such do not include any premium for control.



Source: Capital IQ, data as at 11 September 2013

The analysis shows that the historic EBITDA trading multiples range from 5.3x to 26.7x at an average of 13.2x and the prospective EBITDA trading multiples range from 5.0x to 20.3x at an average of 11.3x.

Collins Foods and Restaurant Brands have the lowest observed multiples. Both of these companies differ from Cooks Global and the other comparable companies as they are franchisees who do not ultimately own the brands in their portfolios.

### Conclusion

We are of the view that the transaction multiples provide the most compelling evidence for an EBITDA multiple for Cooks Global as most of the target companies have characteristics similar to Cooks Global (eg nature of business, geographic location and size). We are of the view that the trading multiples have less relevance to Cooks Global as the comparable companies are significantly larger than Cooks Global and are much more liquid investments.

We consider an appropriate prospective EBITDA multiple for Cooks Global to be in the range of 5.5x to 6.5x.

### Valuation Conclusion

We assess the indicative value of the Cooks Global business to be in the range of \$24.8 million to \$50.7 million.

Indicative Valuation of Cooks Global Business		
	Low \$000	High \$000
Future maintainable EBITDA	4,500	7,800
EBITDA multiple	5.5x	6.5x
Indicative value of business	<u>24,750</u>	<u>50,700</u>

## 6.6 Discounted Cash Flow Valuation

We have been provided with a financial model for Cooks Global for the 6 years ended 31 March 2019. The model was prepared by Cooks Food with input from FDL. Our indicative valuation range of \$24.8 million to \$50.7 million in section 6.5 reflects the value of the business based on its forecast financial performance in the 2016 and 2017 financial years.

The indicative value of Cooks Global derived from the DCF model supports the higher end of the indicative value range derived from the capitalisation of earnings approach. This is because the financial model contains forecasts of continued high rates of growth in the number of stores opened and hence earnings for Cooks Global beyond the 2016 financial year.

Any DCF analysis is reliant on the assumptions underlying the key value drivers. In the case of Cooks Global, its key value drivers include the number of stores opened, store revenue levels, Company revenues (ie royalties, marketing levies, margins earned on the supply of products, master franchise and store opening fees and supply chain revenue) and operating costs.

Should the assumptions regarding the key value drivers which drive the forecasts in the financial model prove to be achievable, this would suggest that the indicative value of Cooks Global could be at the upper end of the indicative value range assessed in section 6.5.

## 6.7 Indicative Valuation of Cooks Global Shares

To derive the indicative value of the Cooks Global shares, the Company's net cash and cash equivalents is added to the enterprise value. Cooks Global's net cash and cash equivalents post the Transactions are estimated to be \$1.8 million.

We are of the view that Cooks Global has no other surplus assets of significant value at this point in time. However, if Dairyland successfully executes its strategy to build and operate an export milk processing facility, Cooks Global's 42.46% shareholding in Dairyland may have a value significantly higher than its current carrying value of \$87.

We assess the indicative fair market value of 100% of the shares in Cooks Global to be in the range of \$26.6 million to \$52.5 million.

Indicative Valuation of Cooks Global Shares		
	Low \$000	High \$000
Indicative value of Cooks Global business	24,750	50,700
Net cash for valuation purposes	1,800	1,800
Indicative value of Cooks Global shares	<u>26,550</u>	<u>52,500</u>

The valuation represents the indicative full underlying standalone value of Cooks Global based on its current strategic and operational initiatives that have been recently developed by Cooks Food and FDL.

On the basis that there will be 248,858,657 ordinary shares on issue post the Transactions, this indicates a value of \$0.11 to \$0.21 per share.

## **7. Sources of Information, Reliance on Information, Disclaimer and Indemnity**

### **7.1 Sources of Information**

The statements and opinions expressed in this report are based on the following main sources of information:

- the draft notice of annual meeting
- the draft Profile
- the FDL SPA
- the EUK SPA
- the EI SPA
- the PPL SPA
- the DSL investment agreement dated 6 June 2013
- the ADG convertible loan agreement dated 26 March 2013
- the Gerard Hall convertible loan agreement dated 14 May 2013
- the Cooks Food annual reports for the years ended 31 March, 2010 to 2013
- the Cooks Food financial model for the 6 years to 31 March 2019
- the Cooks Food Disclosure Document for NZAX Compliance Listing dated 3 October 2008
- data in respect of Cooks Food and comparable companies from NZX Data and Capital IQ.

During the course of preparing this report, we have had discussions with and / or received information from the Board and executive management of Cooks Food and Cooks Food's legal advisers.

The Board has confirmed that we have been provided for the purpose of this Independent Adviser's Report and Independent Report with all information relevant to the Transactions that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise.

Including this confirmation, we have obtained all the information that we believe is desirable for the purpose of preparing this Independent Adviser's Report and Independent Report.

In our opinion, the information to be provided by Cooks Food to the Company's shareholders is sufficient to enable the Board and the Company's shareholders to understand all the relevant factors and to make an informed decision in respect of the Transactions.

## **7.2 Reliance on Information**

In preparing this report we have relied upon and assumed, without independent verification, the accuracy and completeness of all information that was available from public sources and all information that was furnished to us by Cooks Food and its advisers.

We have evaluated that information through analysis, enquiry and examination for the purposes of preparing this report but we have not verified the accuracy or completeness of any such information or conducted an appraisal of any assets. We have not carried out any form of due diligence or audit on the accounting or other records of Cooks Food, FDL, Esquires UK, Esquires Ireland or Progressive. We do not warrant that our enquiries would reveal any matter which an audit, due diligence review or extensive examination might disclose.

## **7.3 Disclaimer**

We have prepared this report with care and diligence and the statements in the report are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant that any forecasts of future profits, cash flows or financial position of Cooks Global will be achieved. Forecasts are inherently uncertain. They are predictions of future events that cannot be assured. They are based upon assumptions, many of which are beyond the control of the Company and its directors and management. Actual results will vary from the forecasts and these variations may be significantly more or less favourable.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the report to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the report or assumptions reasonably taken as implicit, provided that this shall not absolve Simmons Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this report. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this report or to review, revise or update this report.

We have had no involvement in the preparation of the notice of annual meeting or the Profile issued by Cooks Food and have not verified or approved the contents of the notice of annual meeting or the Profile. We do not accept any responsibility for the contents of the notice of annual meeting except for this report.

## **7.4 Indemnity**

Cooks Food has agreed that, to the extent permitted by law, it will indemnify Simmons Corporate Finance and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. Cooks Food has also agreed to indemnify Simmons Corporate Finance and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where Simmons Corporate Finance or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or term of reference, Simmons Corporate Finance shall reimburse such costs.



## **8. Qualifications and Expertise, Independence, Declarations and Consents**

### **8.1 Qualifications and Expertise**

Simmons Corporate Finance is a New Zealand owned specialist corporate finance advisory practice. It advises on mergers and acquisitions, prepares independent expert's reports and provides valuation advice.

The person in the company responsible for issuing this report is Peter Simmons, B.Com, DipBus (Finance), CFIP.

Simmons Corporate Finance and Mr Simmons have significant experience in the independent investigation of transactions and issuing opinions on the merits and fairness of the terms and financial conditions of the transactions.

### **8.2 Independence**

Simmons Corporate Finance does not have at the date of this report, and has not had, any shareholding in or other relationship with Cooks Food or DSL or any conflicts of interest that could affect our ability to provide an unbiased opinion in relation to the Transactions.

Simmons Corporate Finance has not had any part in the formulation of the Transactions or any aspects thereof. Our sole involvement has been the preparation of this report.

Simmons Corporate Finance will receive a fixed fee for the preparation of this report. This fee is not contingent on the conclusions of this report or the outcome of the voting in respect of the Transactions. We will receive no other benefit from the preparation of this report.

### **8.3 Declarations**

An advance draft of this report was provided to the Board for its comments as to the factual accuracy of the contents of the report. Changes made to the report as a result of the circulation of the draft have not changed the methodology or our conclusions.

Our terms of reference for this engagement did not contain any term which materially restricted the scope of the report.

### **8.4 Consents**

We consent to the issuing of this report in the form and context in which it is to be included in the notice of annual meeting to be sent to Cooks Food's shareholders. Neither the whole nor any part of this report, nor any reference thereto may be included in any other document without our prior written consent as to the form and context in which it appears.



Peter Simmons  
Director

**Simmons Corporate Finance Limited**

*12 September 2013*

## Appendix I

### Comparable Company Transaction Multiples

Transaction Multiples						
Date	Target	Bidder	Implied Enterprise Value (m)	EBITDA Multiple		Country
				Hist.	Pros.	
May 2013	Mad Butcher	Veritas Investments	NZ\$40	6.4x	5.8x	New Zealand
Nov 2012	The Coffee Guy	Retail Food	NZ\$6	n/a	n/a	New Zealand
Nov 2012	Crust Gourmet Pizza	Retail Food	A\$45	n/a	n/a	Australia
Apr 2012	Pizza Capers	Retail Food	A\$30	n/a	n/a	Australia
Dec 2011	Burger King NZ	Blackstone	NZ\$108	5.7x	n/a	New Zealand
Sep 2011	Evolution Coffee Roasters	Retail Food	NZ\$4	4.0x	n/a	New Zealand
Jul 2011	Collins Foods	IPO	A\$334	6.0x	5.7x	Australia
Jun 2011	Quick Service Restaurant	Archer Capital	A\$477	8.0x	n/a	Australia
Feb 2011	Esquires Coffee Houses	Retail Food	A\$9	n/a	6.0x	New Zealand
		Minimum		4.0x	5.7x	
		Average		6.0x	5.8x	
		Maximum		8.0x	6.0x	

*n/a: not available*

*Source: Capital IQ, brokers reports, independent expert's reports, media releases*

#### **Mad Butcher / Veritas Investments**

In May 2013, NZX Main Board listed shell company Veritas Investments completed the backdoor listing of The Mad Butcher franchisor business for \$40 million. The Mad Butcher business comprises the *Mad Butcher* brand, franchise system and franchisor rights in respect of the 36 franchised *Mad Butcher* stores across New Zealand.

#### **The Coffee Guy / Retail Food**

In November 2012, Australian retail food brand manager and franchisor, Retail Food acquired mobile and portable coffee franchise system The Coffee Guy for \$5.5 million. The Coffee Guy was established by Richard Karam in 2005 and over the last 7 years was purported to have grown to become the largest portable coffee franchise system in New Zealand. The transaction increased Retail Food's penetration outside of shopping centres and provided synergies with Evolution Coffee Roasters. The historic earnings before interest and tax (**EBIT**) multiple was 5.5x and analysts noted that the transaction was broadly in line with previous coffee acquisitions.

#### **Crust Gourmet Pizza / Retail Food**

In November 2012, Retail Food acquired the business and intellectual property assets of Crust Gourmet Pizza for A\$45 million. Established in 2001, Crust Gourmet Pizza has grown to 119 outlets and it has established a strong market position in the gourmet take away pizza segment. The stores are predominantly based in New South Wales and Victoria and the brand is growing internationally with stores in New Zealand, Singapore and the USA. The transaction was at a prospective EBIT multiple of 7.0x.

### ***Pizza Capers / Retail Food***

In April 2012, Retail Food acquired Pizza Capers for A\$30 million. Pizza Capers specialises in the sale of gourmet pizza and related products made using fresh restaurant quality and wholesome ingredients. The acquisition positioned Retail Food within the traditional Australian quick service restaurant segment. Pizza Capers has 110 stores, 85% of which are located in Queensland. The transaction was at a prospective EBIT multiple of 7.0x.

### ***Burger King (New Zealand) / Blackstone Group***

In December 2011, private equity firm Blackstone Group acquired the franchise to 75 Burger King restaurants in New Zealand for \$108 million from Anchorage Capital Partners (**Anchorage**). In September 2009, Anchorage together with management shareholders purchased 100% of the New Zealand Burger King franchise. During Anchorage's investment term, the company implemented a turnaround program which resulted in a material change in the quality of the business with underlying EBITDA approximately doubling.

### ***Evolution Coffee Roasters / Retail Food***

In September 2011, Retail Food acquired Evolution Coffee Roasters, Roasted Addition Coffee Dealers and Evil Child Beverage for \$4 million. Evolution Coffee Roasters is an operator of a coffee roasting facility in Auckland that manufactures and distributes approximately 170 tonnes annually of premium coffee products throughout New Zealand. Roasted Addition and Evil Child Beverage is a wholesaler of a range of proprietary premium coffee blends, chocolate powders and syrups.

### ***Collins Foods IPO***

In July 2011, Collins Foods listed on the ASX. The IPO comprised an institutional offer and a broker firm offer. The book build closed at A\$2.50 at the bottom of the indicative value range. Collins Foods intended to use the capital to repay some existing liabilities and to enable the existing investors to realise all or part of their investment.

### ***Quick Service Restaurant / Archer Capital***

In June 2011, Archer Capital acquired Quick Service Restaurant, which is the largest Australian owned operator of quick service restaurants with over 620 stores across Australia. Quick Service Restaurant owns and controls 3 brands with long histories in the Australian market. *Red Rooster* has over 375 stores across Australia, *Oporto* over 135 stores and *Chicken Treat* over 100 stores. Quick Service Restaurant has also been growing its network internationally, with stores in New Zealand, China, the US and the UK. Approximately 25% of the store network is owned and operated by Quick Service Restaurant and the remaining 75% of the network is franchised.

### ***Esquires Coffee Houses / Retail Food***

In February 2011, Retail Food acquired the Australasian rights to the *Esquires Coffee Houses* chain for A\$8.8 million. The *Esquires Coffee Houses* system originated in Canada and was first established in New Zealand by way of master franchise in 2001. At the time of the transaction the New Zealand network had a footprint of 46 stores and it was the largest franchised coffee chain in New Zealand.

## Appendix II

### Comparable Company Trading Multiples

Trading Multiples						
Company	Market Capitalisation (\$m)	Enterprise Value (\$m)	EBITDA Multiple		PE Multiple	
			Hist.	Pros.	Hist.	Pros.
BurgerFuel	NZ\$91	NZ\$89	58.4x	n/a	82.1x	n/a
Collins Foods	A\$163	A\$245	5.3x	5.0x	10.2x	9.5x
Domino's Pizza Enterprises	A\$1,178	A\$1,199	26.7x	20.3x	34.4x	30.1x
OldTown	MYR1,006	MYR933	12.4x	7.7x	19.5x	16.7x
Restaurant Brands	NZ\$268	NZ\$283	7.2x	6.9x	16.6x	14.5x
Retail Food	A\$581	A\$675	12.6x	11.1x	17.3x	15.2x
Starbucks	US\$53,800	US\$52,312	19.2x	16.6x	34.3x	31.1x
Veritas Investments	NZ\$52	NZ\$52	n/a	n/a	n/a	n/a
Villars Holding	CHF53	CHF47	10.2x	n/a	17.4x	n/a
Whitbread	£5,622	£6,127	12.3x	11.3x	18.4x	19.3x
	Minimum		5.3x	5.0x	10.2x	9.5x
	Average (excluding BurgerFuel <sup>1</sup> )		13.2x	11.3x	21.0x	19.5x
	Maximum		58.4x	20.3x	82.1x	31.1x

*n/a: not available*

<sup>1</sup> The BurgerFuel multiples are considered to be an outlier for the purposes of the analysis

Source: Capital IQ, data as at 11 September 2013

#### BurgerFuel

BurgerFuel operates as a franchisor of gourmet burger restaurants in New Zealand, Australia and the Middle East. As of 31 March 2013, it had 44 BurgerFuel operating outlets. The company was founded in 1995 and is headquartered in Auckland.

#### Collins Foods

Collins Foods operates and manages restaurants. It operates 122 franchised KFC restaurants in Queensland and northern New South Wales and owns and operates 27 Sizzler restaurants in Australia. The company also operates as a franchisor of the Sizzler brand in South East Asia with 56 franchised stores primarily in Thailand as well as in China and Japan. Collins Foods was founded in 1968 and is based in Newmarket, Australia.

#### Domino's Pizza Enterprises

Domino's Pizza Enterprises operates retail food outlets and franchise services. The company holds the exclusive master franchise agreement for the Domino's brand and network in Australia and New Zealand as well as France, Belgium, Monaco and the Netherlands. The Domino's brand is owned by Domino's Pizza, a listed USA company. As of 13 August 2013, it operated a network of approximately 1,200 stores. Domino's Pizza Enterprises is headquartered in Hamilton, Australia.

### **OldTown**

OldTown engages in the operation of café outlets under the *OLDTOWN WHITE COFFEE* brand as well as a central bakery and confectionery processing centre. Its outlets provide hot and cold coffee and tea beverages. The company operates 196 café outlets, which include 79 owned, 18 partially owned and 96 franchised outlets as well as 3 licensed outlets in Malaysia, Singapore, Indonesia and China. It also engages in the manufacture and sale of coffee and other beverages. The company offers instant coffee mix, roasted coffee powder, instant milk tea mix and instant chocolate under the *NAN YANG* brand. It sells its products through retail markets and exports its instant beverage mixes to approximately 13 countries worldwide. The company was founded in 1999 and is headquartered in Ipoh, Malaysia.

### **Restaurant Brands**

Restaurant Brands operates quick service and takeaway restaurants in New Zealand. It operates through 4 segments - *KFC*, *Pizza Hut*, *Starbucks Coffee* and *Carl's Jr.* The company operates 177 restaurants as a franchisee including 89 *KFC*, 57 *Pizza Hut*, 29 *Starbucks* and 2 *Carl's Jr.* stores. Restaurant Brands was founded in 1997 and is based in Auckland.

### **Retail Food**

Retail Food owns, develops and manages retail food franchise systems. It develops and manages the *Donut King*, *bb's cafe*, *Brumby's Bakeries*, *Michel's Patisserie*, *Big Dad's Pies*, *Esquires Coffee Houses* and *Pizza Capers* franchise systems, as well as operates as a licensor for its franchise systems. The company is also involved in the procurement, sale and distribution of bakery and other related items to franchisees and the manufacture and sale of roasted coffee and related products to franchisees and customers. As of 2 April 2012, it operated 1,259 outlets, including 365 *Donut King* outlets, 333 *Michel's Patisserie* outlets, 349 *Brumby's Bakeries* outlets, 55 *bb's cafe* outlets, 48 *Esquires Coffee Houses* outlets and 110 *Pizza Capers* outlets in Australia, New Zealand, China, Papua New Guinea, the Kingdom of Saudi Arabia, Indonesia and Singapore. The company was founded in 1989 and is based in Southport, Australia.

### **Starbucks Corporation**

Starbucks Corporation operates as a roaster, marketer and retailer of specialty coffee worldwide. As of 30 September 2012, the company operated 9,405 company-operated stores and 8,661 licensed stores. Its stores offer a wide range of coffee and other beverages and various food items. In addition, the company licenses the rights to produce and distribute *Starbucks* branded products to The North American Coffee Partnership with the Pepsi-Cola Company, as well as licenses its trademarks through licensed stores, grocery and national foodservice accounts. The company offers its products under the *Starbucks*, *Tazo tea*, *Seattle's Best Coffee*, *Starbucks VIA Ready Brew*, *Starbucks Refreshers*, *Evolution Fresh*, *La Boulange* and *Verismo* brands. The company was founded in 1985 and is based in Seattle, Washington, USA.

### **Veritas Investments**

In May 2013, Veritas Investments completed the backdoor listing of The Mad Butcher franchisor business. The Mad Butcher business comprises the *Mad Butcher* brand, franchise system and franchisor rights in respect of the 36 franchised *Mad Butcher* stores across New Zealand.

### ***Villars Holding***

Villars Holding engages in retail, catering and real estate businesses. It operates coffee shops under the *Coffee Break* and *Coffee Xpresso* names. Villars Holding was founded in 1970 and is based in Fribourg, Switzerland.

### ***Whitbread***

Whitbread operates hotels, restaurants and coffee shops. It owns and operates 649 hotels with approximately 51,000 rooms in the United Kingdom and Ireland as well as 4 hotels in the Middle East and 2 hotels in India under the *Premier Inn* brand and restaurants under the *Beefeater Grill*, *Brewers Fayre*, *Table Table* and *Taybarns* brands. The company operates approximately 1,500 coffee shops in the United Kingdom and 900 shops in 8 other countries under the *Costa Coffee* brand. It also operates roasters and espresso based coffee vending machines and is involved in the wholesale of coffee beans. Whitbread was founded in 1742 and is based in Dunstable, the United Kingdom.