



VERITAS INVESTMENTS LIMITED

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS AND
EXPLANATORY MEMORANDUM**

28 February 2018

Important Dates:

- **Meeting time/date:** 11:30am, Friday, 16 March 2018
- **Venue:** Doolan Brothers Newmarket, 414 Khyber Pass Road, Newmarket, Auckland 1023
- **Last date for receipt of Voting/Proxy Forms:** 11:30am, Wednesday, 14 March 2018 (being not less than 48 hours before the commencement of the Special Meeting)

NOTICE OF SPECIAL MEETING

Notice is given that a Special Meeting of the Shareholders of Veritas Investments Limited (“**Veritas**”) will be held at Doolan Brothers Newmarket, 414 Khyber Pass Road, Newmarket, Auckland 1023 on Friday 16 March 2018 commencing at 11:30am (“**Special Meeting**”).

The Special Meeting is called for the Shareholders to consider certain special business relating to the proposed sale of the Mad Butcher franchisor business.

Special Business – Proposed Sale of the Mad Butcher Franchisor Business

On 20 December 2017, Veritas announced its entry into a conditional agreement to sell the business and assets of the Mad Butcher franchisor business to Yogg Limited (“**Purchaser**”).

The Purchaser is a New Zealand incorporated company wholly-owned by interests associated with Michael Morton, a Director and the largest shareholder of Veritas. Subject to satisfaction of the condition under the Sale and Purchase Agreement for the proposed transaction, the Purchaser will acquire the business and assets of Mad Butcher from Mad Butcher Limited (a wholly-owned subsidiary of Veritas) (“**Vendor**”), except for certain excluded assets (which are described further in section 3), for gross consideration of \$8 million (the “**Mad Butcher Sale**”). The gross consideration includes a sum required to enable repayment of all debts owing by the Mad Butcher stores owned by interests associated with Michael Morton, to the Group. As at 30 June 2017 this was \$703,908.

The purchase price includes an amount to be nominated by the Vendor, which is expected to be sufficient to discharge the Vendor’s liability to trade creditors as at completion of the Mad Butcher Sale. Such amount will be held by the Vendor’s solicitors in a trust account, to be applied in discharging the Vendor’s liabilities to trade creditors in a timely manner. Further detail regarding the allocation of the purchase price is provided in section 2.5 of the Appraisal Report which accompanies this document.

This Notice of Meeting and Explanatory Memorandum includes important information requiring your immediate attention relating to the Mad Butcher Sale. The Independent Directors of Veritas strongly advise that you read this document carefully.

The Notice of Meeting set out in section 4 of this document specifies the Resolution to be considered and voted on at the Special Meeting. The remainder of this document sets out the details of, and rationale for, the Mad Butcher Sale.

Accompanying this Notice of Meeting is an independent Appraisal Report on the fairness of the consideration and the terms and conditions of the Mad Butcher Sale to Shareholders (other than those associated with Michael Morton), as required under the NZX Main Board Listing Rules. The Appraisal Report is an independent report prepared by Simmons Corporate Finance Limited, who has been approved by NZX Regulation to prepare the Appraisal Report.

The Independent Directors of Veritas fully support the Mad Butcher Sale, and unanimously recommend that Shareholders vote in favour of the Resolution to be put to them for the Mad Butcher Sale at the Special Meeting.

Should you have questions, please contact your investment adviser.

TABLE OF CONTENTS

1.	Chairman's Letter	4
2.	Overview of Veritas	5
3.	Details of, and Rationale for, the Mad Butcher Sale	6
4.	Notice of Meeting	11
5.	Explanation of the Resolution and Additional Information	12
6.	Glossary	14
7.	Directory	15
	Appendix – Appraisal Report	16

IMPORTANT DATES

Announcement of the Mad Butcher Sale	20 December 2017
Special Meeting of Shareholders	16 March 2018
Intended settlement of the Mad Butcher Sale	23 March 2018

These dates, and future dates in this document generally, are subject to change, are indicative only and, subject to the requirements of the Listing Rules and the Financial Markets Conduct Act 2013, may be amended by Veritas at its absolute discretion.

Defined Terms

Capitalised terms used in this Notice of Meeting and Explanatory Memorandum are defined in the Glossary, in section 6 of this document.

NZX review and approval

NZX Limited has reviewed and approved this Notice of Meeting and Explanatory Memorandum under Listing Rule 6.1, but does not take any responsibility for any statement contained in this document.

1. CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Independent Directors of Veritas, we are putting forward a proposal to approve Veritas' intended disposition of the Mad Butcher franchisor business to Yogg Limited (a company owned and controlled by interests associated with Michael Morton, Director of Veritas and Chief Executive Officer of the Mad Butcher franchisor business).

As announced on 20 December 2017, Veritas is seeking to dispose of all of the business and assets of the Mad Butcher business for gross consideration of \$8 million. A portion of this gross consideration will be deposited into our solicitors' trust account and used to discharge the accrued trade creditor liabilities of the Mad Butcher business, expected to range between \$2.5 - \$3.0 million. The remainder of the purchase price of \$5.0 - \$5.5 million will be applied to reduce the Veritas group's indebtedness to ANZ. The independent Appraisal Report from Simmons Corporate Finance, which accompanies this Notice of Meeting, concludes that the consideration and the terms and conditions of the transaction are fair to the Shareholders who are not Associated Persons of Michael Morton.

The proposed transaction is conditional on shareholder approval, which is being put to Shareholders at the special meeting to be held in Doolan Brothers Newmarket on 16 March 2018. Shareholders who are Associated Persons of Mr Morton are excluded from voting on the relevant resolution. If this resolution is not approved, the proposed disposition of the Mad Butcher business will not proceed. In that event the Board will review the financial position of the Group and will consider all options available.

The Independent Directors have been working through these options, which include the recommended sale of the Mad Butchers business and the potential sale to or merger of The Better Bar Company with external parties, or refinancing of the Group with alternative banking arrangements, or some combination of all of these. The Board remains in active (yet incomplete) discussions with a number of parties in relation to these potential transactions, and considers that the extension of the Group's ANZ banking facilities to 27 April 2018 will be helpful in securing the best possible outcome. The Group's total indebtedness to ANZ as at 31 January 2018 was \$27.0 million.

The proposed sale of the Mad Butcher franchisor business is the result of a competitive sales process undertaken by Bancorp Corporate Finance Limited, who was engaged as Veritas' financial advisor for the proposed sale. Bancorp attracted interest from a number of parties for Mad Butcher business, and all appropriate steps were taken to exclude Mr Morton from discussions concerning the sale of Mad Butcher once he declared his interest in acquiring the Mad Butcher on 3 October 2017. The heads of agreement for the sale of the business was agreed with Mr Morton on 30 October 2017, and the Sale and Purchase Agreement for the transaction was signed on 20 December 2017.

The Independent Directors agree with Simmons Corporate Finance's opinion that the consideration and the terms and conditions of the Mad Butcher sale are fair to the Shareholders who are not Associated Persons of Mr Morton. The purchase price offered by Mr Morton was the highest offer received for the business, and Mr Morton's role as the Chief Executive Officer of Mad Butcher has meant that minimal warranties were required to be given for the business under the Sale and Purchase Agreement.

On this basis, the Independent Directors fully support the proposed Mad Butcher Sale transaction and recommend that Shareholders vote in favour of the resolution put to them for the proposed Mad Butcher Sale transaction.

Yours faithfully,
Veritas Investments Limited

Tim Cook
Independent Chairman

2. OVERVIEW OF VERITAS

Veritas is an investment company listed on the NZX Main Board focusing in the food, beverage, franchise and hospitality sectors.

Veritas currently has two key investments in the food, beverage, franchise and hospitality sectors.

Mad Butcher franchisor business

The Mad Butcher brand was established in 1971 when Sir Peter Leitch purchased Rosella Meats, a local Mangere butchery. At that time, prior to the proliferation of supermarkets, it became apparent that a niche butchery market existed.

Mad Butcher established a volume business based on carcass supply cut to proprietary specification, enabling the Mad Butcher to pass volume discount and a high carcass yield to customers while maintaining a high gross margin.

Expansion of the brand began in Auckland throughout the early 1980s and reached into the regions in the mid-1990s with two owner-operated stores opening in Rotorua.

During 1998, having opened eight stores, the first franchise was established in Whangarei (Quayside). All owner-operated stores soon migrated to this model. Considerable growth occurred during the 2000s when a further 26 franchisees were added to the network.

Today, the Mad Butcher is represented at 30 locations throughout New Zealand, 26 of which are franchised and four are company-owned. The Mad Butcher franchisor business is proposed to be sold under the Mad Butcher Sale – although the four company-owned stores will be excluded from the sale.

Although Veritas is considering a range of options for the four company-owned stores, it is likely that these stores will be closed during the current financial year of Veritas ending 30 June 2018.

The Better Bar Company

In November 2014, Veritas purchased The Better Bar Company, a significant operator of gastro bars in Auckland and Hamilton, including the well-established and iconic Irish bars.

The Better Bar Company currently owns and operates eight Irish bars and eating establishments in Auckland and Hamilton under the O'Hagan's, Danny Doolans, Doolan Brothers, The Cav and Cock & Bull brands.

If the Mad Butcher franchisor business is sold, The Better Bar Company will become Veritas' sole operating business within Veritas' investment portfolio for the time being. It is possible that The Better Bar Company may become the subject of a future transaction involving its sale or merger with a third party, or a refinancing transaction.

3. DETAILS OF, AND RATIONALE FOR, THE MAD BUTCHER SALE

Introduction

As described in the 2017 Annual Report and further market announcements, the Board of Veritas has been considering a number of initiatives for the Mad Butcher and undertook a rigorous strategic review process in respect of its Mad Butcher franchisor business. As part of the process, Veritas engaged Bancorp Corporate Finance Limited as its financial advisor to manage a competitive sales process for the Mad Butcher franchisor business.

Bancorp explored interest in the Mad Butcher from a select group of reputable and creditworthy parties. During this engagement, Veritas obtained a non-binding indicative bid and a conditional binding bid for the Mad Butcher franchisor business from three bidders (including the successful bidder, interests associated with Michael Morton). Michael Morton declared his interest in acquiring the Mad Butcher on 3 October 2017 and from that date, was excluded from participating in parts of the Veritas Board meetings to the extent parts of those meetings concerned the sale of Mad Butcher. The heads of agreement for the sale of the business was agreed with Michael Morton on 30 October 2017, with negotiations of the definitive legal documentation for the transaction commencing soonafter.

In the Independent Directors' opinion, the purchase price to be paid for the Mad Butcher business is appropriate. The purchase price offered by Michael Morton was the highest offer received for the business, and Mr Morton's role as the Chief Executive Officer of Mad Butcher has meant that minimal warranties were required to be given for the business under the Sale and Purchase Agreement.

Business Being Sold / Not Sold

Under the Mad Butcher Sale, all of the Vendor's business and operational assets will be sold to the Purchaser except for:

- the business and assets of the four company-owned Mad Butcher stores located at Henderson, Onehunga, Shirley and Silverdale – which will remain with the Vendor;
- the business and assets of the Mad Butcher franchise operated at Pt Chevalier, Auckland – the previous franchisee of which was placed into liquidation on 19 November 2017; and
- all amounts receivable by the Vendor from debtors of the Mad Butcher business as at the Completion Date in respect of goods or services supplied or provided by the Vendor on credit upon to the Completion Date, unless these are:
 - franchise fees, carcass sale rebates, advertising revenue receivable by the Vendor from franchisees and store advances to franchisee as at 12.00am on 1 December 2017; or
 - rebates receivables by the Vendor from suppliers to the Mad Butcher business as at 12.00am on 1 December 2017.

In other words, the Purchaser will acquire all of the Vendor's receivables in respect of franchise fees, supplier rebates, advertising revenue from franchisees and store advances, as well as the Vendor's fixed assets and goodwill.

Other assets, such as the Vendor's bank account and intercompany balances, will remain with the Vendor.

The gross consideration of \$8 million also takes into account the amounts owing to the Group by the Mad Butcher stores owned by interests associated with Michael Morton. These amounts, which were \$703,908 as at 30 June 2017, will be repaid in full as part of the \$8 million gross consideration.

Subject to satisfaction of the condition described in the sections headed “Condition” below, the Mad Butcher Sale will take economic effect as at 1 December 2017, such that all economic benefits and risk in the Mad Butcher franchisor business transfers to the Purchaser with effect on that date. This will be achieved through a purchase price adjustment described in the section headed “*Consideration*” below.

Under the Mad Butcher Sale, the Purchaser will not be assuming any obligations in respect of the Vendor’s trade creditors. These obligations will remain with the Vendor. An amount nominated by the Vendor (which the Vendor considers will be sufficient to discharge the Vendor’s credit creditor liabilities) will be held by the Vendor’s solicitors under escrow in a trust account, to be applied in discharging the Vendor’s trade creditor liabilities in a timely manner.

Consideration

The gross consideration of \$8 million, to be paid in cash, is allocated as follows:

- Repayment of amounts owing by the franchised Mad Butcher stores owned by interests associated with Michael Morton, to the Group – \$703,908 as at 30 June 2017 and estimated to be \$700,000 as at 31 January 2018;
- Accounts receivable by the Vendor – estimated to be \$450,000 as at 31 January 2018;
- Fixed assets – \$90,000 as at 31 January 2018; and
- Goodwill – being the balance, estimated to be \$6.76 million.

To enable the transfer of the economic benefits and risk in the Mad Butcher franchisor business to the Purchaser with effect on 1 December 2017, there will be an adjustment to the purchase price for any change in the business’ receivables or expenses incurred by the Vendor in the ordinary course of business, between 1 December 2017 and Completion. This adjustment is intended to take effect in the first half of 2018 and may result in the Vendor making an additional payment to the Purchaser (or vice versa).

Please refer to section 2.7 of the Appraisal Report for a breakdown of how the proceeds of the Mad Butcher Sale will be applied.

Purchaser

The Purchaser is a New Zealand incorporated company which is owned by Michael Morton and WBM Trustee Limited as trustees of the Michael Morton #2 Trust (as to 50%) and Julie Leitch and WBM Trustee Limited as trustees of the Yogg Trust (as to the other 50%). The Purchaser is an Associated Person of Michael Morton, a Director of Veritas and Chief Executive Officer of the Mad Butcher business.

Condition

The Mad Butcher Sale is subject to one condition, being the approval of the Company’s shareholders by way of ordinary resolution (which is being sought at the Special Meeting).

Warranties

The Sale and Purchase Agreement contains limited warranties and indemnities from Veritas and the Vendor in favour of the Purchaser relating only to:

- the title to the assets being sold (including that the assets are free from encumbrance); and
- the fact that as at the signing of the Sale and Purchase Agreement, having made reasonable enquiry, the Boards of Veritas and the Vendor (excluding Michael Morton) are not actually

aware of there being any material information relating to the Mad Butcher franchisor business that has not been disclosed to the Purchaser or Michael Morton.

Given Michael Morton's position as the Chief Executive Officer of the Mad Butcher business, and Director of Veritas and the Vendor, the Sale and Purchase Agreement contains a reciprocal warranty given by the Purchaser and Michael Morton relating only to the fact that as at the signing of the Sale and Purchase Agreement, having made reasonable enquiry, Michael Morton is not actually aware of there being any material information relating to the Mad Butcher business that has not been disclosed to the Boards of Veritas or the Vendor (excluding Michael Morton).

Any claim under the above described warranties must be made before 30 June 2018.

Use of Sale Proceeds

From the purchase price, a sum to be nominated by the Vendor will be deposited into the Vendor's solicitors' trust account and be applied to discharge the Vendor's trade creditor liability as at completion of the Mad Butcher Sale. The balance of the purchase price will be used to reduce the Veritas group's existing indebtedness to ANZ.

Completion

If the Company's shareholders approve the Mad Butcher Sale, Completion is scheduled to occur on 23 March 2018 (being five business days after the date of the shareholder approval).

Michael Morton will resign from the boards of directors of each Veritas group company with effect on Completion, except for Veritas. Interests associated with Michael Morton will remain the largest shareholder of Veritas after the Mad Butcher Sale.

Guarantees

Veritas guarantees the performance of the Vendor's obligations, and Michael Morton and WBM Trustee Limited as trustees of the Michael Morton #2 Family Trust (which is the family trust which holds 35.52% of Veritas shares) guarantees the Purchaser's obligations, under the Sale and Purchase Agreement.

As noted above, any claim under the warranties described above under the section headed "*Warranties*" must be made before 30 June 2018 – after which Veritas does not expect to be exposed under this guarantee.

Summary of Appraisal Report

Simmons Corporate Finance Limited, a New Zealand owned specialist corporate finance advisory practice, has been engaged by the Independent Directors to prepare an appraisal report in respect of the Mad Butcher Sale. NZX approved the appointment of Simmons Corporate Finance to provide the Appraisal Report on 7 November 2017. The Appraisal Report contains such information, valuations and other material as is necessary for Veritas shareholders to appraise the implications of the Mad Butcher Sale and decide whether the terms of the Mad Butcher Sale are fair. A full copy of the Appraisal Report is appended to this Notice of Meeting.

The Mad Butcher Sale will represent a material transaction under NZX Main Board Listing Rule 9.2.2(a). The Purchaser is a related party of the Company under Listing Rule 9.2.3(a) because Mr Morton is a director of the Company, and under Listing Rule 9.2.3(c) because Mr Morton is an Associated Person of Michael Morton and WBM Trustee Limited (as trustees of the Michael Morton #2 Trust) which holds 35.52% of the Company's shares. Listing Rule 9.2.5(b) requires the Appraisal Report to accompany this Notice of Meeting.

Simmons Corporate Finance has concluded that in its independent opinion, after having regard to all relevant factors, the consideration and the terms and conditions of the Mad Butcher Sale are fair to the Shareholders who are not Associated Persons of Michael Morton.

The Independent Directors note that the Simmons Corporate Finance report assesses the Mad Butcher business to have a fair market value in the range of \$7.2 million to \$9.4 million.

Simmons Corporate Finance's evaluation for the fairness of the Mad Butcher Sale is set out in section 2.2 of its Appraisal Report.

If the Mad Butcher Sale does not proceed

As described above, the Mad Butcher Sale will not complete without approval of Shareholders (other than Michael Morton or Associated Persons of Michael Morton).

There are no break fees payable by Veritas if the Mad Butcher Sale does not proceed, to either the Purchaser or Bancorp (Veritas' financial advisor for the Mad Butcher Sale).

The Group's total indebtedness to ANZ as at 31 January 2018 was \$27.0 million.

If the Mad Butcher Sale does not proceed, then it may have the following impacts:

- *Impact on potential further extension of banking facilities:* Any further extension of the Group's banking facilities will require a separate agreement between Veritas and ANZ, the likelihood of which Veritas is unable to comment on. However, if the Mad Butcher Sale does not proceed, this may have a negative impact on Veritas' ability to negotiate any further extensions with ANZ.
- *Impact on Veritas' going concern status:* If the Mad Butcher Sale does not proceed, there would remain significant doubt over the Group's ability to continue as a going concern (unless a further extension of Veritas' ANZ banking facilities can be negotiated, or alternative source(s) of funding can be found).
- *Impact on Veritas' access to alternative sources of funding:* Veritas' discussions with potential financier(s) to the Group are not sufficiently advanced to enable Veritas to comment on the impact of this scenario on Veritas' access to alternative source(s) of funding.
- *Impact on any potential actions that ANZ may take in respect of the outstanding debt:* It is not possible for Veritas to comment on any potential actions that ANZ could take in respect of the Group's outstanding debt after 27 April 2018 – but ANZ continues to monitor the progress of the Mad Butcher Sale and other potential transactions involving the Group. The Independent Directors expect Veritas' prospects for securing a further extension of ANZ banking facilities to become more difficult if the Mad Butcher Sale does not proceed.

The Independent Directors note Simmons' comment in section 2.2 of the Appraisal Report, that if the Mad Butcher Sale does not proceed and Veritas cannot obtain sufficient financing to meet its repayment obligations to ANZ then, then in a worst case scenario:

- ANZ may place Veritas into receivership and appoint receivers to Veritas; or
- the Board may need to appoint liquidators to manage the wind-up and realisation of Veritas' assets.

If the Mad Butcher Sale does proceed

If the Mad Butcher Sale does proceed, the Group's operating profits will decline, as will its interest expenses. However, the Group's debt levels will decrease and the Group would be able to report a significant gain on sale of approximately \$5 million. The gain on sale arises as the sale proceeds are higher than the carrying value and costs of disposal.

As noted above, the Group's total indebtedness to ANZ as at 31 January 2018 was \$27.0 million. Veritas expects to repay \$5.4 million to ANZ from the proceeds of the Mad Butcher Sale – thereby reducing Veritas' bank debt to \$21.6 million after the Mad Butcher Sale.

The Independent Directors consider that completion of the Mad Butcher Sale would be helpful to their ongoing discussions with a number of parties concerning a number of potential transactions involving the Group, including asset sales, mergers and refinancing.

If the Mad Butcher Sale does proceed, then it may have the following impacts:

- *Impact on potential further extension of banking facilities:* Any further extension of the Group's banking facilities will require a separate agreement between Veritas and ANZ, the likelihood of which Veritas is unable to comment on. However, if the Mad Butcher Sale proceeds, the Independent Directors consider that this may have a positive impact on Veritas' ability to negotiate any further extensions with ANZ.
- *Impact on Veritas' going concern status:* Even if the Mad Butcher Sale proceeds, there would remain significant doubt over the Group's ability to continue as a going concern (unless a further extension of Veritas' ANZ banking facilities can be negotiated, or alternative source(s) of funding can be found).
- *Impact on Veritas' access to alternative sources of funding:* Veritas' discussions with potential financier(s) to the Group are not sufficiently advanced to enable Veritas to comment on the impact of this scenario on Veritas' access to alternative source(s) of funding.
- *Impact on any potential actions that ANZ may take in respect of the outstanding debt:* It is not possible for Veritas to comment on any potential actions that ANZ could take in respect of the Group's outstanding debt after 27 April 2018 (If a further extension of Veritas' banking facilities cannot be negotiated with ANZ or alternative source(s) of funding found by that date). ANZ continues to monitor the progress of the Mad Butcher Sale and other potential transactions involving the Group.

The Independent Directors note Simmons' comment in section 2.2 of the Appraisal Report, that if the Mad Butcher Sale does not proceed and Veritas cannot obtain sufficient financing to meet its repayment obligations to ANZ then, then in a worst case scenario:

- ANZ may place Veritas into receivership and appoint receivers to Veritas; or
- the Board may need to appoint liquidators to manage the wind-up and realisation of Veritas' assets.

Recommendation of Independent Directors

The Independent Directors consider that Completion of the Mad Butcher Sale is in the Company's best interests and of benefit to all shareholders (other than Associated Persons of Michael Morton) and, as a result, unanimously recommend that Shareholders support the sale.

4. NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is given that a special meeting of the Shareholders of Veritas Investments Limited (the “**Company**” or “**Veritas**”) will be held at Doolan Brothers Newmarket, 414 Khyber Pass Road, Newmarket, Auckland 1023 on 16 March 2018 at 11:30am.

SPECIAL BUSINESS

The special business of the meeting will be to consider and, if thought fit, pass the following Resolution.

Approval of the sale of Mad Butcher

Resolution 1: As an ordinary resolution under Listing Rules 9.1.1 and 9.2.1(a):

“That the Shareholders ratify, confirm and approve, including for the purposes of Rules 9.1.1 and 9.2.1(a) of the NZX Main Board Listing Rules, the sale of the business and assets of the Mad Butcher franchisor business to Yogg Limited, as more particularly described in the Notice of Meeting and Explanatory Memorandum, and that the Independent Directors be authorised to take all actions, do all things and execute all necessary documents and agreements necessary or considered by them to be expedient to give effect to the Mad Butcher sale transaction.”

Independent Directors’ Recommendation

The Independent Directors of Veritas fully support the above Resolution and unanimously recommend that Shareholders vote in favour of each.

Each Independent Director has indicated that they will be voting the Shares they hold or control in favour of the Resolution (to the extent permitted).

Under Listing Rule 9.3.1, the largest shareholder in Veritas, Michael John Morton and WBM Trustee Limited (as trustees of the Michael Morton #2 Family Trust), are not permitted to vote on Resolution 1.

Voting and Proxies

You may exercise your right to vote at the Special Meeting either by being present in person, by appointing a proxy to attend and vote in your place, or by post. A voting/proxy form is enclosed with this notice. If you wish to vote by proxy or by post you must complete the form and produce it to the Company so as to be received **no later than 11:30am on Wednesday, 14 March 2018**. Proxy appointment can be completed online at:

<https://investorcentre.linkmarketservices.co.nz/voting/VIL>

but please be advised that Michael Morton is not able to act as your discretionary proxy (but may act as your proxy under your express directions). Associated Persons of Michael Morton are also disqualified from acting as discretionary proxy.

Link Market Services Limited has been authorised by the Board to receive and count postal votes.

A proxy need not be a Shareholder of Veritas. You may direct your proxy how to vote, or give your proxy discretion to vote as he or she sees fit. If you wish to give your proxy such discretion you should mark the appropriate box on the proxy form accordingly. If you do not mark any box, then your proxy may vote or abstain from voting as he or she sees fit.

The Independent Chairman of Veritas, Tim Cook, is willing to act as proxy. If you appoint the Independent Chairman as proxy but do not direct him how to vote on any particular matter then the Independent Chairman will vote your Shares in favour of each of the Resolution.

By order of the Board

Tim Cook
Independent Chairman
 Auckland
 28 February 2018

5. EXPLANATION OF THE RESOLUTION AND ADDITIONAL INFORMATION

Background

The purpose of the Special Meeting is to consider and, if thought fit, to approve the resolution seeking Shareholder approval of the Mad Butcher Sale. A summary of the Mad Butcher Sale is set out in section 4 of this document.

Why is the Resolution required?

Listing Rule 9.1.1 provides that the Veritas and its subsidiaries must not enter into a transaction, or series of linked or related transactions, to sell assets:

- which would change the essential nature of the business of the Company; or
- in respect of which the gross value is in excess of 50% of the “average market capitalisation” of the Company,

in each case except with the prior approval of an ordinary resolution of Shareholders (or a special resolution if 129 of the Companies Act also applies). Veritas’ indicative market capitalisation as at the close of trading on 23 February 2018 (being the third trading day before the date of this Notice of Meeting) was \$1,948,798. The Independent Directors consider that the Mad Butcher Sale would, if completed, change the essential nature of Veritas’ business because:

- the acquisition and reverse listing of the Mad Butcher business in 2013 was a significant transaction for Veritas, which was previously a shell investment company. Despite the competitive market conditions, Mad Butcher remains a significant part of Veritas’ investment, generating an EBITDA of \$3.65 million for the year ended 30 June 2017 (which is 45.6% of the total EBITDA of \$8.0 million generated by the Veritas group during the same period); and
- although Veritas’ mandate is that of an investment company focusing in the food, beverage, franchise and hospitality sectors, the sale of Mad Butcher will result in The Better Bar Company becoming the sole operating business within Veritas’ investment portfolio (at least for the time being).

The Independent Directors also note that the \$8 million gross value of the Mad Butcher business exceeds 50% of the current “average market capitalisation” of Veritas. As noted above, Veritas’ indicative market capitalisation as at the close of trading on 23 February 2018 (being the third trading day before the date of this Notice of Meeting) was \$1,948,798.

The Mad Butcher Sale involves the sale by the Vendor (which is a wholly-owned subsidiary of Veritas) of its assets and does not constitute a “major transaction” for Veritas under the Companies Act, and accordingly, a special resolution of shareholders is not required at the Veritas level under section 129 of the Companies Act. The Independent Directors intend to authorise, on behalf of Veritas, the Vendor’s entry into, and performance of its obligations in connection with, the Mad Butcher Sale subject to approval of Shareholders under Resolution 1.

Accordingly, shareholder approval by ordinary resolution is being sought for the Mad Butcher Sale under Listing Rule 9.1.1.

Listing Rule 9.2.1(a) also provides that Veritas and its subsidiaries must not enter into a “material transaction” if a “related party” is, or is likely to become, a direct or indirect party to that transaction, unless it is approved by shareholders by way of an ordinary resolution. For these purposes, a “material transaction” includes a disposal of assets having an “aggregate net value” in excess of 10% of the “average market capitalisation” of Veritas. As noted above, Veritas’ indicative market capitalisation as at the close of trading on 23 February 2018 (being the third trading day before this Notice of Meeting is issued) was \$1,948,798.

The Purchaser is a “related party” of Veritas as Michael Morton is the Chief Executive Officer of the Vendor, as well as a Director of the Veritas group of companies (including the Vendor). Michael Morton is also a trustee and beneficiary of the Michael Morton #2 Family Trust, the largest shareholder in Veritas. Under Listing Rule 9.3.1, as a related party of the Purchaser, Michael Morton and their Associated Persons are disqualified from voting on Resolution 1. Further, Michael Morton is excluded from acting as discretionary proxy under the Listing Rules (but may act as your proxy under your express directions). Associated Persons of Michael Morton are also disqualified from acting as discretionary proxy.

Listing Rule 9.2.5 requires an appraisal report to accompany this Notice of Meeting, which contains such information as is necessary for Veritas shareholders to decide whether the consideration and the terms and conditions of the Mad Butcher Sale are fair. A full copy of Simmons’ Appraisal Report is appended to this Notice of Meeting.

The Independent Directors consider that this Notice of Meeting, when read together with the Appraisal Report, provides such information, valuations and other material as are necessary to enable Shareholders to appraise the implications of the Mad Butcher Sale.

Resolution required: Resolution 1 is proposed as an ordinary resolution to satisfy NZX Main Board Listing Rules 9.1.1 and 9.2.1(a). An ordinary resolution is required to be passed by a simple majority of the votes of the Shareholders entitled to vote and voting on the resolution. Michael Morton and his Associated Persons cannot vote on Resolution 1.

6. GLOSSARY

ANZ	ANZ Bank New Zealand Limited
Appraisal Report	Appraisal Report prepared by Simmons Corporate Finance Limited pursuant to Listing Rule 9.2.5, which accompanies this Notice of Meeting
Associated Person	“Associated Person” as defined in the Listing Rules.
Board	The board of Directors of the Company
Company or Veritas	Veritas Investments Limited
Completion	Completion under the Sale and Purchase Agreement, being completion of the sale of the business and assets of the Vendor
Director	A director of Veritas
Independent Director	An Independent Director of Veritas
Listing Rules	Listing Rules of the NZX Main Board in force from time to time, read subject to any applicable rulings or waivers
Mad Butcher Sale	The proposed sale of the business and assets of the Vendor, as detailed in this Notice of Meeting
NZX	NZX Limited
Purchaser	Yogg Limited, a New Zealand incorporated company owned by Michael Morton and WBM Trustee Limited as trustees of the Michael Morton #2 Trust, and Julie Leitch and WBM Trustee Limited as trustees of the Yogg Trust (each being an Associated Person of Director Michael Morton).
Purchaser’s Guarantor	Michael John Morton and WBM Trustee Limited as trustees of the Michael Morton #2 Family Trust
Resolution	The resolution set out in the Notice of Meeting in section 4 of this document
Sale and Purchase Agreement	The Sale and Purchase Agreement relating to the Mad Butcher Sale dated 20 December 2017 between Veritas, the Vendor, the Purchaser and the Purchaser’s Guarantor
Shareholder	A registered holder of Shares from time to time
Shares	Fully paid ordinary shares in Veritas of the class quoted on the NZX Main Board
Simmons	Simmons Corporate Finance Limited
Vendor	Mad Butcher Limited, a wholly-owned subsidiary of Veritas (whose name will change to Old MBL Limited if the Mad Butcher Sale is completed)
Voting/Proxy Form	The form on which the Veritas Shareholders will vote at the Special Meeting of Shareholders, or by post

7. DIRECTORY

VERITAS INVESTMENTS LIMITED

Ground Level, Building B
Ascot Business Park
95 Ascot Avenue
Greenlane
Auckland 1051

SHARE REGISTRAR

Link Market Services Limited

Level 7, Zurich House
21 Queen Street
Auckland 1142

SOLICITORS

Harmos Horton Lusk Limited

Level 37, Vero Centre
48 Shortland Street
Auckland 1140

AUDITORS

PwC

PwC Tower
188 Quay Street
Auckland 1140

Appendix
Appraisal Report