GRANT SAMUEL

Veritas Investments Limited

Independent Adviser's and Independent Appraisal Report

March 2013

Grant Samuel confirms that it:

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

Grant Samuel has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Glossary

Term	Definition
CAM	Collins Asset Management Limited
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FY2011	The financial year ended 31 March 2011
FY2012	The financial year ended 31 March 2012
FY2013	The financial year ending 30 June 2013
FY2014	The financial year ending 30 June 2014
Grant Samuel	Grant Samuel & Associates Limited, the Independent Appraiser and Independent Advisor to Veritas shareholders
IPO	Initial Public Offering
Mad Butcher	Certain assets of Mad Butcher Holdings Limited
MBH	Mad Butcher Holdings Limited
MBH Allocation	The allotment of $20 million new shares in Veritas to MBH in part payment for the Proposed Acquisition
NZX	NZX Limited
Offer	The issue of new Veritas shares to raise between $22 million and $25 million for the purpose of funding the Proposed Acquisition
Proposed Acquisition	The proposed acquisition of Mad Butcher for a purchase price of $40 million
RMI	RMI Holdings Limited, a company associated with Philip Newland, a director of Veritas
Salvus	Salvus Strategic Investments Limited
Veritas	Veritas Investments Limited
Vendor Loan	The loan from MBH to Veritas that may be required to fund the cash component of the purchase price, over and above the aggregate of the proceeds of the Offer and the funds available to be drawn down under the ANZ facility

1. Overview of the Proposed Acquisition of Mad Butcher and Related Transactions

1.1 Background

Veritas Investments Limited (**Veritas**) is a shell company listed on the Main Board operated by NZX Limited (**NZSX**). Over the past 14 months Veritas has been actively seeking reverse listing opportunities to present to its investors. As a result of this process Veritas has now entered into an agreement to acquire the franchisor business and assets of The Mad Butcher (**Mad Butcher**) from its current owner, Mad Butcher Holdings Limited (**MBH**) for a purchase price of $40 million (the **Proposed Acquisition**). The purchase price will be satisfied by way of a $20 million cash payment and the issue of $20 million ordinary shares in Veritas to MBH, a company ultimately owned by interests associated with Michael Morton. Michael Morton has agreed to continue in his role as CEO of Mad Butcher and will be appointed to the Board of Veritas following the Proposed Acquisition. The business being acquired comprises the Mad Butcher brand, franchise system and franchisor rights in respect of the 36 franchised Mad Butcher stores across New Zealand, which represent New Zealand's largest network of franchised retail butchers. The network of Mad Butcher stores, none of which form part of the acquisition[1], is comprised of franchised stores which together generated revenue of over $150 million in the financial year ended 31 March 2012.

On 4 February 2013 Veritas undertook a 1 for 25 share consolidation reducing the number of Veritas shares on issue from 57,302,229 to 2,292,165. The share consolidation has no impact on the proportional shareholding of each Veritas shareholder. All references to numbers of Veritas shares in this report are to the post-consolidation number of shares.

1.2 Details of the Proposed Acquisition of Mad Butcher

The acquisition of Mad Butcher involves a series of related transactions that require the approval of Veritas shareholders including:

- the Proposed Acquisition;
- a share offer of up to $25 million being undertaken to fund the cash component of the purchase price and pay the associated transaction costs (the **Offer**);
- the issue of $20 million of new ordinary Veritas shares to MBH (the **MBH Allocation**) to satisfy the payment of the second half of the purchase price;
- the appointment of Michael Morton and Shane McKillen (an associate of Michael Morton) to the Board of Veritas;
- entry into the bank facility agreement with ANZ;
- utilisation of the Vendor Loan if required (discussed in further detail on Page 6 of this report); and
- an increase in aggregate director remuneration of Veritas directors from $110,000 to a maximum of $400,000 following the Proposed Acquisition.

The Proposed Acquisition constitutes a "major transaction" for Veritas under s129 of the Companies Act 1993 as it will involve the acquisition of assets, the value of which is more than half the market value of Veritas' assets prior to the Proposed Acquisition. Accordingly, the Proposed Acquisition will require the approval of Veritas shareholders by way of a special resolution.

The Proposed Acquisition is conditional upon:

- the approval of Veritas shareholders to the Proposed Acquisition, the Offer, entry into the ANZ Facility Agreement and an increase in the aggregate director remuneration of Veritas to $400,000 per annum; and
- no material adverse change arising in relation to Mad Butcher or Veritas.

[1] Two of the 36 franchised stores in the Mad Butcher network are owned by subsidiaries of MBH.

The Offer

The Offer involves the public offer of new ordinary shares in Veritas at $1.30 per share to raise at least $22 million, and up to a maximum of $25 million, to fund the cash component of the purchase price for Mad Butcher ($20 million) and associated transaction costs.

Members of the public interested in acquiring shares pursuant to the Offer may only do so via an NZX Broker Firm or by way of a $3 million priority pool of shares available to Veritas shareholders on the register as at 5.00pm on 22 February 2013 and Mad Butcher franchisees. No brokerage fees are payable by persons wishing to subscribe for shares under the Offer.

A number of shareholders have agreed to provide Firm Commitments to subscribe for shares under the Offer. In addition, various shareholders have agreed to sub-underwrite a portion of the Offer. The table below shows the Firm Commitments and sub-underwriting amounts:

Firm Commitments and Sub-underwrites ($ million)

Shareholder	Firm Commitment	Sub-Underwrite
Collins Asset Management Limited (**CAM**)	7.5	2.5
Ambrosia Trust	2.0	-
RMI Holdings Limited (**RMI**) (associated with Philip Newland)	0.2	2.0
Timothy Cook	0.5	-
Mark Darrow	0.1	-
Wallace Family Trust (associated with former Veritas director Simon Wallace)	0.1	-
Total	**10.4**	**4.5**[2]

An underwriting agreement has been entered into with Craigs Investment Partners in respect of $12.7 million of shares in the Offer, which is the minimum amount that, in the opinion of the Directors, must be raised under the Offer in order to fund the cash component of the Proposed Acquisition purchase price and associated transaction costs. The actual amount underwritten by Craigs Investment Partners has been reduced to nil by the Firm Commitments and sub-underwriting arrangements outlined in the above table which means that Craigs Investment Partners will not be required to subscribe for any shares in the Offer. Craigs Investment Partners and Veritas have entered into sub-underwriting agreements with CAM and RMI for $2.5 million and $2 million respectively. Should any sub-underwriter or any party to a Firm Commitment default in their obligations, Craigs Investment Partners will also not be required to subscribe for any shares in the Offer (regardless of the aggregate amount of subscriptions received).

The Firm Commitments also reduce the maximum amount that the sub-underwriters can be called upon to subscribe for in the Offer (under their sub-underwriting agreements) to, in aggregate, $2.3 million of shares. If $2.3 million or more of subscriptions are received under the Offer in addition to the $10.4 million of Firm Commitments outlined in the table above, the sub-underwriters will not be required to subscribe for any shares in the Offer beyond their own Firm Commitments (even if any other party to a Firm Commitment defaults in their obligations). If less than $2.3 million of subscriptions are received under the Offer in addition to the $10.4 million of Firm Commitments outlined above, the sub-underwriters must subscribe for the shortfall in proportion to their respective sub-underwriting commitments.

Craigs Investment Partners will be paid an underwriting fee of $95,250 by Veritas (in consideration for arranging the Firm Commitments and sub-underwrites), and CAM and RMI will each be paid a sub-underwriting fee by Veritas of $100,000 and $80,000 respectively.

ANZ has agreed to make available to Veritas a $10 million loan facility for the sole purpose of funding the purchase price of the Proposed Acquisition. The ANZ facility will only be drawn to the extent the non-underwritten portion of the targeted Offer amount of $22 million ($9.3 million) is not raised, for example, in the event there is insufficient investor interest in the Offer. Provided shareholders approve the Proposed Acquisition, then together the Firm Commitments, Sub-Underwrites and ANZ facility provide sufficient funds to complete the Proposed Acquisition.

[2] The Firm Commitments reduce the maximum amount that the sub-underwriters can be called upon to subscribe for in the Offer to a maximum of $2.3 million as described in the paragraphs below the table.

Depending on the success or otherwise of the Offer CAM and its associates, as outlined in the table on page 7 of this report, including Timothy Cook, may, following the Offer, hold or control in excess of 20% of Veritas by virtue of their existing combined shareholding in Veritas of 19.99% together with the Firm Commitments and sub-underwrites outlined in the table above. This level of shareholding will require approval under the Takeovers Code and Rule 7.5 of the NZX Listing Rules by way of an ordinary resolution of shareholders.

Details of the MBH Allocation

Half of the purchase price for Mad Butcher will be paid by way of the issue of $20 million of new ordinary shares in Veritas to MBH, the current owner and CEO of Mad Butcher. MBH has agreed that for the period from completion of the Proposed Acquisition until the announcement of Veritas' financial results for the period ending 30 June 2014 it will not exercise or dispose of, or agree to dispose of any of the shares issued to MBH other than:

- with the prior written consent of a majority of non-interested directors of Veritas, and NZX; or
- to a related party that would be similarly bound, or in connection with a takeover offer under the Takeovers Code.

MBH has indicated that it sees itself as a long-term investor in Veritas beyond that date.

In the event that the MBH Allocation would result in MBH holding or controlling 50% or more of the Veritas shares on issue, there is provision in the Sale and Purchase Agreement between Veritas and interests associated with Michael Morton that the number of shares under the MBH Allocation would be reduced to a level of one share less than 50% of the shares in Veritas. As a result of this reduction, the cash component of the purchase price would be increased by an amount equal to the value of the shares by which the MBH Allocation had been reduced. Any such increase in the cash component of the purchase price, over and above the aggregate of the proceeds of the Offer and the funds available to be drawn down under the ANZ facility, would be funded by way of a vendor loan from MBH to Veritas (**Vendor Loan**). Any Vendor Loan would have a term of one year with interest payable at a rate equivalent to the ANZ facility interest rate, plus 2%.

As a result of the Proposed Acquisition and the associated transactions MBH will ultimately hold or control between 41.8% and 49.9% of the shares in Veritas. The MBH Allocation therefore requires shareholder approval under the Takeovers Code by way of an ordinary resolution.

Details of the appointment of various Directors

On completion, the Directors will appoint the two persons nominated by MBH – Michael Morton and Shane McKillen – to the Board of Veritas. These persons will be subject to approval by ordinary resolution of the shareholders of Veritas at the company's next annual general meeting.

1.3 Associates and Associated Persons under the Takeovers Code and the Listing Rules

The Proposed Acquisition and Offer involves a number of parties that will be considered Associates or Associated Persons of each other for the purposes of the Takeovers Code and/or the NZSX Listing Rules. The table below summarises the relevant relationships:

Associated groups under the Proposed Acquisition and Offer

	MBH	CAM	RMI	Timothy Cook	Mark Darrow	Wallace Family Trust
Listing Rules	Michael Morton Shane McKillen	Timothy Cook	Philip Newland	CAM		
Takeovers Code	Michael Morton Shane McKillen	Timothy Cook Mark Darrow Wallace Family Trust	Philip Newland	CAM Mark Darrow Wallace Family Trust	Timothy Cook Wallace Family Trust	Mark Darrow Timothy Cook

MBH is the entity that currently owns the Mad Butcher business which in turn is ultimately owned by interests associated with Michael Morton. Shane McKillen is an associate of Michael Morton as, together with Michael, he will represent MBH's interests on the board of Veritas.

Timothy Cook is the Managing Director of CAM and accordingly Timothy Cook and CAM are associates and Associated Persons for the purposes of the Takeovers Code and NZSX Listing Rules. For the purposes of the Takeovers Code Mark Darrow and the Wallace Family Trust (the trustees of which are Simon Wallace and Sievwrights Trustee Services (No. 4) Limited) have agreed to be treated as associates of Timothy Cook (and therefore CAM) by virtue of their Veritas business and ownership relationship, despite Simon Wallace retiring from the Board in January 2013.

RMI is Philip Newland's investment vehicle and is 100% owned by interests associated with Philip Newland. Ambrosia Trust is an independent investor and is not associated with any other party.

For the purposes of this report Grant Samuel has used the Listing Rule definition of associated persons when calculating aggregate shareholding percentages of the above shareholders and their associates.

1.4 Potential shareholding outcomes

The Offer and the Proposed Acquisition are a series of related transactions that will result in two parties owning a significant number of shares in Veritas. However, the outcome of these transactions is not certain with regard to the number of shares each shareholder will own. The major influence on the final shareholdings will be the extent to which existing Veritas shareholders (other than CAM and the directors of Veritas) and new investors participate in the Offer. The table below illustrates a range of potential outcomes based on different amounts being raised under the Offer from the minimum amount that the Directors believe must be raised in order to fund the cash component of the Proposed Acquisition purchase price (and associated transaction costs) of $12.7 million to the targeted minimum and maximum amounts of $22 million and $25 million. In reality the final shareholdings may end up anywhere in the range outlined below:

Potential Shareholding Outcomes

	Existing shareholdings	$12.7 million raised partially utilising the CAM & RMI sub-underwrites	$12.7 million raised without the CAM & RMI sub-underwrites	$22 million raised	$25 million raised
MBH[3]	-	49.99%[4]	49.99%[5]	44.46%	41.68%
CAM	16.93%	29.60%	25.52%	17.80%	16.68%
Cook	3.07%	1.89%	1.89%	1.32%	1.23%
Darrow	4.99%	0.79%	0.79%	0.55%	0.52%
Wallace Family Trust	15.23%	1.77%	1.77%	1.23%	1.15%
RMI	-	3.90%	0.64%	0.44%	0.42%
Ambrosia Trust	-	6.38%	6.38%	4.45%	4.17%
Other shareholders	59.78%	5.68%	13.01%	29.75%	34.14%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Grant Samuel understands that following its book build on 27 March 2013 Craigs Investment Partners has received sufficient firm commitments from institutional investors and NZX Firms to ensure the minimum amount raised under the Offer is $22 million.

[3] Including Michael Morton and his associates

[4] MBH's shareholding cannot increase to 50% or more of the total Veritas shares on issue and will therefore be capped at 49.99%

[5] as above

2. Scope of the Report

2.1 Purpose and Scope of the Report

The Directors of Veritas have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Adviser's and Independent Appraisal Report to comply with the Takeovers Code and the NZSX Listing Rules in respect of the Offer and the Proposed Acquisition and to assist Veritas shareholders that are not associated with MBH, CAM, RMI, Timothy Cook, Philip Newland, Mark Darrow and the Wallace Family Trust with their assessment of the Offer and the Proposed Acquisition prior to voting on the resolutions pertaining to them. Grant Samuel is independent of Veritas and Mad Butcher and has no involvement with, or interest in, the outcome of the Offer or the Proposed Acquisition. Grant Samuel has also received the requisite approval of the Takeovers Panel and the NZX to prepare the required Independent Adviser's and Independent Appraisal Report.

A copy of this report will accompany the Notice of Meeting containing the necessary shareholder resolutions on the Offer and the Proposed Acquisition to be sent to all Veritas shareholders. This report is for the benefit of the shareholders of Veritas other than CAM, RMI, Timothy Cook, Mark Darrow and the Wallace Family Trust. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Offer and the Proposed Acquisition and as to whether the consideration and the terms and conditions of the Offer and the Proposed Acquisition are fair to the shareholders of Veritas. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix E. Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt, appendices A to E form part of this report.

There are various legal requirements regarding this report contained in the Takeovers Code and the NZSX Listing Rules which are outlined below:

2.2 Requirements of the Takeovers Code

The Takeovers Code came into effect on 1 July 2001. The Takeovers Code seeks to ensure that all shareholders are treated equally and on the basis of proper disclosure are able to make informed decisions on shareholding transactions that may impact on their own holdings.

Veritas is a 'code company' for the purposes of the Takeovers Code. Rule 6 of the Takeovers Code, the fundamental rule, states that a person (along with its associates) who holds or controls:

(a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company;

(b) 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

Rule 7 of the Takeovers Code sets out the exceptions to the fundamental rule. Rule 7 states that a person may become the holder or controller of an increased percentage of the voting rights in a code company under the following circumstances:

(a) by an acquisition under a full offer;

(b) by an acquisition under a partial offer;

(c) by an acquisition by the person of voting securities in the code company or in any other body corporate from one or more other persons if the acquisition has been approved by an ordinary resolution of the code company in accordance with the code;

(d) **by an allotment to the person of voting securities in the code company or in any other body corporate if the allotment has been approved by an ordinary resolution of the code company in accordance with the code;**

(e) if: (i) the person holds or controls more than 50%, but less than 90%, of the voting rights in the code company; and

(ii) the resulting percentage held by the person does not exceed by more than 5 the lowest percentage of the total voting rights in the code company held or controlled by the person in the 12-month period ending on, and inclusive of, the date of the increase;

(f) if the person already holds or controls 90% or more of the voting rights in the code company.

The Takeovers Code specifies the responsibilities and obligations for Veritas. Both the MBH Allotment and the CAM Firm Commitment and sub-underwrite fall under Rule 7(d) of the Takeovers Code. An Independent Adviser's Report on the merits of the MBH Allotment and the CAM Firm Commitment and sub-underwrite is therefore required.

Rule 18 of the Takeovers Code requires the Independent Adviser to report on the merits of an offer. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merits", it suggests that "merits" include both positives and negatives in respect of a transaction. This report will include the merits of the Offer and the Proposed Acquisition.

2.3 Requirements of the NZSX Listing Rules

Possibility that more than 50% of the shares issued under the Offer will be issued to a Director and their associates

Rule 7.3 of the NZSX Listing Rules outlines a number of circumstances in which an Issuer (in this case Veritas) may issue equity securities without shareholder approval. None of these circumstances applies to the Offer and the Proposed Acquisition and, accordingly, the terms and conditions of the various equity issues must be approved by way of an Ordinary Resolution of Veritas shareholders. As more than 50% of the shares issued under the Offer may, in some circumstances, be issued to Timothy Cook, a Director of Veritas, and his associates (including CAM), an Appraisal Report is required to accompany the Notice of Meeting to approve the required Ordinary Resolution (under Rule 6.2.2(b)).

Increase in CAM's ability to exercise effective control over Veritas

Rule 7.5 stipulates that no issue of shares may be made if there is a significant likelihood that the issue will result in any person (or group of Associated Persons) materially increasing their ability to exercise, or direct the exercise, of effective control of that Issuer, and that person (or group of Associated Persons) controls not less than 1% of the total votes attaching to securities of the Issuer, unless the terms and conditions of the issue have been approved by an Ordinary Resolution of the Issuer. As a result of the Offer CAM, together with its Associated Persons, could increase their shareholding in Veritas from their current level of 19.99% to a maximum of 31.49%, depending on the level of subscriptions under the Offer. The NZX usually considers that any issue of shares to a shareholder (and/or its associates), which resulted in that shareholder holding 20% or more of the shares in Veritas would trigger the need for a shareholder resolution under Rule 7.5. Accordingly a resolution under Rule 7.5 is required and the Notice of Meeting containing that resolution must be accompanied by an Appraisal Report (see Rule 6.2.2(a)).

Material Transaction with Related Parties

Under Rule 9.2.1 of the NZSX Listing Rules an Issuer (in this case Veritas) shall not enter into a Material Transaction if a Related Party is, or is likely to become a direct or indirect party to the Material Transaction, unless that transaction is approved at a meeting of shareholders by an Ordinary Resolution of Veritas shareholders, the notice of meeting for which is accompanied by an Appraisal Report.

The definition of a Related Party in Rule 9.2.3 includes:

(a) "a Director or executive officer of the Issuer or any of its Subsidiaries";

(b) "the holder of a Relevant Interest in 10% or more of a Class of Equity Securities of the Issuer carrying Votes"; and

(c) "an Associated Person of the Issuer or any of the persons referred to in (a) or (b), other than a person who becomes an Associated Person as a consequence of the Material Transaction itself".

A Material Transaction is defined in Rule 9.2.2 and includes a transaction or a related series of transactions whereby an Issuer issues its own Securities having a market value in excess of 10% of the Average Market Capitalisation of the Issuer or obtains services (including the underwriting of securities) in respect of which the actual gross cost to the Issuer in any financial year is likely to exceed 1% of the Average Market Capitalisation of the Issuer.

The Proposed Acquisition and the Offer are a related series of transactions that meet the definition of a Material Transaction under the NZSX Listing Rules. The Offer constitutes a Material Transaction with Related Parties as CAM, RMI, Timothy Cook, Mark Darrow and the Wallace Family Trust are Related Parties of Veritas for the purposes of the Listing Rules and the Offer represents more than 800% of Veritas' Average Market Capitalisation. In addition, the payment of sub-underwriting fees to CAM and RMI of $100,000 and $80,000 respectively exceed 1% of Veritas' Average Market Capitalisation and will thereby also constitute a Material Transaction with Related Parties. Accordingly the CAM Firm Commitment and sub-underwrite, the RMI Firm Commitment and sub-underwrite, the Timothy Cook Firm Commitment, the Mark Darrow Firm Commitment and the Wallace Family Trust Firm Commitment as well as the payment of sub-underwriting fees to CAM and RMI comprise Material Transactions with Related Parties. An Appraisal Report under Listing Rule 9.2.5 is required in respect of the Offer, and more specifically the CAM, RMI, Timothy Cook, Mark Darrow and the Wallace Family Trust Firm Commitments and the CAM and RMI sub-underwrites (and the payment of sub-underwriting fees), and will accompany the Notice of Meeting.

Appraisal Report Requirements

Pursuant to Listing Rule 1.7.2 this Appraisal Report is required to:

- be addressed to the Directors of Veritas;
- be expressed to be for the benefit of the shareholders of Veritas not associated with CAM, RMI, Timothy Cook, Mark Darrow and the Wallace Family Trust;
- state whether or not in the opinion of Grant Samuel the consideration and the terms and conditions of the Offer and the Proposed Acquisition are "fair" to Veritas shareholders;
- state whether or not in Grant Samuel's opinion the information to be provided by Veritas to its shareholders is sufficient to enable holders to understand all the relevant factors, and make an informed decision;
- state whether Grant Samuel has obtained all information which it believes desirable for the purposes of preparing the report, including all relevant information which is or should have been known by any director of Veritas and made available to the directors;
- state any material assumptions on which the Grant Samuel's opinion is based; and
- state any term of reference which may have materially restricted the scope of the report.

The NZX Guidance Note on Backdoor and Reverse Listing Transactions also requires that the report include:

- a statement of whether there are any possible alternative courses for Veritas other than the Proposed Acquisition; and
- a statement whether or not, in the opinion of the authors of the report, the terms of the transaction are fair and reasonable to shareholders and in the best interests of Veritas.

The term "fair" has no legal definition in New Zealand either in the NZSX Listing Rules or in any other statutes dealing with securities or commercial law. However, guidance in interpreting and applying the rule can be gained both from regulatory interpretation in other jurisdictions and rulings made by the NZX.

The decision of each Veritas shareholder as to whether or not to vote in favour of the Offer and the Proposed Acquisition is a matter for individual shareholders having considered all relevant factors and their own preference either in favour of or against the Offer and the Proposed Acquisition.

2.4 Basis of Evaluation

Grant Samuel has evaluated the Proposed Acquisition by reviewing the following factors:

- the estimated value range of Mad Butcher and the price of the Proposed Acquisition when compared to that estimated value range;
- any advantages or disadvantages for Veritas shareholders of approving or rejecting the Proposed Acquisition;
- the timing and circumstances surrounding the Proposed Acquisition;
- the attractions of Veritas and the Mad Butcher business; and
- the risks of Veritas and the Mad Butcher business.

Grant Samuel has evaluated the Offer by reviewing the following factors:

- the likely market price and liquidity of Veritas shares in the absence of the Offer and the Proposed Acquisition;
- any advantages or disadvantages for Veritas shareholders of participating or not participating in the Offer;
- the timing and circumstances surrounding the Offer; and
- the extent of the Offer in the context of Veritas' existing shares on issue.

3. Overview of the Retail Butchery Industry

3.1 Background

Retail butchery has a long history in New Zealand. The arrival of supermarkets and retail chains in the mid 1970's saw the demise of a large number of independent butchers who lacked the necessary scale to derive the benefits of bulk buying and compete effectively with 'one-stop' supermarkets.

New Zealand has more than 3,000 supermarket and grocery outlets across the country[6]. Fresh meat, fish and poultry retailing accounts for a further 660 outlets. The number of retail butcheries has been in decline since the 1970's when there were more than 5,000 outlets. Independent butchers tend to offer differentiated products or services, or cater for a specific demographic.

3.2 Overview

The retail butchery market comprises the sale of raw meat to consumers and is part of the wider bulk grocery retail market. Although the New Zealand grocery market contains a large number of fragmented retailers (specialist food retailers, dairies and service stations), it is dominated by the two main supermarket operators – Progressive Enterprises and Foodstuffs. The total retail grocery market is estimated to comprise approximately $19 billion[7] with specialised food retailing comprising $1.3 billion of that total. Retail butcher chains are a subset of the specialised food retailing market.

Participants in the New Zealand retail butchery market can be divided into three main groups:

- ***Supermarkets.*** This category is dominated by Progressive Enterprises (Countdown, Fresh Choice and SuperValue) and Foodstuffs (New World, Pak'n Save and Four Square). Other smaller chains such as Farro Fresh, Nosh and Moore Wilson have emerged in recent years and are providing increasing competition to the retail chain butchery segment of the market but have a very small market share compared with the two major supermarket chains. Supermarkets dominate the retail of chilled meat products and have the benefit of purchasing in bulk and offering better prices than independent butchers.
- ***Retail Butcher Networks.*** In New Zealand there are relatively few retail chain butchers (such as The Mad Butcher, the Aussie Butcher and Export Meat Warehouse). Retail chains are in the unique position of being able to purchase in bulk, provide specialty cuts, offer competitive pricing and provide personalised service.
- ***Independent Butchers.*** Beef + Lamb New Zealand Inc estimate that there are now approximately 500 independent butcher shops in New Zealand. These butcher shops offer specialty cuts typically at higher prices than supermarkets. The inability to compete with supermarkets and retail chain butchers on price is likely to see the continued contraction of this segment of the market.

Growth in the retail butchery market is driven by consumer spending. To a degree the proportion of consumer spend on meat is fixed, however, when beef and lamb prices are high, demand shifts towards lower-cost sources of protein. According to Statistics New Zealand, supermarket and grocery store sales for December 2012 increased by 10.7% but were still 1.3% below December 2011 sales.

[6] New Zealand Retailers Association, "The Retail Market in NZ, An Analysis 2011/2012"

[7] New Zealand Retailers Association, "The Retail Market in NZ, An Analysis 2011/2012"

4. Profile of Veritas

4.1 Background

In 2004, Veritas (formerly known as Salvus Strategic Investments Limited (**Salvus**)) listed on the NZSX having raised $20.1 million (out of $50 million sought) via an initial public offering (**IPO**). Salvus' primary objective was to create a diversified share portfolio of small listed and unlisted New Zealand companies.

In February 2011, Salvus' directors announced that they were investigating options to restructure the company and potentially realise the company's assets and return capital to shareholders. At a special shareholder's meeting on 19 October 2011, the shareholders voted on four options:

- Milford Asset Management replacing Salvus Asset Management as manager of the investment portfolio;
- the sale of the investment portfolio, the return of capital to shareholders and delisting Salvus;
- the sale of the investment portfolio, the return of capital to shareholders with Salvus remaining as a listed shell following the issue of 15 million new shares to the Wallace Family Trust, which would then hold approximately 45% of the Company; and
- the status quo. Salvus Asset Management remaining as manager of the listed investment portfolio.

The shareholders voted to realise the company's assets and a return of capital to shareholders. The resolution to approve the issue of shares to the trustees of the Wallace Family Trust did not receive sufficient votes to be carried. On 7 November 2011 the Directors approved an initial return to shareholders by way of a cash distribution of $17 million ($0.8141 per share).

At the Annual General Meeting on 23 December 2011, Salvus shareholders were presented with another two choices:

- elect three new directors, thereby allowing the company to continue as a listed shell; or
- not elect any directors and have the company liquidated immediately.

The shareholders elected Simon Wallace, Tim Cook and Mark Darrow as directors thereby allowing the company to continue as a listed shell. The Directors were provided with a mandate to select a new business, or businesses, to reverse list into the Salvus listed shell. In February 2012 the company changed its name to Veritas.

In April 2012, Veritas announced a two for one pro-rata renounceable rights issue to raise up to $835,000. The rights issue raised $700,000 and these funds have been used to identify and assess acquisition opportunities to reverse list, pay for ongoing running costs and expenses of Veritas, and to repay a loan from one of the Director's trusts to Veritas. In September 2012, Veritas employed Matthew White, a financial analyst and investment manager to accelerate the search for investments.

Veritas sought investments in several sectors that met the following investment criteria:

- a proven business model;
- iconic New Zealand brand;
- capable of strong cash flows; and
- businesses that are scalable and have growth opportunities.

On 20 December 2012, Veritas entered into an agreement to acquire the Mad Butcher business from its current owner, MBH (Michael Morton's investment vehicle), for a purchase price of $40 million. The purchase price will be satisfied by $20 million in cash and $20 million by way of the issue of new Veritas shares to MBH.

The directors of Veritas see The Mad Butcher business as an appropriate first investment. In their opinion it:

- is an iconic brand in New Zealand;
- is an established business that has consistently performed over a number of years; and
- has strong cash flow off a low cost base through a simple but effective business model.

The Directors are also of the view that it is capable of further growth in a number of ways including same store growth, nationwide store expansion, product expansion, and through the acquisition of complementary businesses.

4.2 Financial Profile

The financial profile of Veritas for the years ended 30 June 2011 and 2012 are shown in the table below:

Veritas Financial Profile (NZ$ 000)

Year end 30 June	2011	2012
Financial Performance		
Operating revenue	808.2	544.3
Gain/(Loss) realised on sale of investments	(624.3)	(1,287.8)
Other	688.2	(123.7)
Total net (loss)/ income	**872.1**	**(867.2)**
Operating expenses	(612.8)	(963.1)
Operating (loss) / income before tax	**259.3**	**(1,830.3)**

Balance Sheet as at 30 June		
Cash, cash equivalents and restricted cash	2,976.8	692.7
Investments at fair value	15,859.1	-
Other	622.5	27.4
Total assets	**19,458.4**	**720.1**
Trade and other payables	(515.8)	(111.5)
Total liabilities	**(515.8)**	**(111.5)**
Net assets	**18,942.6**	**608.6**

The following points should be taken into consideration when reviewing the table above:

- the full year accounts as at 30 June 2012 reflect the rights issue together with the sale of the liquid assets of Salvus and the costs associated with that process which occurred in the first half of the financial year;
- Veritas holds a residual investment asset with an 8.43% interest in Syft Technologies, a manufacturer of gas analysis devices which are used in medical research, air quality testing and to detect toxic chemicals in shipping containers. This investment has a current carrying value of nil; and
- the financial position as at 30 June 2012 reflects the company's status as an investment shell.

4.3 Capital Structure and Ownership

As at 1 March 2013 Veritas had 2,292,165 shares on issue held by approximately 470 shareholders. The Company's top 20 shareholders are shown in the table below:

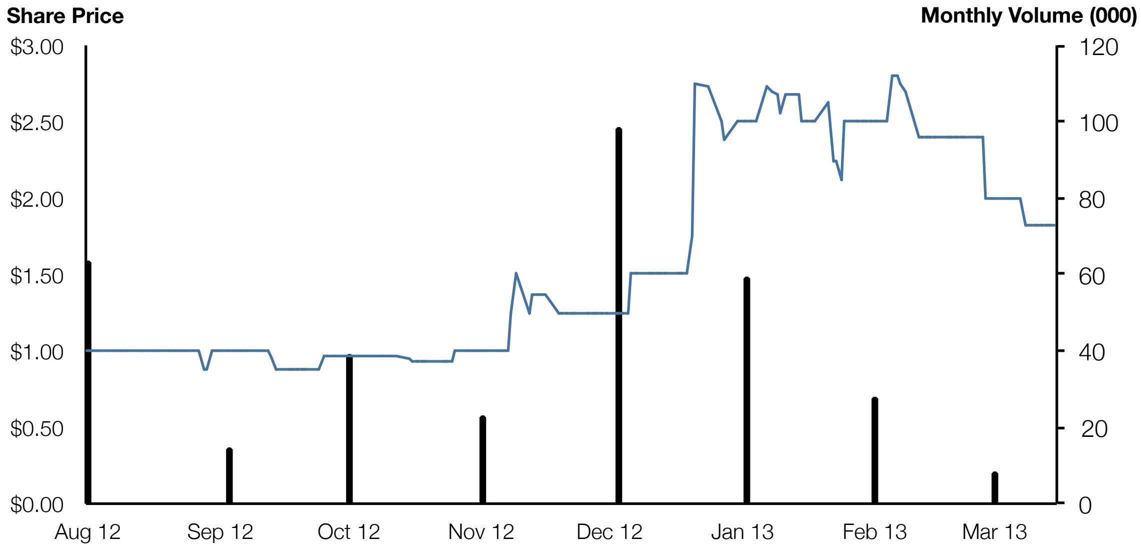
Veritas – Top 20 Shareholders as at 1 March 2013

Shareholder	Shares (000s)	%
Collins Asset Management Limited	388	16.93%
Simon Philip Wallace & John Neville Simpson	349	15.23%
Mark Charles Darrow	115	4.99%
Arthur Albert Young	100	4.36%
Custodial Services Limited	97	4.21%
Bruce Howden Blake	96	4.19%
Andrew Harmos & Gregory Horton	73	3.20%
Timothy John Cook	70	3.07%
Philip Martin Bish	59	2.59%
FNZ Custodians Limited	49	2.12%
Custodial Services Limited	41	1.76%
James Tear Stewart & Susan Rita Stewart & Peter Allen Lewis	40	1.75%
Robert Ivory Mcmillan & Kerry Anne Mcmillan & James Michael Robert Syme	40	1.75%
Ian Patrick Gibson & Joanne Ellen Gibson	36	1.59%
Brian John Mills & Margaret Sylvia Mills	34	1.50%
Warren Anthony Long	32	1.40%
Lapauge Limited	30	1.31%
Andrew Kent Robertson	25	1.09%
Malcolm Erskine Legget & Lillah Carolyn Hobson	24	1.05%
Custodial Services Limited	24	1.04%
Top 20 Shareholders	**1,722**	**75.14%**
Other Shareholders	**570**	**24.86%**
Total	**2,292**	**100.00%**

Veritas is a tightly held company with the top 20 shareholders owning 75% of the shares on issue.

4.4 Share Price Performance

Veritas Share Price Performance from August 2012 to March 2013 (adjusted for share consolidation)



Veritas' share price increased in late December 2012 following the announcement of the Proposed Acquisition.

5. Profile of Mad Butcher

5.1 Background

The Mad Butcher is a retail butchery store franchisor, owned and operated by MBH. The Mad Butcher was founded in 1971 when Sir Peter Leitch purchased a Mangere butchery called Rosella Meats. Over the last 42 years Mad Butcher has created a profitable niche by positioning itself in between the large supermarket chains and the local butcher. The Mad Butcher has been able to maintain its position within the market by providing the flexibility, independence and a level of service similar to that of a local butchery, while being price competitive with the larger supermarket chains. The Mad Butcher has been able to compete on price due to its purchasing power, high carcass yield, systems and supply chain efficiencies.

During the 1980s, to enhance its margin through vertical integration, Mad Butcher established:

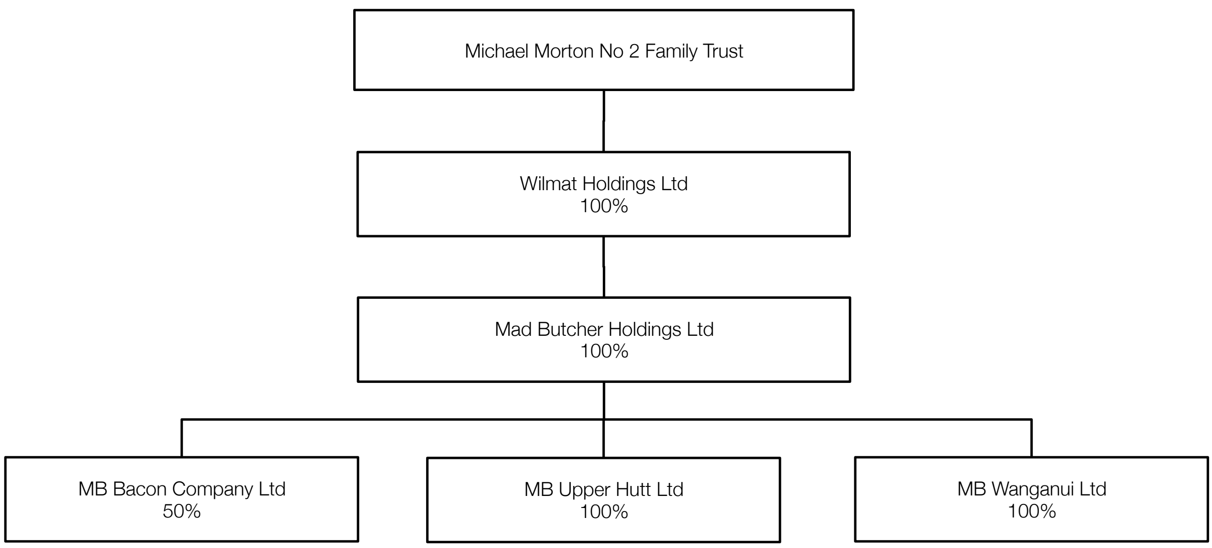
- The Mad Butcher Sausage Company: formed to specialise in manufacturing sausages to a recipe developed by Mad Butcher. The Mad Butcher Sausage Company was sold to Tegel in October 2009 so that Mad Butcher could focus on its core business; and
- The Mad Butcher Bacon Company: a joint venture created to fund equipment for the manufacture of bacon products. Mad Butcher Bacon Company is still 50% owned by MBH. This shareholding will not be acquired as part of the Proposed Acquisition.

In 2001, interests associated with Michael Morton acquired 15% of MBH and obtained a board position. In 2003, interests associated with Michael Morton acquired a further 15% of MBH and in 2007 gained full control by acquiring all remaining shares in MBH from Sir Peter Leitch. Sir Peter Leitch maintains an involvement in the Mad Butcher fronting some promotional campaigns as the brand ambassador and, should the Proposed Acquisition proceed, this arrangement is expected to continue, at least until 30 June 2014.

5.2 The Mad Butcher Legal Structure

As illustrated in the following diagram the share capital in MBH is owned by Wilmat Holdings Limited, which is ultimately owned by Michael Morton through various trusts. Two of the Mad Butcher stores (Wanganui and Upper Hutt) are currently owned and operated by subsidiaries of Mad Butcher Holdings Limited, which acquired these stores from underperforming franchisees. Grant Samuel understands that MBH intends to find new franchisees for these stores in the near term:

The Mad Butcher Legal Structure



5.3 Operational Overview

Mad Butcher generates revenue through the following channels:

- ***Supplier rebates***: pre-negotiated rebates received from approved third party suppliers on products purchased by Mad Butcher stores;
- ***Carcass sales margin***: margin on beef and lamb carcasses which are purchased by the Mad Butcher from suppliers and on-sold to Mad Butcher stores;
- ***Advertising fees***: franchisee contributions for marketing, branding and promotional campaigns; and
- ***Management fees***: franchise and management fees payable by each franchised store for use of the Mad Butcher intellectual property and systems.

Supplier rebates and carcass sales margin comprise the Mad Butcher's largest revenue streams. Supplier rebates are remitted directly by the supplier (rather than by the franchisee) to the Mad Butcher, and franchisees are direct debited by the Mad Butcher for carcass sales within 7 days of delivery.

The Mad Butcher controls the rights to the intellectual property associated with the Mad Butcher brand and the Mad Butcher franchise system. The Mad Butcher provides the following services to the Mad Butcher franchisees as part of the franchise system:

- Supply chain management and product procurement;
- Marketing and promotion;
- Brand management;
- Systems development
- Benchmarking and reporting; and
- Training and support.

The commercial relationship between Mad Butcher and its franchisees is governed by a Master Franchise Agreement, which sets the performance standard required by franchisees and addresses the supply of financial information, compliance in respect to operational procedures, leases and insurance, termination, franchisees and franchisor non-competition, and the franchisors fees and charges.

Supply Chain Management and Product Procurement

Franchisees are restricted to purchasing product from a list of more than 30 suppliers approved by Mad Butcher. Controlling purchasing enables Mad Butcher to control produce quality, standardise the product range, and maximise the effectiveness of its centralised marketing campaigns. Occasionally some franchisees will introduce non-standard products in response to localised demand, with the approval of the Mad Butcher.

Other than carcass purchases, all other suppliers deal directly with the franchisees. Franchisees place orders and pay the suppliers directly and the suppliers pay the Mad Butcher a rebate on the total purchase volume. Mad Butcher minimises its supply risk by maintaining multiple suppliers across its categories, to ensure competitive tension and quality.

Marketing and Promotion

Marketing strategy and all nationwide promotional campaigns are developed and implemented by the Mad Butcher on behalf of the franchisees. This includes the centralised control of retail pricing to ensure consistency throughout the network.

Brand Management

Mad Butcher has strict brand and operational guidelines that must be adhered to including food and safety compliance, trading hours, the display of signage and alignment of promotional activity. The quality of the franchise network is maintained through compliance managers who are in frequent contact with the franchisees and compliance with the Master Franchise Agreement is enforced through penalty charges.

Training and Support

Mad Butcher offers franchisees training and operational support. Historically, Mad Butcher has also provided temporary support to stores where trading conditions or other circumstances have created a trading issue (e.g. Mad Butcher may waive advertising costs). Under extreme circumstances Mad Butcher may take a store onto its balance sheet, until a new franchisee is appointed.

New franchisees receive management and operations training, manuals and frequent interaction with Mad Butcher managers. The operational and employment manuals are periodically updated to accommodate procedural changes or amendments due to regulation and law changes.

Benchmarking and Reporting

The Mad Butcher has a comprehensive management reporting tool that provides management with the ability to monitor the operational and financial performance of its franchisee network and competitor activity and pricing through weekly and monthly reporting.

Systems Development

Operational best practice is developed and provided to franchisees with regard to staffing, food handling and store layout.

5.4 Mad Butcher Products

Mad Butcher franchisees primarily generate their revenue through beef and lamb sales. The Mad Butcher's product portfolio also includes chicken, pork and flavoured sausages. In addition to its own meat and chicken cuts, Mad Butcher stores also stock well known and trusted New Zealand brands including Tegel, Brink's and Hellers.

Mad Butcher stores utilise traditional butchery methods, cutting whole carcasses on site, which typically results in a higher proportion of the carcass being used. This is considered a strategic advantage over competitors that acquire pre-packaged product from suppliers.

In recent years, a small range of grocery products have been added to Mad Butcher stores. These include household staples such as milk and bread and complementary items such as toppings and marinades. Sales from non-meat products now represent 10% of total store sales.

5.5 Mad Butcher Franchisee Stores

There are currently 36 retail stores operating under the Mad Butcher brand across New Zealand, 34 of which are independently owned and operated by local franchisees, with two owned and operated by subsidiaries of MBH. The current retail network is a function of its heritage, with approximately half of all the stores located in Auckland:

Mad Butcher Store Chronology of Existing Stores

Store	Year opened	Location	Store	Year opened	Location
Mangere	1971	Auckland	Botany	2003	Auckland
Papakura	1983	Auckland	Colombo Street	2004	Christchurch
Kahikatea Drive	1996	Hamilton	Lower Hutt	2004	Wellington
Fenton Street	1997	Rotorua	Palmerston North	2004	Palmerston North
Te Ngae	1997	Rotorua	Pt Chevalier	2005	Auckland
Glen Eden	1997	Auckland	Henderson	2005	Auckland
Tauranga	1997	Tauranga	Wanganui*	2005	Wanganui
Quayside	1998	Whangarei	Porirua	2005	Wellington
Massey	1998	Auckland	Hastings	2005	Hastings
Pukekohe	1999	Auckland	Napier	2006	Napier
Chartwell	1999	Hamilton	Upper Hutt*	2007	Wellington
Glen Innes	2001	Auckland	Glenfield	2009	Auckland
Manukau	2002	Auckland	Northcote	2009	Auckland
Mt Wellington	2002	Auckland	Onehunga	2010	Auckland
Shirley	2003	Christchurch	Ferry Road	2011	Christchurch
Albany	2003	Auckland	Dunedin	2012	Dunedin
Papanui	2003	Christchurch	Silverdale	2012	Auckland
Riccarton	2003	Christchurch	Mt Roskill	2013	Auckland

* currently owned by a subsidiary of MBH

In recent years, store growth slowed as Mad Butcher has focused on repositioning existing stores, improving product supply contracts and amending the Master Franchise Agreement.

5.6 Growth Opportunities

Store Expansion

The three largest metropolitan centres (Auckland, Wellington and Christchurch) currently account for 69% of stores, providing considerable opportunity to expand into other regions, where the Mad Butcher is currently under-represented. Management believes that the Mad Butcher franchise model is most profitable in catchments of more than 15,000 people. They have identified a further 34 territories with suitable demographics. If the Proposed Acquisition proceeds Veritas is targeting the opening of four new stores by 30 June 2014. The first of these stores is scheduled to be opened in New Plymouth in July 2013. There have been periods of rapid store expansion occurring in both 1997 and 2003, when five stores were opened in each year, and 2005 when seven stores were opened with one store subsequently closed a year later and another relocated in 2011.

The roll out of new stores provides immediate results to the business. On average each store currently contributes approximately $170,000 per annum to Mad Butcher's EBITDA.

In order to establish a new Mad Butcher franchised store, a suitable franchisee is identified and a store site located. Mad Butcher has strict policies for selecting each new franchisee, who will typically be a trained butcher with local knowledge of the area. To assist with the development of future store franchisees, the Mad Butcher has established an internal cadetship programme that provides training to potential new franchisees to allow them to cultivate and develop their butchery, product management, people and financial management skills, while working as an employee in an existing Mad Butcher store. In some cases, a new franchisee may be the operator of an existing independent butcher shop. This method has stricter selection criteria but is often the faster way to roll-out new stores (when compared to the internal cadetship programme).

Acquisition Opportunities

There are relatively few retail chain butchers in New Zealand, however, Veritas will consider acquisition opportunities involving competitor chains should they arise. Any acquisition opportunity would be evaluated on the basis of the additional coverage offered by its store footprint and its ability to grow revenue through the adoption of the Mad Butcher's franchise system and the introduction of the Mad Butcher's product lines.

Product Expansion

Management believe there are opportunities to further extend the product range. As noted above, some stores offer a limited range of convenience grocery products such as milk, bread, toppings and marinades. Veritas considers there may be scope to expand the product range and offerings at some stores. There is also scope to expand the range of meat products stocked including offering an expanded range of fresh meat cuts and frozen meat products.

The Christchurch stores in Papanui and Woolston have recently commenced operating a mini-supermarket concept called 'Harvest Market', which offers fruit and vegetables, common household items and bulk grocery items in a mini-supermarket setting.

Mad Butcher does not own the 'Harvest Market' concept (this is owned by the franchisee of the Papanui and Woolston stores) or receive supplier rebates on products sold under the concept. However, there is some evidence that the Harvest Market concept is driving an increase in meat purchases due to an increase in foot traffic. There is an opportunity for Mad Butcher to rollout a similar concept throughout other Mad Butcher stores should the concept prove successful.

5.7 Financial Performance

The table below shows the financial performance of the business of Mad Butcher for the years ended 31 March 2011 (**FY2011**) and 2012 (**FY2012**) extracted from the audited financial statements of MBH. The forecast financial performance of the business of Mad Butcher for the years ending 30 June 2013 (**FY2013**) and 2014 (**FY2014**) is also shown. It is important to note that the forecast financial performance shown below differs from that disclosed in Veritas' Prospectus and Investment statement which outlines the forecast financial performance for a combined Veritas and Mad Butcher business. As Veritas does not have commercial operations in its own right, the forecast financial performance for Veritas includes mainly the costs associated with maintaining a NZSX listing including directors fees, audit fees and listing costs. These costs will be incurred by Veritas regardless of whether or not the Proposed Acquisition proceeds. Veritas has also incurred a number of one off costs associated with the Proposed Acquisition. The focus of this report is on the Proposed Acquisition of the Mad Butcher business. From a valuation perspective, what is important to shareholders is how the price being paid by Veritas for the Mad Butcher business compares with an independent assessment of the value of the Mad Butcher business. The pro forma financial performance for a combined Veritas and Mad Butcher business is not relevant to Grant Samuel's assessment.

Mad Butcher Financial Performance (NZ$000s)

Year end	**Note**	**31 March**		**30 June**	
		2011	**2012**	**2013F**	**2014F**
Carcass revenue		25,175	23,693	23,835	26,361
Supplier rebates		4,555	4,463	4,620	5,034
Advertising fees		3,252	3,360	3,313	3,853
Management fees		583	594	570	601
Total revenue		**33,564**	**32,110**	**32,338**	**35,849**
Cost of sales – carcass		(23,975)	(22,562)	(22,425)	(24,516)
Cost of sales – other		(2,915)	(2,971)	(2,557)	(3,077)
Total cost of sales		**(26,890)**	**(25,533)**	**(24,983)**	**(27,593)**
Gross margin		**6,674**	**6,577**	**7,356**	**8,256**
Gross margin %		*19.9%*	*20.5%*	*22.7%*	*23.0%*
Other income/(loss)		20	(9)	-	-
Wages		(596)	(613)	(607)	(619)
Rent		(74)	(74)	(74)	(76)
Bad debts expense		(701)	(424)	-	-
Other expenses		(568)	(687)	(386)	(713)
Total expenses		**(1,919)**	**(1,807)**	**(1,067)**	**(1,408)**
EBITDA		**4,755**	**4,770**	**6,289**	**6,848**
Depreciation		(101)	(58)	(47)	(47)
EBIT		**4,654**	**4,713**	**6,242**	**6,801**
Net interest expense		(59)	(60)	-	-
Net profit before tax		**4,595**	**4,653**	**6,242**	**6,801**
Income tax		(1,415)	(1,336)	(1,750)	(1,907)
Profit after tax		**3,179**	**3,317**	**4,491**	**4,894**
Normalisation adjustments:					
(Gain)/loss on sale of property, plant and equipment	*1*	(20)	20	-	-
Non-deductible expenses	*2*	(103)	-	-	-
Non-recurring costs	*3*	685	530	-	-
Store support costs	*4*	173	166	(150)	-
Non-recurring branding and advertising costs	*5*	61	167	-	-
Total normalisation adjustments		796	882	(150)	-
Normalised EBITDA		**5,551**	**5,653**	**6,139**	**6,848**
Normalised EBIT	*6*	**5,504**	**5,606**	**6,092**	**6,801**

The following points should be taken into consideration when reviewing the table above:

- historically carcass revenue has been relatively consistent but fluctuates with the in-market price of meat;
- supplier rebate, advertising fees and management fees are forecast to increase in FY2014F as Veritas is forecasting opening four new stores between 1 July 2013 and 30 June 2014;
- gross margin is forecast to increase in FY2013F and FY2014F following a recently negotiated increase in carcass margin;
- other income in FY2011 and FY2012 is the net gain or loss on the disposal of property, plant and equipment;
- the Mad Butcher has a lean overhead structure with a small stable workforce. Wages are the largest operating expense and have remained stable over the last five years. Mad Butcher employs six staff including Michael Morton – five in Auckland and one in Wellington. Historically, the staff turnover is low and the average length of employment for the existing employees is eight years;
- rent for the head office is the next largest expense at $74,000 per annum. The lease expires in October 2014;
- the normalised EBITDA forecast for FY2013 is for an increase of $0.5 million as a result of a 2% increase in the carcass margin effective 1 December 2012 and a full year contribution from the Dunedin store, offset by softer trading in the first four months of FY2013. The softer trading was due to supply issues, a decrease in marketing expenditure, several store disruptions with location changes, combined with a softer retail market through the middle of 2012;
- normalised FY2014 EBITDA is forecast to increase to $6.8 million, largely due to the opening of four new stores and the increase in carcass margin. The largest number of stores rolled out in a single year was seven stores in 2005, one of which subsequently ceased trading in 2006 and one of which has been relocated. Management has identified 34 territories with suitable demographics for a successful franchise and are of the view that opening four new stores in a single year is an achievable target.

Notes to the normalisation adjustments for FY2011, FY2012 and FY2013

To determine the underlying earnings of Mad Butcher for valuation purposes the above financial performance for FY2011, FY2012 and FY2013 has been adjusted to reflect the 'normal' operations of the Mad Butcher. As a privately owned company, a number of expenses not directly related to the operation of MBH were charged to MBH. This practice will not continue under public ownership. In addition, the results included a number of one off cost and revenues. All one off costs and revenues and items which will not recur under new ownership have been removed to calculate the normalised EBITDA and EBIT of Mad butcher including:

1. one-off gains and losses on the sale of property plant and equipment;
2. non-deductible expenses;
3. non-recurring costs. Historically, the Mad Butcher Business has incurred expenditure on sponsorship, marketing, entertainment and donations which have been secondary to its core media advertising and marketing campaigns. This expenditure has included the operation of a 'Mad-Butcher'-branded racing car team, the one-off sponsorship of various sporting events and charity dinners, the purchase of items at charity auctions and certain charitable donations. Other non-recurring costs include a portion of accounting fees, a portion of legal fees and consultancy costs in relation to the sale of MBH. Veritas does not expect to continue with this expenditure to the same extent following the Proposed Acquisition;
4. store support costs. Under certain circumstances Mad Butcher has historically provided financial support to stores to aid existing franchisees that are experiencing financial difficulties. This support was often due to Michael Morton's personal or business relationship with the franchisees. Veritas has reviewed these costs and is of the view that following the Proposed Acquisition, financial support to Mad Butcher stores should only be provided in extraordinary circumstances and on a reduced basis to that previously provided. Veritas believes a normal level of store support costs is $200,000 per annum. However, store support costs can vary widely year-on-year with $373,000 being incurred in FY2011, $366,000 in FY2012 and nil to date for FY2013. A provision for $50,000 has been accrued for the remaining quarter of FY2013 (i.e. one quarter of $200,000). The forecast for FY2014F includes a provision for $200,000 of store support costs. To better understand the maintainable underlying earnings of the Mad Butcher business Grant Samuel has smoothed the earnings of Mad Butcher by

adjusting the FY2011, FY2012 and FY2013 store support costs to reflect Veritas' view of the normal level of store support costs of $200,000 per annum. Accordingly store support costs above this amount have been added back to the FY2011 and FY2012 results and an adjustment to FY2013 results has been made to increase the level of store support costs to $200,000. No normalisation adjustment for FY2014 is necessary; and

5. Non-recurring branding and advertising costs. Grant Samuel has added back non-recurring branding and advertising costs, such as advertising associated with the Rugby World Cup in FY2012, to calculate the normalised earnings of Mad Butcher.

6. Depreciation expense has also been normalised to remove depreciation that does not relate to assets being acquired by Veritas. As a result depreciation expense has been reduced by $54,000 for FY2011 and $11,000 for FY2012 to calculate the Normalised EBIT for Mad Butcher.

It should be noted that Veritas itself has incurred a substantial amount of costs in evaluating and structuring the Proposed Acquisition and Offer. The table above only represents the financial performance of Mad Butcher only and accordingly, no adjustment has been made to Mad Butcher's financial performance for Veritas costs.

5.8 Financial Position

The financial position of Mad Butcher as at 31 March 2011 and 31 March 2012 together with the forecast balance sheet for 30 June 2013 and 30 June 2014 is outlined in the table below:

Mad Butcher – Financial Position (NZ$000s)

	31 March		30 June	
Year end	**2011**	**2012**	**2013F**	**2014F**
Cash and cash equivalents	132	594	4,471	8,122
Trade and other receivables	1,195	1,116	677	761
Inventories	9	6	5	5
Total current assets	**1,336**	**1,716**	**5,153**	**8,888**
Property plant and equipment	236	178	166	169
Intangible assets	23	11	-	-
Total non-current assets	**259**	**189**	**166**	**169**
Total assets	**1,595**	**1,905**	**5,319**	**9,057**
Trade and other payables	(920)	(925)	(659)	(834)
Income tax payable	(726)	(609)	-	-
Total current liabilities	**(1,646)**	**(1,534)**	**(659)**	**(834)**
Borrowings	(1,060)	(1,060)	-	-
Total non-current liabilities	**(1,060)**	**(1,060)**	**-**	**-**
Total liabilities	**(2,706)**	**(2,594)**	**(659)**	**(834)**
Net assets	**(1,111)**	**(689)**	**4,660**	**8,223**

The following points should be taken into account when reviewing the above table:

- The Mad Butcher's business model has a low level of assets. The tax related assets and liabilities, cash, cash advances and borrowings will not be acquired as part of the Proposed Acquisition. The key assets being acquired are the business contracts, the Mad Butcher brand and some property, plant and equipment; and
- The significant increase in cash in FY2013 and FY2014 represents retained earnings of the Mad Butcher business over the forecast period.

6. Valuation of Mad Butcher

6.1 Summary

Grant Samuel's valuation of the equity in Mad Butcher business is $42 million to $48 million as summarised below:

Veritas – Valuation Summary

$ million except where otherwise stated	Low	High
Enterprise value	42.0	48.0
Net debt for valuation purposes	-	-
Value of the business and assets being acquired	**42.0**	**48.0**

A value range of $42 million to $48 million has been attributed to Mad Butcher's current business operations. This valuation range is an overall judgement having regard to:

- multiples of EBIT and EBITDA for transactions involving businesses that are comparable to Mad Butcher;
- net present value outcomes from discounted cash flow analysis; and
- the stable historic earnings profile of Mad Butcher.

The valuation represents the estimated full underlying value of Mad Butcher (i.e. represents the value of 100% of the business) and includes a premium for control.

The valuation reflects the strengths and weaknesses of Mad Butcher and takes into account the following factors:

- the current store footprint of Mad Butcher and the historic levels of new store growth. Mad Butcher has, on average, expanded by 1.8 stores per annum since 2003 and there are now 36 stores within the retail network. Since 2008 management has focused on repositioning its existing stores, closing poor performing stores, improving supply terms and updating the franchise agreement. The only new stores opened since 2008 are Glenfield (2009), Northcote (2009), Onehunga (2010), and Dunedin (July 2012). Three other stores were relocated to new locations including Ferry Road (2011), Silverdale (2012) and Mt Roskill (2013). Management has identified an additional 34 territories that have a population base large enough to support a Mad Butcher store. Veritas has indicated that, if successful in acquiring Mad Butcher, it intends to open four new stores from the date of the Proposed Acquisition to 30 June 2014. Grant Samuel has not attributed value to this higher level of growth and our assumptions regarding the store rollout programme are outlined in Section 6.4 below;
- the maturity of the Mad Butcher franchise when compared with transactions involving other comparable franchise businesses. The Mad Butcher master franchise business is a growing franchise. It has 36 stores nationwide and management believes it has yet to reach location saturation. Indeed, the most recently opened store in Dunedin is already one of the best performing stores in the group after only eight months of trading. The majority of comparable transactions involve food franchises that have a far greater geographical penetration than Mad Butcher and accordingly a lower level of growth opportunities;
- the continuation of Michael Morton in the role of CEO of Mad Butcher. Michael has been involved in the Mad Butcher business since 2001 and in the role of CEO since 2007. The continuity of management will, in Grant Samuel's opinion, be critical, at least for the first 12 to 24 months of operation in a listed environment (i.e. under Veritas ownership);
- the Mad Butcher franchisees retail a staple food product which is somewhat insulated from downturns in consumer spending and economic conditions. Historically the volume of carcass and supplier purchases by store have been relatively stable; and
- Mad Butcher is a well-recognised and respected brand in the New Zealand market.

Net Debt for Valuation Purposes

The Proposed Acquisition is being undertaken on an ungeared basis meaning that no cash or debt will be acquired. Accordingly for the purposes of our valuation Grant Samuel has not taken into account any cash or debt to enable shareholders to directly compare the estimated valuation range with the price being paid by Veritas under the Proposed Acquisition.

6.2 Preferred Methodology

Overview

Grant Samuel's valuation of Mad Butcher has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Mad Butcher is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control.

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

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined at Appendix C.

Preferred Approach

Grant Samuel has placed primary reliance on a capitalisation of earnings methodology in determining a value range for Mad Butcher's business operations. This has been crosschecked with a discounted cash flow analysis.

6.3 Earnings Multiple Analysis

Implied Multiples

Grant Samuel estimates the value of Mad Butcher on an un-geared basis to be in the range of $42 million – $48 million. This range implies the following multiples:

Mad Butcher - Implied Multiples

	Valuation Range	
	Low	**High**
Multiple of EBITDA – year ended 31 March 2012	7.4	8.5
Multiple of EBITDA – year ending 31 March 2013	6.8	7.8
Multiple of EBITDA – prospective financial information for the year ending 30 June 2014	6.1	7.0
Multiple of EBIT – year ended 31 March 2012	7.5	8.6
Multiple of EBIT – year ending 31 March 2013	6.9	7.9
Multiple of EBIT – prospective financial information for the year ending 30 June 2014	6.2	7.1

An explanation regarding interpreting the above multiples is included at Appendix D.

Transactions in Food Franchise Industry

The valuation of Veritas has been considered having regard to the earnings multiples implied by the price at which broadly comparable companies and businesses have changed hands. A selection of relevant transactions is set out below:

Recent Transaction Evidence

Date	Target	Acquirer	Implied Enterprise Value (millions)	EBITDA Multiple[8] (times)		EBIT Multiple[9] (times)	
				Historical	Forecast	Historical	Forecast
New Zealand							
Nov 2012	The Coffee Guy	Retail Food Group	NZ$5.5	na	na	5.5	na
Feb 2011	Esquires Coffee Houses	Retail Food Group	A$8.8	na	6.0	8.8	6.3
Dec 2011	Burger King NZ	Blackstone Group	NZ$107.9	5.7	na	7.3	na
Sep 2011	Evolution Coffee Roasters	Retail Food Group	NZ$4.0	4.0	na	na	na
Australia							
Nov 2012	Crust Gourmet Pizza	Retail Food Group	A$45.0	na	na	na	7.0
Apr 2012	Pizza Capers	Retail Food Group	A$30.0	na	na	na	7.0
Jul 2011	Collins Foods	IPO	A$334.0	6.0	5.7	8.2	7.7
Jun 2011	Quick Service Restaurants	Archer Capital	A$477.0	8.0	na	na	na
Dec 2007	Michel's Patisserie	Retail Food Group	A$102.0	na	na	na	7.7
Jul 2007	Brumby's Bakeries	Retail Food Group	A$37.5	na	na	8.7	6.6
May 2005	Domino's Pizza Enterprises	IPO	A$145.3	11.4	8.0	18.6	12.1
Minimum				***4.0***	***5.7***	***5.5***	***6.3***
Maximum				***11.4***	***8.0***	***18.6***	***12.1***
Median				***6.0***	***6.0***	***8.5***	***7.0***
Average				***7.0***	***6.6***	***9.5***	***7.8***

Source: Capital IQ, media reports, company announcements, annual reports and presentations.

Brief descriptions of the transactions included above are provided in Appendix A. Each transaction has its own unique set of circumstances. As such it is often very difficult to identify trends or draw any meaningful conclusions.

[8] Represents implied enterprise value divided by EBITDA.

[9] Represents implied enterprise value divided by EBIT.

Share Market Evidence

The valuation of Veritas has been considered in the context of the share market ratings of listed Australasian companies with operations in the discount retail and food franchising industries. While none of these companies is precisely comparable to Veritas, the share market data provides some framework within which to assess the valuation of Veritas.

Share Market Ratings of Selected Listed Companies[10]

Company	Market Capitalisation (NZ$ millions)	EBITDA Multiple[11] (times)		EBIT Multiple[12] (times)	
		Historic	Forecast	Historic	Forecast
Briscoe Group	535.4	9.7	9.2	11.2	10.5
Collins Foods	203.2	4.9	5.4	7.1	8.4
RCG Corporation	173.7	9.9	8.9	10.6	9.6
Restaurant Brands New Zealand	274.0	6.8	6.9	10.5	10.8
Retail Food Group	609.0	11.7	10.0	11.9	10.2
The Reject Shop	544.9	10.3	9.6	14.4	13.6
The Warehouse Group	1,154.5	8.5	8.3	12.3	12.7
Minimum (excl. outliers)		***6.8***	***6.9***	***10.5***	***9.6***
Maximum (excl. outliers)		***11.7***	***10.0***	***12.3***	***12.7***
Median (excl. outliers)		***9.8***	***9.0***	***11.2***	***10.5***
Average (excl. outliers)		***9.5***	***8.8***	***11.3***	***10.8***

Source: Grant Samuel analysis[13]

A description of each of the companies above is set out in Appendix B. When observing the table above the following points should be noted:

- the multiples are based on closing share prices as at 13 March 2013. The share prices, and therefore the multiples, do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole;
- the companies selected have varying financial year ends. The data presented above is the most recent annual historical result plus the subsequent forecast year;
- Burger Fuel Worldwide has been excluded from the statistical analysis outlined above as its implied valuation multiples are considered outliers for the purposes of this analysis; and
- there are considerable differences between the operations and scale of the comparable companies when compared with Veritas. In addition, care needs to be exercised when comparing multiples of New Zealand companies with internationally listed companies. Differences in regulatory environments, share market and broader economic conditions, taxation systems and accounting standards hinder comparisons.

[10] The companies selected have a variety of year-ends. The financial information presented in the Historic column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

[11] Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

[12] Represents gross capitalisation divided by EBIT.

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

6.4 Discounted Cash Flow Analysis

Grant Samuel was provided with a five-year financial model for the Mad Butcher business prepared by Veritas for the purposes of evaluating the Proposed Acquisition. Mad Butcher management has not reviewed the financial model and accordingly, Grant Samuel has not placed primary reliance on a discounted cash flow analysis. Grant Samuel's valuation range of $42 million to $48 million reflects the value of the business being acquired by Veritas. The valuation implied by the discounted cash flow model reflects higher rates of growth under new ownership.

Grant Samuel reviewed this financial model and made various adjustments to the inputs and assumptions to cross check the capitalisation of earnings valuation. Discounted cash flows by their very nature are subject to wide variation based on differences in opinion as to key assumptions. The key assumptions pertaining to Mad Butcher include:

- the rate of carcass and supplier rebates. Mad Butcher sources carcasses on behalf of franchisees and receives a bulk-order rebate from the supplier as a result. The carcass margin increased by 2% effective 1 December 2012. Supplier rebates have been consistent for a number of years;
- the rate of growth in overheads. Mad Butcher operates with minimal head office overheads the two key costs being staff costs and rent. Mad Butcher employs six staff – Michael Morton (CEO), three regional operations supervisors, one national manager and an office/accounts administrator. Each of the regional operations supervisors currently oversees 12 stores. As the business grows additional supervisors are likely to be required to manage a broader store base. Grant Samuel understands that the existing leased head office in Greenlane is likely to be sufficient to meet the business' requirements for the foreseeable future;
- new store growth. Grant Samuel has assumed an average rate of new store growth of three new stores per annum over the next five years as a sustainable level of new store growth under new ownership. The largest number of new stores rolled out in a single year was seven stores in 2005 (one of which was subsequently closed the following year). Since 2005 less than one new store per annum has been opened (excluding relocated stores); and
- other growth opportunities. Management has identified a range of other growth opportunities outside of new store growth including, among other things, an expansion of the product range of Mad Butcher. Grant Samuel has not attributed any value to these other growth opportunities as it is unclear what the costs to implement would be and the degree to which these initiatives may be successful.

It is difficult to predict with any accuracy the pace of new store rollout. Expanding Mad Butcher's store network is the most straightforward way of enhancing the earnings of the business and Veritas has stated that it will be focused on store expansion. In preparing the valuation Grant Samuel has constrained Veritas' forecast projected cash flows to a greater extent than it would otherwise have done had there been a strong track record of recent new store openings or any Mad Butcher management input into the assumptions underlying the discounted cash flow.

The discounted cash flow analysis implies a value of between $47 million and $52 million. The higher end of the value range is higher than Grant Samuel's valuation range as it attributes value to a long-term store roll out programme of an average of three stores per annum. However, it is important to note the following:

- only six new stores (excluding new stores opened to replace older existing stores) have been opened in the past six years; and
- Mad Butcher's earnings have been stable over the past three years. As such, Grant Samuel has valued Mad Butcher by placing primary reliance on a capitalisation of earnings methodology based on the stable earnings of the existing business. In Grant Samuel's opinion it is not appropriate to attribute value to the potential store rollout programme given new store openings have not been the normal course of business for Mad Butcher for the past six years under the existing management. If Veritas were to pay for such growth, it would effectively be rewarding the previous owners for Veritas' own growth ambitions for Mad Butcher.

Assuming store growth consistent with Veritas' plan (i.e. four new stores before 30 June 2014) but only limited store growth thereafter yields a value range of between $46 million and $50 million which is in line with the upper end of Grant Samuel's capitalisation of earnings valuation.

7. Assessment of the Merits of the Proposed Acquisition and Capital Raising

7.1 Summary

Veritas shareholders are being asked to vote on a number of resolutions related to transactions involving the Proposed Acquisition of the business and assets of Mad Butcher and a share Offer to fund 50% of the purchase price of the Proposed Acquisition. Veritas shareholders have two main alternatives with regard to their voting. They can either:

- **vote in favour of the resolutions approving the Proposed Acquisition and the Offer in which case Veritas will become the listing vehicle for Mad Butcher with an investment in Veritas becoming an investment in the Mad Butcher. Under this alternative existing shareholders of Veritas will experience significant dilution of their shareholding and MBH, the current owner of Mad Butcher, will become Veritas' cornerstone shareholder with a shareholding between 41.68% and 49.99%; or**
- **vote against the resolutions regarding the Proposed Acquisition and the Offer in which case Veritas will continue to be a listed shell company continuing to seek suitable new investments. There is no certainty regarding if or when a new suitable investment alternative will arise. Veritas will continue to incur the costs of operating as a listed shell company (including listing fees, audit fees and directors fees) and searching and evaluating potential investment opportunities. In time it will need to undertake another capital raising or be wound up.**

7.2 Merits of the Proposed Acquisition

The Value of the Proposed Acquisition

Grant Samuel has considered the value being paid for the business and assets of Mad Butcher in the context of its view of the value of Mad Butcher:

- ***full underlying value of Mad Butcher.*** In Grant Samuel's opinion the full underlying value of the Mad Butcher business is in the range of $42 million to $48 million per share as set out in Section 6. The full underlying value is the price a person or entity would be expected to pay to acquire the company (or business) as a whole and includes a premium for control. The purchase price of the Proposed Acquisition is $40 million which is below the bottom end of Grant Samuel's value range. Accordingly, Grant Samuel considers that the price being paid for the acquisition of Mad Butcher is fair to Veritas shareholders not associated with MBH.
- ***comparable company and comparable transaction data***. The Proposed Acquisition implies multiples of 6.6 times historical EBIT and 5.9 times forecast EBIT for the year ending 30 June 2014. Grant Samuel's analysis suggests the multiples implied by the Proposed Acquisition are at the lower end of multiples paid for controlling shareholdings in comparable companies.
- as at 31 December 2012 Veritas held approximately $260,000 of net assets. The assets of the Mad Butcher being acquired by Veritas largely consist of goodwill. Veritas incurs costs of approximately $22,000 per month including the cost of its board of directors, listing costs, audit fees, office lease costs and executive staff costs. The majority of these costs will continue to be incurred following completion of the Proposed Acquisition and have not been taken into account in Grant Samuel's valuation of the Mad Butcher business.

The Rationale for the Proposed Acquisition

Since becoming a listed shell, Veritas has been seeking an investment with a proven business model, iconic New Zealand brand, producing strong cash flows and which is scalable and has growth opportunities. The Proposed Acquisition represents the culmination of Veritas' search for a suitable investment opportunity and, in the opinion of the Directors, meets the target investment criteria. Shareholders have the option of either approving the Proposed Acquisition or rejecting the Proposed Acquisition in favour of Veritas continuing to search for another suitable investment (i.e. a continuation of Veritas' status quo). Whether or not the Proposed Acquisition represents the best possible investment available to Veritas cannot be known with any certainty.

The MBH Allocation

If the Proposed Acquisition is approved by shareholders, half of the $40 million purchase price for Mad Butcher will be paid by issuing $20 million of new Veritas shares to MBH at a price of $1.30 per share. In evaluating the fairness of this issue price, Grant Samuel has had regard to:

- the market price of Veritas shares prior to the announcement of the Proposed Acquisition in December 2012 (adjusted for the 25 for 1 share consolidation), $1.50;
- the price of the shares being offered under the Offer, $1.30; and
- the volume of shares being issued under the MBH Allocation, 15.4 million, relative to the existing number of shares on issue (2.3 million).

The issue of new shares to MBH represents almost seven times the existing share capital of Veritas and will have the effect of significantly diluting existing Veritas shareholders. The issue of such a significant volume of shares is generally undertaken at a discount to the prevailing market price for the shares. To a limited extent shareholders will be able to minimise the extent of the dilution by participating in the Offer. Following the announcement of the Proposed Acquisition the traded share price of Veritas appears high, reaching up to $2.80, and exceeds the price at which Grant Samuel would expect the shares in Veritas to trade following the Proposed Acquisition. As at 20 March 2013 Veritas shares were trading at $1.82. The price of the MBH Allocation is the same as the price of the Offer. In Grant Samuel's opinion the issue price of the MBH Allocation is fair to Veritas shareholders not associated with MBH.

The Proposed Acquisition, if approved by shareholders, will result in MBH holding between 41.68% and 49.99% of the Veritas shares on issue (depending on the outcome of the Offer). The implications of this level of shareholding include:

- the issue and allotment of Veritas shares to MBH requires shareholder approval by way of an ordinary resolution of shareholders as MBH and its associates will ultimately hold or control in excess of 20% of the voting rights of Veritas following completion of the Proposed Acquisition;
- at a shareholding above 50%, MBH will be able to control the outcome of any ordinary resolution of Veritas requiring the approval of 50% of the shares in Veritas which are commonly matters that shareholders are asked to vote on at annual general meetings, such as approval of annual financial statements and the appointment of directors and auditors, etc. A shareholding of 41.68%, the minimum possible shareholding of MBH, is regarded as a controlling shareholding and in most circumstances sufficient to determine the outcome of ordinary resolutions of widely held companies. MBH and its associates will be prohibited from voting on any ordinary resolution that, if accepted, would result in an increase in MBH's shareholding in Veritas. Remaining shareholders will still be able to exert influence on substantive matters, which would require approval by special resolutions that need the support of 75% of votes cast. Such matters would include any major transactions. However, MBH would be able to block any special resolution of Veritas requiring the approval of 75% of the shares in Veritas (other than a special resolution involving them on which they are prohibited from voting);
- the degree to which MBH can exercise outright control over Veritas will depend on the outcome of the Offer. If only $12.7 million is raised CAM and its associates will control between 27.41% and 31.49% providing them with significant influence over Veritas (i.e. the ability to block special resolutions of shareholders). It is generally accepted that a shareholding of 40% or more in an entity where the remainder of the shares are widely held, would give that holder control over the entity. This will not be the case with Veritas if the Proposed Acquisition and Offer are approved as the extent of CAM and its associates' shareholding in Veritas will temper the degree of control MBH is able to exercise over the company. However, Grant Samuel understands that following its book build on 27 March 2013 Craigs Investment Partners has received sufficient firm commitments from institutional investors and NZX Firms to ensure the minimum amount raised under the Offer is $22 million. As a result CAM and its associates will likely control less than 18% of Veritas;
- the liquidity of Veritas' shares may be affected. At one end of the spectrum the public pool (free float) of shares will be 5.68%, the same number of shares as the current free float of Veritas. At the other end, the public pool of shares will significantly increase despite MBH's cornerstone shareholding thereby enhancing the liquidity of Veritas shares. The extent of the public pool will be determined by the success or otherwise of the Offer and will fall between 5.68% and 34.14% of the Veritas shares on issue after the Offer and the Proposed Acquisition;

- MBH's shareholding is capped at 49.99%. At a shareholding of 50% or less MBH will not be able to acquire any further shares in Veritas without shareholder approval or without making a partial or full takeover offer under the Takeovers Code;
- any future takeover for 100% of Veritas would require MBH to sell its shares into the offer. Any party wishing to make a partial offer for more than 20% of the shares in Veritas would require the approval of Veritas shareholders by way of an ordinary resolution which would require the support of MBH; and
- MBH will be entitled to representation on the Board of Veritas. MBH has indicated that it is seeking the appointment of two directors to the Veritas board – Michael Morton and Shane McKillen.

Merits of approving the Proposed Acquisition

The Proposed Acquisition, together with the Offer, constitutes a major transaction under s129 of the Companies Act as it will involve the acquisition of assets the value of which are more than half the market value of Veritas' assets prior to the Proposed Acquisition. The Proposed Acquisition therefore requires shareholder approval by way of a special resolution of Veritas shareholders requiring approval by 75% of shareholders. Current and former Directors of Veritas and their associated entities hold approximately 40% of the Veritas shares on issue and have indicated that they will vote in favour of the Proposed Acquisition. If shareholders pass a special resolution approving the Proposed Acquisition, an investment in Veritas will effectively become an investment in Mad Butcher.

The current owner of Mad Butcher, MBH, will hold or control between 41.68% and 49.99% of Veritas, which will provide it with a level of control over Veritas. The market value of Veritas will substantially increase from its current \$4.2 million market capitalisation. For the Proposed Acquisition to proceed, Veritas needs to raise at least \$20 million in cash (plus \$2 million of associated transaction costs) under the Offer supplemented, to the extent necessary, by debt facilities from ANZ in the event the Offer is not successful in raising the minimum targeted amount of \$22 million and potentially a Vendor Loan if the Proposed Acquisition would otherwise result in MBH holding a shareholding of 50% or more. Grant Samuel understands that following its book build on 27 March 2013 Craigs Investment Partners has received sufficient firm commitments from institutional investors and NZX Firms to ensure the minimum amount raised under the Offer is \$22 million. As a result neither the ANZ loan facilities nor the Vendor Loan should be required. Shareholders who vote in favour of the Proposed Acquisition will also be voting in favour of the Offer as each of the required resolutions involve both the Proposed Acquisition and the Offer. It will not be possible for the majority of shareholders to maintain their existing shareholding percentages in Veritas given the volume of shares being issued to MBH. Shareholders also have only limited opportunity to participate in the Offer to minimise the extent of their dilution. This is discussed in further detail in Section 7.3.

Shareholders who vote against the Proposed Acquisition will, in the event the Proposed Acquisition proceeds, be entitled to exercise their minority buy-out rights under the Companies Act by providing written notice to Veritas within 10 working days of the passing of the special resolution requiring Veritas to purchase their shares.

Merits of not approving the Proposed Acquisition

If shareholders do not vote in favour of the Proposed Acquisition neither the Proposed Acquisition nor the Offer will proceed and Veritas will remain a listed shell company seeking suitable investment opportunities. As at 31 December 2012 Veritas had approximately \$260,000 of net assets (approximately \$0.11 per share) and average monthly expenditure of approximately \$22,000 (excluding one-off transaction costs associated with the Proposed Acquisition). Veritas will continue to incur operating expenses in the absence of the Proposed Acquisition. Veritas has also incurred significant expenses in progressing the Proposed Acquisition. Ultimately, if another suitable investment is not found within a reasonable timeframe, Veritas will need to raise further capital to enable it to cover its operating expenses, the costs associated with being a listed entity and to research and evaluate acquisition opportunities, or the company will need to be liquidated. If the Proposed Acquisition does not proceed, shares in Veritas are likely to trade below the current share price until another suitable investment is identified.

Fairness of the Proposed Acquisition for the purposes of the NZSX Listing Rules

In Grant Samuel's opinion, based on the analysis of the merits as outlined above, the terms of the Proposed Acquisition are fair and reasonable to the shareholders of Veritas not associated with MBH and the Proposed Acquisition is in the best interests of Veritas given the options reasonably available to Veritas at the current time.

Other merits of the Proposed Acquisition

- Veritas in its current form is unlikely to pay any dividends to shareholders. Following the Proposed Acquisition it is more likely, though not certain, that Veritas will pay a dividend given the projected earnings profile of Mad Butcher. Veritas has stated that its intended dividend policy will be to pay out 60-70% of net profit after tax from FY2014 onwards subject to the company's performance, outlook and its capital and liquidity requirements. The forecast dividend for FY2014 is 7 cents per share;
- the Proposed Acquisition will provide Veritas with a strong cash flow with significant potential to grow with minimal investment. The Mad Butcher has a successful business model which has experienced limited growth over the last two years. It is expected that the disciplines of a public listing and direction from a new board of directors should ensure the forecast expansion plans are implemented; and
- Veritas currently has no debt and, as the Proposed Acquisition does not involve any significant level of gearing, this is unlikely to change post-acquisition. The low gearing and likely strong and growing cash flows from the Mad Butcher will give Veritas the capacity to undertake further acquisitions, particularly as the expansion of the franchise network will require very little additional investment by Veritas.

7.3 Merits of the Offer

Half of the purchase price for the Proposed Acquisition will be paid in cash. The cash will be raised via the Offer. The Offer requires the approval of Veritas shareholders under the Companies Act and the NZSX Listing Rules. Certain aspects of the Offer also require shareholder approval under the Takeovers Code.

The price of the Offer

The new shares in Veritas are being offered for $1.30 per share under the Offer. This price is the same as the issue price under the MBH Allocation. In evaluating the fairness of this issue price, Grant Samuel has had regard to:

- the market price of Veritas shares prior to the announcement of the Proposed Acquisition in December 2012 (adjusted for the 25 for 1 share consolidation), $1.50;
- the price being of the MBH Allocation, $1.30; and
- the significant volume of shares being issued, up to 19.2 million, relative to the number of existing shares on issue (2.3 million).

The Offer is being undertaken for the sole purpose of funding the cash portion of the Proposed Acquisition and associated transaction costs. If the Offer and the Proposed Acquisition are approved by shareholders, up to 34.6 million new shares in Veritas will be issued (including the MBH Allocation), approximately 15 times the existing number of shares on issue. The shares are being issued at a 13.3% discount to the prevailing market price of $1.50 prior to the announcement of the Proposed Acquisition. This is consistent with recent rights issue discounts. The $1.30 issue price also represents a 46% discount to the volume weighted average Veritas share price of $2.41 over the 3 months to 13 March 2013. However, the recent traded price of Veritas shares appears high and exceeds the price at which Grant Samuel would expect the shares in Veritas to trade following the Proposed Acquisition. As at 20 March 2013 shares in Veritas were trading at $1.82. The Offer price of $1.30 represents a 29% discount to the recent traded price. In Grant Samuel's opinion the issue price of the Offer is fair to shareholders of Veritas not associated with CAM, Timothy Cook, RMI, Mark Darrow and the Wallace Family Trust.

Other merits of the Offer

- the targeted amount to be raised under the Offer is at least $22 million up to a maximum of $25 million, which will fund the cash component of the purchase price and the transaction costs associated with the Proposed Acquisition;
- Veritas has entered into an underwriting agreement with Craigs Investment Partners in respect of $12.7 million of shares under the Offer. The $10.4 million of Firm Commitments already received in respect of the Offer together with the CAM and RMI sub-underwrites mean that Craigs Investment Partners will not be required to subscribe for any shares in the Offer. Should any sub-underwriter or any party to a Firm Commitment default in their obligations, Craigs Investment Partners will also not be required to subscribe for any shares in the Offer (regardless of the aggregate amount of subscriptions received). The Firm Commitments also reduce the

maximum amount that the sub-underwriters can be called upon to subscribe for in the Offer (under their sub-underwriting agreements) to, in aggregate, $2.3 million of shares. If $2.3 million or more of subscriptions are received under the Offer in addition to the $10.4 million of Firm Commitments, the sub-underwriters will not be required to subscribe for any shares in the Offer beyond their own Firm Commitments (even if any other party to a Firm Commitment defaults in their obligations). If less than $2.3 million of subscriptions are received under the Offer in addition to the $10.4 million of Firm Commitments outlined above, the sub-underwriters must subscribe for the shortfall in proportion to their respective sub-underwriting commitments;

- If only $12.7 million is raised under the Offer, the balance of the cash required will be provided by way of an ANZ loan facility and a Vendor Loan from MBH (if required). As a result, provided the Offer receives the approval of Veritas shareholders, it is certain that sufficient cash will be raised to proceed with the Proposed Acquisition;
- it is uncertain how much cash will be raised under the Offer and as a consequence, it is not known what the resultant shareholdings of the major participants in the Offer will be. The table below illustrates the range of possible outcomes, if the Offer is approved, based on four distinct scenarios:

Potential Shareholding Outcomes

	Existing shareholdings	$12.7 million raised partially utilising the CAM & RMI sub-underwrites	$12.7 million raised without the CAM & RMI sub-underwrites	$22 million raised	$25 million raised
MBH[14]	-	49.99%[15]	49.99%[16]	44.46%	41.68%
CAM	16.93%	29.60%	25.52%	17.80%	16.68%
Cook	3.07%	1.89%	1.89%	1.32%	1.23%
Darrow	4.99%	0.79%	0.79%	0.55%	0.52%
Wallace Family Trust	15.23%	1.77%	1.77%	1.23%	1.15%
RMI	-	3.90%	0.64%	0.44%	0.42%
Ambrosia Trust	-	6.38%	6.38%	4.45%	4.17%
Other shareholders	59.78%	5.68%	13.01%	29.75%	34.14%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

- the extent of success of the Offer will also influence the degree of control MBH exercises over Veritas;
- if CAM, Timothy Cook, RMI, Mark Darrow, the Wallace Family Trust and Ambrosia Trust are the only shareholders to participate in the Offer, Veritas shares will be thinly traded as four main groups will control 94.32% of the Veritas shares on issue. Conversely, if the target amount of $25 million is raised, Veritas will have a free float of 34% of the shares on issue. Grant Samuel understands that following its book build on 27 March 2013 Craigs Investment Partners has received sufficient firm commitments from institutional investors and NZX Firms to ensure the minimum amount raised under the Offer is $22 million;
- if approved, the Offer may result in CAM and its associates holding an increased shareholding in Veritas. The extent to which its shareholding increases will depend on the success of the Offer. CAM is already represented on the Veritas board of directors by Timothy Cook. The table above shows the range of outcomes with CAM and its associates' shareholding moving from 19.99% to anywhere between 17.92% and 31.49%. Without the prior approval of non-related Veritas shareholders CAM cannot control a shareholding of between 20% and 50%. As the outcome is not known, Veritas is seeking shareholder approval under the Takeovers Code to cover the possible outcome that CAM and its associates may ultimately hold more than 20% of the shares in Veritas. At a shareholding above 20% but below 50%:
  - CAM will not be able to acquire any further shares in Veritas without shareholder approval or without making a partial or full takeover offer under the Takeovers Code. At a shareholding of less than 50% CAM and its associates will not be able to exercise the 'creep' provisions of the Takeovers Code;
  - CAM will not be able to sell its entire shareholding to another party unless either Veritas shareholders approve the transaction or the other party makes a full or partial takeover offer for Veritas;

[14] Including Michael Morton and his associates

[15] MBH's shareholding cannot increase to 50% or more of the total Veritas shares on issue and will therefore be capped at 49.99%

[16] as above

- any future takeover for 100% of Veritas would require CAM and its associates to sell their shares into the offer;
- a shareholding above 25% would enable CAM and its associates to block any special resolution of shareholders. Ordinarily this level of shareholding would be sufficient to significantly influence the outcome of an ordinary resolution, however, given the significant shareholding of MBH (and its associates) of between 41.68% and 49.99%, the influence CAM has over the outcome of ordinary resolutions will be limited.

- CAM and its associates currently hold or control 19.99% of the shares in Veritas. Following the Offer its shareholding could be anywhere between 17.92% and 31.49%. NZX usually considers that any increase in a shareholding to 20% or more would constitute a material increase in that shareholder's ability to exercise control. Therefore, under Rule 7.5 of the NZSX Listing Rules, an Independent Appraiser must opine on the fairness of the Offer to shareholders not associated with CAM. Although an increase in CAM's shareholding to 20% or more would not necessarily afford CAM any significant increase in control (by virtue of the fact that they currently hold 19.99% of the shares in Veritas), a shareholding of 25% or more would enable CAM and its associates to block a special resolution. The merits of CAM holding or controlling between 20% and 50% of the shares in Veritas have already been outlined above. CAM and its associates are not being provided with preferential treatment under the Offer and have committed to outlaying a significant sum (a minimum of $8 million and a maximum of $10.5 million) to secure their increased shareholding. In Grant Samuel's opinion the terms and conditions of the Offer for the purposes of Listing Rule 7.5 of the NZSX Listing Rules are fair to shareholders not associated with CAM;
- although unlikely given the book build commitments received by Craigs Investment Partners, if the Offer raises $16 million or less, Timothy Cook, a Director of Veritas, and his associates (including CAM) will be issued with more than 50% of the new shares under the Offer. In these circumstances NZSX Listing Rule 6.2.2(b) requires an Independent Appraiser to opine on whether the terms and conditions of the issue are fair to Veritas shareholders not associated with Timothy Cook. Timothy Cook and CAM have committed $8 million plus a further $2.5 million by way of a sub-underwrite to support the Offer and ensure that sufficient funds are raised to undertake the Proposed Acquisition. It is prudent that Veritas has entered into the Firm Commitment and sub-underwriting agreements to provide certainty that the Proposed Acquisition will proceed, provided the necessary shareholder approvals are given. Timothy Cook and CAM will not receive any special benefits for providing their significant support, other than a sub-underwrite fee of 4% of the amount sub-underwritten ($100,000) in compensation for the risks associated with providing a sub-underwrite. The terms and conditions of the Offer, including the price of the Offer, apply equally to Timothy Cook and his associates as to other investors. In Grant Samuel's opinion, for the purposes of Listing Rule 6.2.2(b), the issue of shares to Timothy Cook and his associates under the Offer is fair to Veritas shareholders not associated with Timothy Cook;
- the Offer constitutes a 'Material Transaction' for the purposes of the NZSX Listing Rules as it will involve the issue of shares that have a market value in excess of 10% of the Average Market Capitalisation of Veritas[17]. The payment of sub-underwriting fees of 4% of the sub-underwritten amount to CAM and RMI will also constitute Material Transactions for the purposes of Listing Rule 9.2.1 as they represent payments for services which exceed 1% of Veritas' Average Market Capitalisation. Each of CAM, Timothy Cook, Mark Darrow, the Wallace Family Trust and RMI (Phillip Newland) will be a Related Party of Veritas at the time of the Offer by virtue of their existing shareholding in Veritas and their directorships of Veritas respectively. NZSX Listing Rule 9.2 requires shareholder approval for Material Transactions with Related Parties by way of an ordinary resolution of non-associated shareholders. Listing Rule 9.2 also requires that an Independent Appraiser opine on whether the transaction price and terms are fair. As previously stated, neither CAM, Timothy Cook, Mark Darrow, the Wallace Family Trust nor RMI are receiving favourable treatment under the Offer. Each is lending their support to the Offer to ensure the success of the Proposed Acquisition in the event the required shareholder approvals are forthcoming. CAM and RMI will receive a sub-underwrite fee of 4% of the amount sub-underwritten ($100,000 and $80,000 respectively) in compensation for the risks associated with providing a sub-underwrite. Fees of this magnitude are not uncommon in compensation for underwriting risk. This section 7.3 outlines the merits of the Offer. In Grant Samuel's opinion, based on the analysis of the merits of the Offer outlined in this section, the consideration and terms of the CAM, RMI, Timothy Cook, Mark Darrow and the Wallace Family Trust Firm

[17] defined as the volume weighted average market capitalisation calculated from trades on the NZSX over the 20 business days before the announcement of the Proposed Acquisition

Commitments and the CAM and RMI sub-underwrites are fair to shareholders not associated with CAM, RMI, Timothy Cook, Mark Darrow and the Wallace Family Trust for the purposes of Listing Rule 9.2;

- as outlined above existing shareholders will only have a limited opportunity to participate in the Offer. Only $3 million of the Offer (out of a total of $25 million) has been set aside as a priority pool for current shareholders of Veritas and Mad Butcher franchisees. The Offer is being undertaken by way of an issue of new shares, rather than a proportionate rights issue. A proportionate rights issue would give existing shareholders of Veritas a priority over the general public in purchasing new shares. Conversely, the Offer favours those parties that have committed to purchase shares under the Offer. Importantly, however, the extent of the Firm Commitments and sub-underwrites provides Veritas with certainty that it will be able to undertake the Proposed Acquisition if the required shareholder approvals are forthcoming. Of the $22 million Veritas is seeking, $14.9 million has already been committed by CAM, Timothy Cook, RMI, Ambrosia Trust, Mark Darrow and the Wallace Family Trust leaving $7.1 million available for subscription via a NZX Broker Firm and the balance of $3 million allocated to the priority pool. If the targeted minimum $22 million is raised (which looks likely given the firm commitments received by Craigs Investment Partners following its book build), an existing Veritas shareholder with a shareholding of 2,000 shares wishing to maintain their 0.1% stake in Veritas would need to subscribe for, and receive, an additional approximately 28,000 shares in Veritas for a subscription value of $36,650. There are insufficient shares available under the Offer for all existing shareholders to maintain their proportionate holding in Veritas and the majority of Veritas shareholders will experience dilution to some extent. Shareholders that elect not to participate in the Offer will be significantly diluted. An existing Veritas shareholder with a shareholding of 2,000 shares who elects not to participate in the Offer would have their 0.1% shareholding diluted to 0.01% (if the targeted minimum of $22 million was raised); and
- the Proposed Acquisition will not proceed if the Offer is not approved by shareholders. Shareholders can either vote in favour of, or against, the Offer and regardless of their voting choice, participate or not participate in the Offer if it proceeds.

7.4 An investment in Veritas

As with any equity investment there are risks associated with the market in which the company operates. The risks associated with an investment in Veritas include:

- Veritas is currently a listed shell company seeking an appropriate investment opportunity. If the Proposed Acquisition does not proceed Veritas will either continue to operate as a listed shell company incurring an average of $22,000 in operating costs per month and diminishing net assets, or be wound up with the net assets (approximately $260,000 as at 31 December 2012) being distributed to shareholders. If Veritas continues as a listed shell it will, in time, need to undertake a further capital raising. There is no certainty that a suitable alternative investment opportunity will be found and ultimately Veritas will run out of cash to fund its operations;
- If the Proposed Acquisition proceeds, Veritas will operate the Mad Butcher business which has its own inherent risks including:
  - the retail butchery market is highly competitive and currently dominated by supermarkets. Retail Butcher chains such as the Mad Butcher comprise the second largest segment of the market with strong competition from independent butchers. The ability for Mad Butcher to maintain its brand reputation and brand loyalty will be key to the ongoing success of Mad Butcher;
  - Mad Butcher sales can be impacted by the price of meat in the global market. As meat prices increase, consumers substitute alternative protein sources which can result in reduced earnings for Mad Butcher;
  - Mad Butcher is exposed to biosecurity risks in the event of an outbreak of animal disease. Mad Butcher's business would be negatively impacted to a significant extent in the event of such an outbreak;
  - Mad Butcher is exposed to the risk of food safety issues arising. In the event products become contaminated or tampered with Mad Butcher could suffer significant reputational damage and its financial performance could be adversely affected;
  - the retail chain of stores currently comprises a number of individual franchisees. The quality of the management at each store directly impacts the performance of that store and the financial contribution that store makes to Mad Butcher. Mad Butcher's ability to attract and retain quality franchisees will impact its financial performance;

- Mad Butcher is reliant on a supply chain to ensure continuity of supply to its store network. Any interruption to this supply will have an adverse impact on Mad Butcher's financial performance. In the event of the loss of a supplier management has indicated that there are a number of other suppliers that could provide an alternative source of supply;
- Mad Butcher derives the majority of its earnings from carcass and supplier rebates. If these reduced for any reason, Mad Butcher's financial performance would be adversely impacted. Management does not believe that this is a possibility as the volume of product purchased by the Mad Butcher network is significant and there are a number of suppliers that would compete to supply the Mad Butcher in the event an existing supplier indicated a rebate reduction; and
- Veritas has undertaken a due diligence investigation of Mad Butcher during which a set of 'normalised' earnings numbers were produced to remove the impact of personal and one-off expenditure on the historical results of Mad Butcher. The normalised earnings show a reduced level of overheads than have historically been incurred by Mad Butcher. To the extent that the normalisations are incorrect, the earnings of Mad Butcher could be lower than anticipated.

The benefits and opportunities associated with an investment in Veritas include:

- Veritas in its current form has no income. It has retained its listing in the expectation of finding and investing in suitable reverse listing candidates. Without a suitable investment candidate the business will continue to incur the costs of remaining as a listed vehicle as well as the costs associated with searching for and evaluating suitable investments. The benefit of investing in Veritas in its current form is the potential of securing a shareholding in a possible future investment. As there is no certainty such an investment will be forthcoming (if the Proposed Acquisition is not approved), this benefit has limited value; and
- if the Proposed Acquisition proceeds, Veritas will operate the Mad Butcher business which has its own inherent benefits and opportunities including:
  - Mad Butcher is an iconic New Zealand brand which has, until now, been privately owned. The Proposed Acquisition provides shareholders the opportunity to invest in the Mad Butcher brand;
  - in general, franchise businesses earn good margins and cash flows from a low asset base. For shareholders wishing to have an equity investment in the food franchise sector, the only other comparable investment opportunities in New Zealand are Burger Fuel Worldwide Limited and Restaurant Brands Limited;
  - Mad Butcher has potential for geographic expansion. Management has identified a further 34 territories which could support a Mad Butcher store. Expansion into each of these territories would almost double the size of the Mad Butcher store network and significantly increase Mad Butcher's earnings. On average, each store in the Mad Butcher network is currently contributing $170,000 of EBITDA to Mad Butcher per annum;
  - there is the opportunity for Mad Butcher to expand its product base into other food and grocery related items. Any expansion of the product range should enhance the earnings of Mad Butcher to the extent it receives supplier rebates on new products;
  - once the business has reached maturity in New Zealand there is the possibility of offshore expansion; and
  - the attractiveness of Veritas as a takeover target will be enhanced.

7.5 Acceptance or Rejection of the Proposed Acquisition and the Offer

Acceptance or rejection of the Proposed Acquisition and the Offer is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED

28 March 2013

Grant Samuel + Associates

Appendix A – Recent Transaction Evidence

A brief description of each of the transactions listed on Page 26 of this report is outlined below:

The Coffee Guy / Retail Food Group

In November 2012, Australian retail food brand manager and franchisor, Retail Food Group acquired mobile and portable coffee franchise system The Coffee Guy for NZ$5.5 million. The Coffee Guy was established by founder Richard Karam in 2005 and over the last seven years it has grown to become the largest portable coffee franchise system in New Zealand. The transaction increases the Retail Food Group's penetration outside of shopping centres and provides synergies with the recently acquired Evolution Coffee Roasters. The transaction implied a historical EBIT multiple of 5.5 times. Analysts noted that the transaction was broadly in line with previous coffee acquisitions (i.e. ~4-6x EBIT or EBITDA).

Crust Gourmet Pizza / Retail Food Group

In August 2012, Retail Food Group announced that it had entered into a sale and purchase agreement to acquire the business and intellectual property assets of the 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 NSW and Victoria and the brand is growing internationally with stores in New Zealand, Singapore and the United States of America. The transaction implied a forecast EBIT multiple of 7.0 times.

Esquires Coffee Houses / Retail Food Group

In December 2011, Retail Food Group announced it had agreed to buy 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 outlets and it was the largest franchised coffee chain in New Zealand. The transaction implied a forecast EBIT multiple of 6.3 times.

Pizza Capers / Retail Food Group

In April 2012, Retail Food Group 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 the Retail Food Group within the traditional Australian Quick Service Restaurant segment. Pizza Capers has 110 stores, 85% of which are located in Queensland. The transaction implied a forecast EBIT multiple of 7.0 times.

Burger King / 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. In September 2009, Anchorage together with management shareholders purchased 100% of 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. Underlying EBITDA approximately doubled and a range of new growth options were developed providing earnings upside over a sustained period.

Evolution Coffee Roaster and others / Retail Food Group

In September 2011, Retail Food Group acquired Evolution Coffee Roasters, Roasted Addiqtion Coffee Dealers and Evil Child Beverage for A$4.0 million. The consideration represented an EBITDA multiple (upon integration) of circa 4 times. 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 Addiqtion and Evil Child Beverage is a wholesaler of a range of proprietary premium coffee blends, chocolate powders and syrups.

Collins Foods Initial Public Offering

In July 2011, Collins Foods (description outlined in Appendix B) listed on the ASX. The IPO comprised of an institutional offer and a broker firm offer. The book build closed at $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.

Michel's Patisserie / Retail Food Group

In December 2007, Retail Food Group acquired Michel's Patisserie for approximately A$102 million. At the time of the transaction The Michel's Patisserie franchise system had 350 stores and offered baked cakes, pastries, quiches, gourmet pies, and sausage rolls. The stores are primarily located in Australia, as well as outlets in Shanghai and Auckland. The transaction implied a forecast EBIT multiple of 7.7 times.

Brumby's Bakeries / Retail Food Group

In September 2007, Retail Food Group completed the off market takeover of Brumby's Bakeries, the franchisor and intellectual property rights owner of the Brumby's franchise system, adding 321 outlets and a valuable Australian brand to Retail Food Group's portfolio. Brumby's Bakeries markets and sells its products through its stores in Australia and New Zealand. The transaction implied a historical EBIT multiple of 8.7 times.

Domino's Pizza Enterprises Initial Public Offering

In May 2005, Dominos Pizza Enterprises listed on the ASX after a successful initial public offering. Dominos Pizza Enterprises holds the exclusive Master Franchise Agreement for the Domino's brand and network in Australia and New Zealand. The Domino's brand is owned by Domino's Pizza, a listed US company. Domino's Pizza operates both company-owned stores and franchisee owned stores. At the time of the IPO the company had 377 stores operating across Australia and New Zealand. The purpose of the IPO was to create an ownership structure that would facilitate continued expansion, enable the existing shareholders to realise part of their investment in the Company and fund the retirement of debt.

Appendix B – Comparable Listed Companies

A brief description of each of the companies listed on Page 27 of this report is outlined below:

Briscoe Group

Briscoe Group is a sporting goods and homeware retailing business operating in New Zealand. As at 29 January 2012, Briscoe Group operated a total of 79 stores, including 47 and 32 homeware and sporting goods retail stores respectively. Over the last 18 months Briscoe Group has achieved strong revenue and earnings growth due to market share growth and increased revenue due to the Rugby World Cup. The current share price reflects a positive outlook for Briscoe Group, which is forecast to exceed EBITDA for the previous financial year by circa 10%.

Collins Foods

Collins Foods is the largest KFC franchisee in Australia, with 119 restaurants in Queensland and two in New South Wales. Collins Foods is also the owner of the Sizzler trademarks in more than 68 countries and is the franchisor of over 50 Sizzler restaurants in Asia and operates 68 stores in Queensland, Western Australia and NSW. Collins Foods is trading at a discount to its peer group.

RCG Corporation

RCG Corporation is a footwear retailer and a wholesaler for the Merrell, Cushe, Chaco & CAT brands of footwear and apparel. Its stores include The Athlete's Foot Australia and the Shoe Superstore. RCG Corporation is Australia's largest retailer of athletic footwear and now operates over 148 stores across Australia and New Zealand. Despite a tough retail environment RCG Corporation achieved circa 4.4% EBITDA growth in FY12 and EBITDA is forecast to remain relatively flat in FY13.

Restaurant Brands New Zealand

Restaurant Brands is a franchisee specialising in branded food retail chains. Its restaurant support centre and corporate office is located in Auckland. Restaurant Brands has 208 stores: 86 KFC, 63 Pizza Hut, 33 Starbucks and 1 Carl's Jr store. After a record financial result in FY11, Restaurant Brands' earnings declined due to challenging economic conditions and a competitive marketplace. A similar result to FY12 is expected in FY13.

Retail Food Group

Retail Food Group Limited is an Australian retail food brand manager and franchisor with over 1,200 franchised outlets. Retail Food Group is the intellectual property owner, franchisor and manager of the Donut King, Michel's Patisserie, Brumby's Bakery, bb's cafe, Esquires Coffee Houses and Pizza Capers Gourmet Kitchen. Retail Food Group receives royalties and licence fees from franchisees and food suppliers, and revenue from its coffee roasting facilities. As outlined above over the last 18 months Retail Food Group have made a number of acquisitions to lessen the company's exposure to shopping centres, including the acquisition of The Coffee Guy, Crust Gourmet Group, Pizza Capers and Roasted Addiction.

The Reject Shop

The Reject Shop operates in the discount variety retail sector in Australia offering a wide variety of general consumer merchandise, with particular focus on everyday needs (e.g. toiletries, cosmetics, homewares, personal care products, hardware, basic furniture, household cleaning products, kitchenware, confectionery and snack foods). As at 1 July 2012, The Reject Shop has 239 stores across Australia and it recently announced at its AGM that it is accelerating its store expansion to take advantage of the closure of a major competitor, Retail Adventures. Since this announcement the share price has risen 15%.

The Warehouse Group

The Warehouse Group operates as a general merchandise, apparel, and stationery retailer. The Warehouse Group is New Zealand's largest general merchandise retailer with its 89 general merchandise and apparel stores generating NZ$1.5 billion in sales in FY12. The company's 56 stationery stores contributed $207 million in sales in FY12. Despite an uncertain macro environment in New Zealand, analysts are confident The Warehouse Group's revenue and earnings will increase significantly in FY13 due to the continued execution of the company's strategy outlined in September 2011.

Appendix C – Valuation Methodology Descriptions

1. Capitalisation of Earnings

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

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

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

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation. EBIT can better adjust for differences in relative capital intensity.

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

The usual approach is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the share market. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

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

2. Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessity involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

3. Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Veritas' case.

4. Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Veritas. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Appendix D – Interpretation of Multiples

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by share market investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and share market conditions at the time, and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall share market levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or share market levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings;
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
  - EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a

better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and

- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

Appendix E – Qualifications, Declarations and Consents

1. Qualifications

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Alexa Preston, BBus, CA, Michael Lorimer, BCA, and Christopher Smith, BCom, PGDipFin, MAppFin. Each has a significant number of years of experience in relevant corporate advisory matters.

2. Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Veritas. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Mad Butcher. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

An analysis of the merits of the offer is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of Veritas or Mad Butcher. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Veritas or Mad Butcher. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Veritas and Mad Butcher prepared by the management of Veritas. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Veritas or Mad Butcher. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Veritas or Mad Butcher is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Veritas and Mad Butcher, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Veritas and Mad Butcher, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Proposed Acquisition and the Offer and the fairness of certain aspects of the Proposed Acquisition and the Offer to shareholders of Veritas. Grant Samuel expressly disclaims any liability to any Veritas security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

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

Grant Samuel has had no involvement in the preparation of the Notice of Meeting or the Prospectus and Investment Statement issued by Veritas and has not verified or approved any of the contents of the Notice of Meeting or the Prospectus and Investment Statement. Grant Samuel does not accept any responsibility for the contents of the Notice of Meeting (except for this report) or the Prospectus and Investment Statement.

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Veritas or Mad Butcher that could affect its ability to provide an unbiased opinion in relation to the Proposed Acquisition and the Offer. Grant Samuel had no part in the formulation of the Proposed Acquisition or the Offer. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Proposed Acquisition or the Offer. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code. Grant Samuel considers that it is independent of Veritas and Mad Butcher and appropriately qualified to provide the required Appraisal Report. Grant Samuel is independent for the purposes of the NZSX Listing Rules.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Veritas and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Veritas and contained within this report is sufficient to enable Veritas security holders to understand all relevant factors and make an informed decision in respect of the Proposed Acquisition and the Offer. The following information was used and relied upon in preparing this report:

5.1 Publicly Available Information

- recent Veritas NZSX announcements;
- Veritas' Annual Report for the year ended 30 June 2012;
- the Notice of Meeting prepared by Veritas of which this report forms part;
- the Prospectus and Investment Statement in relation to the Offer;
- various industry information and reports; and
- other information on the New Zealand retail butchery industry and publicly listed companies with operations broadly comparable to Mad Butcher including annual reports, interim financial results, press reports, industry studies and information regarding the prospective financial performance of such companies.

5.2 Non-Public Information

- monthly management accounts for Veritas for the period from 1 July 2012 to 31 December 2012;
- various Veritas Board and AGM Minutes for the period from July 2012 to October 2012;
- accounting and legal due diligence reports and supporting workpapers commissioned by Veritas in relation to the Mad Butcher;
- Veritas' commercial overview of the Proposed Acquisition;
- a five year financial model prepared by Veritas regarding the forecast financial performance of Mad Butcher;
- the Sale and Purchase Agreement between the current owners of Mad Butcher and Veritas; and
- the underwriting agreements between Veritas and Craigs Investment Partners, Veritas and CAM and Veritas and RMI.

6. Declarations

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

Advance drafts of this report were provided to the directors and executive management of Veritas. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7. Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Notice of Meeting to be sent to security holders of Veritas. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.